# Press release

**for immediate release**

# Record sales of over $1 billion for Richelieu and two U.S. acquisitions in 2018

---

- **Sales for 2018** reached $1,004.4 million, up 6.6%. **Diluted net earnings per share** rose to $1.17, compared with $1.15 in 2017.
- **Sales for the fourth quarter** ended November 30, 2018, totalled $258.5 million, up 3.3% and diluted net earnings per share stood at $0.32.
- **Earnings before interest, income taxes and amortization (EBITDA)** were $106.0 million, up $3.0 million or 2.9% over 2017.
- **Solid financial position**, almost no debt, and **working capital** of $329.3 million (ratio of 4.6 : 1).
- **Two strategic acquisitions** in 2018 (United States).
- **Buyback of 966,143 common shares for $26.5 million** in 2018. **Dividends** paid during the year increased by 5.1% to $13.8 million.
- **5.4% increase in the dividend**, 6.00¢ to 6.33¢ for the first quarter of 2019.

---

**Montreal, January 24, 2019** - “Richelieu (RCH/TSX) surpassed the $1 billion mark in sales in 2018, year of its 50th anniversary, while making acquisitions and investing in market development, facility improvements and new technologies. Our innovation, acquisition, development and web strategies, which have proven themselves over the years, resulted in solid internal and acquisition-based growth for the year. The acquisition of Cabinet & Top Supply, Inc. further enhanced our position in Florida, where we now operate nine distribution centers. The acquisition of Chair City Supply, Inc. strengthens our presence, product offering and customer base in the important furniture manufacturer market. As at November 30, 2018, in line with previous years, our financial position was impeccable, with almost no debt and an excellent liquidity ratio. Market capitalization stood at $1.5 billion. We are pursuing our growth strategy on a solid footing, giving priorities on operational profitability, sales synergies with our recent acquisitions, and strategic investments aimed at increasing the long-term value.” said Richelieu President and CEO Richard Lord.

**ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2018, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2017**

## Consolidated sales

**Consolidated sales** reached $1,004.4 million, an increase of $61.9 million or 6.6% over 2017, of which 3.2% from internal growth and 3.4% from acquisitions. At comparable exchange rates to 2017, the consolidated sales growth would have been 6.9% for the year ended November 30, 2018.

Sales to **manufacturers** grew to $850.9 million, compared with $800.0 million for 2017, an increase of $50.9 million or 6.4%, of which 2.4% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 7.7% or $11.0 million to total $153.5 million.

**In Canada**, Richelieu achieved sales of $678.3 million, compared with $634.6 million for 2017, up by $43.7 million or 6.9%, of which 4.1% from internal growth and 2.8% from acquisitions. Sales to **manufacturers** rose to $549.1 million, up by $42.1 million or 8.3%, of which 4.8% from internal growth and 3.5% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $129.2 million, compared with $127.6 million, up by $1.6 million or 1.3% over 2017.

**In the United States**, the Corporation recorded sales of US$252.7 million, compared with US $236.5 million for 2017, an increase of US$16.2 million or 6.9%, of which 2.2% from internal growth and 4.7% from acquisitions. Sales to **manufacturers** totalled US$233.9 million, compared with US $225.0 million, an increase of US$8.9 million or 4.0% over 2017, of which 4.8% from acquisitions and, due to the termination of a supply agreement with a major customer, an internal decrease of 0.8%. With comparable sales, internal growth in the manufacturers market would have been 6.3%. Sales to hardware **retailers** and renovation superstores were up by 63.5% from the previous year resulting primarily from our market development efforts, the addition of new customers and significant cyclical sales. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $326.1 million, compared with $307.9 million for 2017, an increase of 5.9%. They accounted for 32.5% of consolidated sales in 2018, whereas they represented 32.6% of the year's consolidated sales in 2017.

## Consolidated EBITDA and EBITDA margin

**Earnings before income taxes, interest and amortization (EBITDA)** totalled $106.0 million, up by $3.0 million or 2.9% over 2017. The **gross margin** was slightly down from 2017 influenced by the lower gross margins of some recent acquisitions due to their different product mix. Considering the continued investments in market development, the reorganization of some distribution centers and the cost of implementing new technologies, the **EBITDA margin** stood at 10.6%, compared with 10.9% for 2017.

**Amortization expenses** amounted to $13.2 million compared with $11.5 million for the corresponding quarter of 2017, an increase of $1.7 million resulting mainly from investments made in property, plant and equipment. **Income taxes** amounted to $24.8 million, an increase of $1.0 million over 2017.

## Consolidated net earnings attributable to shareholders

**Net earnings** remained stable. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $67.8 million, an increase of 0.1% over 2017. **Net earnings per share** amounted to $1.18 basic and $1.17 diluted, compared with $1.17 basic and $1.15 diluted for 2017, an increase of 0.9% and 1.7% respectively.

**Comprehensive income** totalled $71.7 million, considering a positive adjustment of $3.7 million on translation of the financial statements of the subsidiary in the United States, compared with $63.5 million for 2017, considering a negative adjustment of $4.4 million on translation of the financial statements of the subsidiary in the United States.

### FOURTH QUARTER ENDED NOVEMBER 30, 2018

**Fourth-quarter consolidated sales** amounted to $258.5 million, compared with $250.2 million for the corresponding quarter of 2017, an increase of $8.3 million or 3.3%, of which 1.0% from internal growth and 2.3% from acquisitions. At comparable exchange rates to the fourth quarter of 2017, the consolidated sales growth would have been 2.0% for the quarter ended November 30, 2018.

Richelieu achieved sales of $224.2 million in the **manufacturers** market, compared with $213.7 million for the fourth quarter of 2017, an increase of $10.5 million or 4.9%, of which 2.2% from internal growth and 2.7% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $34.3 million, down by $2.2 million or 6.0% over the fourth quarter of 2017.

**In Canada**, Richelieu recorded sales of $174.6 million, an increase of $0.1 million over the fourth quarter of 2017. Sales to **manufacturers** amounted to $144.2 million, an increase of 2.3% from internal growth. Sales to hardware **retailers** and renovation superstores reached $30.4 million, down by $3.2 million or 9.5%, caused by higher cyclical sales in the same period of 2017 and a decrease in the level of purchases from some major customers in the fourth quarter of 2018.

**In the United States**, sales totalled US$64.1 million, compared with US$60.3 million for the fourth quarter of 2017, an increase of US$3.8 million or 6.3%, of which 7.2% from acquisitions and an internal decrease of 0.9% (up 8.6% at comparable sales). Sales to **manufacturers** amounted to US$61.1 million, an increase of US$3.1 million or 5.3% over the fourth quarter of 2017, of which 7.5% from acquisitions, while the internal decrease was 2.2% due to the termination of a supply agreement with a major customer (up 7.7% at comparable sales). Sales to hardware **retailers** and renovation superstores were up by 30.4% from the corresponding quarter of 2017. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $83.9 million, an increase of 10.8%. They accounted for 32.5% of consolidated sales for the fourth quarter of 2018, whereas they had represented 30.3% of the period's consolidated sales for the fourth quarter of 2017.

**Earnings before income taxes, interest and amortization (EBITDA)** amounted to $29.2 million compared with $30.1 million in the fourth quarter of 2017. The **gross margin** and the **EBITDA margin** were influenced by lower gross margins of certain recent acquisitions due to their different product mix as well as to lower sales in the Canadian retailers market and US market development costs. The **EBITDA margin** stood at 11.3%, compared with 12.0% for the fourth quarter of 2017.

**Amortization expenses** amounted to $3.5 million compared with $2.9 million for the corresponding quarter of 2017, an increase of $0.5 million resulting mainly from investments made in property, plant and equipment. **Income taxes** amounted to $7.2 million, stable compared with 2017.

**Net earnings** was down by 7.3% year over year. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $18.5 million, down by 7.4% over the fourth quarter of 2017. **Net earnings per share** reduced to $0.32 basic and diluted, compared with $0.34 basic and diluted for the fourth quarter of 2017, a decrease of 5.9%.

**Comprehensive income** amounted to $20.7 million, considering a positive adjustment of $2.2 million on translation of the financial statements of the subsidiary in the United States, compared with $22.8 million for the fourth quarter of 2017, considering a positive adjustment of $2.8 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 $23.4 million or $0.40 per share, compared with $22.2 million or $0.38 per share for the fourth quarter of 2017, an increase of 5.0% resulting primarily from deferred taxes. Net change in non-cash working capital balances represented a cash inflow of $2.2 million, reflecting the change in inventory ($5.4 million), whereas the change in accounts receivable and payable and other items represented a cash inflow of $7.6 million. Consequently, operating activities provided cash flows of $25.5 million, compared with $19.8 million for the fourth quarter of 2017.

**Financing activities** used cash flows of $14.8 million, compared with $13.7 million for the fourth quarter of 2017. This change was primarily driven by common shares buyback of $12.4 million in the fourth quarter of 2018 compared with $10.6 million for the same quarter in 2017.

**Investing activities** represented a cash outflow of $11.2 million in the fourth quarter, of which $7.0 million for the acquisition of Chair City Supply, Inc. and $4.2 million for equipment to improve operational efficiency, improvements to some buildings and IT equipment.

## FINANCIAL POSITION

## Analysis of principal cash flows for the year ended November 30, 2018

## Operating activities

**Cash flows from operating activities** (before net change in non-cash working capital balances) reached $84.5 million or $1.45 diluted per share, compared with $80.0 million or $1.36 diluted per share for 2017, an increase of 5.6% stemming primarily from depreciation and deferred taxes. Net change in non-cash working capital balances used cash flows of $42.2 million, primarily representing changes in inventory and accounts payable ($35.8 million) whereas accounts receivables and other items used cash flows of $6.4 million. Consequently, operating activities provided cash flows of $42.3 million compared with $56.0 million for 2017.

## Financing activities

**Financing activities** used cash flows of $42.3 million, compared with $26.5 million for 2017. During the year, Richelieu repurchased common shares for cancellation for $26.5 million, compared with $14.8 million in 2017. The Corporation paid dividends to shareholders of $13.8 million, up by 5.1% over 2017 and made a debt repayment in the amount of $3.9 million compared to $1.2 million for the 2017 fiscal year.

## Investing activities

**Investing activities** represented a total cash outflow of $21.4 million, of which $9.0 million for business acquisitions and $12.4 million for equipment to improve operational efficiency.

## Sources of financing

As at November 30, 2018, **cash and cash equivalents** amounted to $7.4 million, compared with $29.2 million as at November 30, 2017. The Corporation posted a **working capital** of $329.3 million for a current ratio of 4.6 : 1, compared with $300.1 million (4.0 : 1 ratio) as at November 30, 2017.

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 2019. 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 at prime and base rates respectively. In addition, Richelieu considers it could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2019, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

## Summary of financial position

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

| As at November 30 | **2018**<br>**$** | 2017<br>$ |
|---|---|---|
| Current assets | **419,844** | 399,187 |
| Non-current assets | **149,275** | 143,480 |
| **Total** | **569,119** | 542,667 |
| Current liabilities | **90,501** | 99,071 |
| Non-current liabilities | **5,132** | 5,392 |
| Equity attributable to shareholders of the Corporation | **470,278** | 434,092 |
| Non-controlling interests | **3,208** | 4,112 |
| **Total** | **569,119** | 542,667 |
| *Exchange rates on translation of a subsidiary in the United States* | ***1.330*** | *1.289* |

## Assets

**Total assets** amounted to $569.1 million as at November 30, 2018, compared with $542.7 million as at November 30, 2017. **Current assets** increased by 5.2% or $20.7 million from November 30, 2017. Owing mainly to inventory growth in fiscal 2018.

## Cash position

*(in thousands of $)*

| | 2018 | 2017 |
|---|---|---|
| **As at November 30** | **$** | $ |
| Current portion of long-term debt | **2,023** | 4,294 |
| Long-term debt | **—** | — |
| **Total debt** | **2,023** | 4,294 |
| *Cash and cash equivalents* | ***7,408*** | *29,162* |

As at November 30, 2018, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $2.0 million representing balances payable on acquisitions.

**Equity** attributable to shareholders of the Corporation totalled $470.3 million as at November 30, 2018, compared with $434.1 million as at November 30, 2017, an increase of $36.2 million. That increase is mainly due to a rise of $28.5 million in retained earnings, which amounted to $405.4 million, and $3.9 million of share capital and contributed surplus, while accumulated other comprehensive income increased by $3.7 million. As at November 30, 2018, **the book value per share** was $8.23, up by 9.6% over November 30, 2017, and the return on average shareholders' equity was 15.0%.

As at November 30, 2018, the Corporation's **share capital** consisted of 57,114,234 common shares (57,795,603 shares as at November 30, 2017). In 2018, upon the exercise of stock options under the stock option plan, Richelieu issued 284,774 common shares at an average price of $8.11 (333,225 in 2017 at an average price of $8.34). In addition, 966,143 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $26.5 million (458,088 common shares for a cash consideration of $14.8 million in 2017).

## Dividends

On January 24, 2019, the Board of Directors approved the payment of a quarterly dividend of $0.0633 per share to shareholders of record as at February 7, 2019, payable on February 21, 2019. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

### PROFILE AS AT NOVEMBER 30, 2018

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 72 centres in North America – 34 distribution centres in Canada, 36 in the United States and two manufacturing plants in Canada, specifically Cedan Industries Inc. which specializes in the manufacturing of a wide variety of veneer sheets and edgebanding products and Menuiserie des Pins Ltée which manufactures components for the window and door industry and a broad selection of decorative mouldings.

**Notes to readers —** Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a financial indicator of a corporation's ability to service its debt. However, EBITDA should not be considered by an investor as an alternative to operating income, net earnings, cash flows or as a measure of liquidity. Because EBITDA is 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.

- 30 -

**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 24, 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 January 24, 2019, may dial **1-888-390-0546** a few minutes before the start of the call. For those unable to participate, a taped rebroadcast will be available as of 5:15 p.m. on January 24, 2019 until midnight on January 31st, 2019, by dialing **1-888-259-6562, access code: 111527.** 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

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **7,408** | 29,162 |
| Accounts receivable | **138,767** | 134,187 |
| Inventories | **270,275** | 233,585 |
| Prepaid expenses | **3,394** | 2,253 |
| | **419,844** | 399,187 |
| **Non-current assets** | | |
| Property, plant and equipment | **41,725** | 38,558 |
| Intangible assets | **29,340** | 29,282 |
| Goodwill | **71,984** | 68,931 |
| Deferred taxes | **6,226** | 6,709 |
| | **569,119** | 542,667 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **88,359** | 91,858 |
| Income taxes payable | **119** | 2,919 |
| Current portion of long-term debt | **2,023** | 4,294 |
| | **90,501** | 99,071 |
| **Non-current liabilities** | | |
| Deferred taxes | **3,289** | 3,511 |
| Other liabilities | **1,843** | 1,881 |
| | **95,633** | 104,463 |
| **Equity** | | |
| Share capital | **41,398** | 39,230 |
| Contributed surplus | **4,122** | 2,358 |
| Retained earnings | **405,445** | 376,922 |
| Accumulated other comprehensive income | **19,313** | 15,582 |
| Equity attributable to shareholders of the Corporation | **470,278** | 434,092 |
| Non-controlling interests | **3,208** | 4,112 |
| | **473,486** | 438,204 |
| | **569,119** | 542,667 |

## CONSOLIDATED STATEMENTS OF EARNINGS

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

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| **Sales** | **1,004,400** | 942,545 |
| Operating expenses excluding amortization | **898,409** | 839,571 |
| **Earnings before amortization, financial costs and income taxes** | **105,991** | 102,974 |
| Amortization of property, plant and equipment | **9,203** | 7,634 |
| Amortization of intangible assets | **3,997** | 3,820 |
| Financial costs, net | **65** | (193) |
| | **13,265** | 11,261 |
| **Earnings before income taxes** | **92,726** | 91,713 |
| Income taxes | **24,762** | 23,781 |
| **Net earnings** | **67,964** | 67,932 |
| **Net earnings attributable to:** | | |
| Shareholders of the Corporation | **67,777** | 67,704 |
| Non-controlling interests | **187** | 228 |
| | **67,964** | 67,932 |
| **Net earnings per share attributable to shareholders of the Corporation** | | |
| Basic | **1.18** | 1.17 |
| Diluted | **1.17** | 1.15 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
Years ended November 30

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| **Net earnings** | **67,964** | 67,932 |
| **Other comprehensive income that will be reclassified to net earnings** | | |
| Exchange differences on translation of foreign operations | **3,731** | (4,384) |
| **Comprehensive income** | **71,695** | 63,548 |
| **Comprehensive income attributable to:** | | |
| Shareholders of the Corporation | **71,508** | 63,320 |
| Non-controlling interests | **187** | 228 |
| | **71,695** | 63,548 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
Years ended November 30

| | **2018** | 2017 |
|---|---|---|
| | **$** | $ |
| **OPERATING ACTIVITIES** | | |
| Net earnings | **67,964** | 67,932 |
| Items not affecting cash and cash equivalent | | |
| Amortization of property, plant and equipment | **9,203** | 7,634 |
| Amortization of intangible assets | **3,997** | 3,820 |
| Deferred taxes | **321** | (1,700) |
| Share-based compensation expense | **2,971** | 2,265 |
| | **84,456** | 79,951 |
| Net change in non-cash working capital balances | **(42,184)** | (23,995) |
| | **42,272** | 55,956 |
| **FINANCING ACTIVITIES** | | |
| Repayment of long-term debt | **(3,927)** | (1,217) |
| Dividends paid to Shareholders of the Corporation | **(13,824)** | (13,157) |
| Other dividends paid | **(311)** | (190) |
| Common shares issued | **2,309** | 2,780 |
| Common shares repurchased for cancellation | **(26,531)** | (14,763) |
| | **(42,284)** | (26,547) |
| **INVESTING ACTIVITIES** | | |
| Business acquisitions | **(9,004)** | (30,203) |
| Additions to property, plant and equipment and intangible assets | **(12,369)** | (13,121) |
| | **(21,373)** | (43,324) |
| Effect of exchange rate changes on cash and cash equivalents | **(369)** | 108 |
| **Net change in cash and cash equivalents** | **(21,754)** | (13,807) |
| Cash and cash equivalents, beginning of year | **29,162** | 42,969 |
| **Cash and cash equivalents, end of year** | **7,408** | 29,162 |