



**Press release
for immediate release**

Sales of \$1.042 billion for Richelieu in 2019

Continued expansion: 4 acquisitions in Canada

2 new acquisitions after fiscal 2019

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- **Sales for fiscal 2019** reached \$1,042 million, up 3.7%. **Diluted net earnings per share** were \$1.18, compared to \$1.17 in 2018.
 - **Sales for the fourth quarter** ended November 30, 2019, totalled \$265 million, up 2.4% while **diluted net earnings per share** grew to \$0.34, up 6.3%.
 - **Earnings before interest, income taxes and amortization (EBITDA)** were \$109.5 million in 2019, up \$3.5 million or 3.3% over 2018. Fourth quarter **EBITDA** increased by 6.8% to \$31.2 million.
 - **Sound and solid financial position**, almost no debt, and **working capital** of \$349.6 million (ratio of 4.7 : 1) as at November 30, 2019.
 - **Buyback of 987,479 common shares for \$25.2 million** in 2019. **Dividends** paid during the year increased by 4.3% to \$14.4 million.
 - **Six acquisitions**, including 2 subsequent to the end of the fiscal year, were closed in Canada, representing annual sales of approximately \$70 million, with \$20 million in the United States. We also recently signed an agreement in principle for another acquisition in the United States.
 - **5.4% increase in the dividend**, 6.33¢ to 6.67¢ for the first quarter of 2020.

Montreal, January 23, 2020 - "Richelieu (RCH/TSX) continued its expansion in 2019 with four Canadian acquisitions that strengthened our activities in specialized markets: window and door hardware products, architectural hardware for stairs and railing, including stainless steel products and glass. Combined with the benefits of our ongoing innovation and market development strategies, these acquisitions enabled us to achieve sales growth of 3.7% for 2019. The fourth quarter was marked by increases of 2.4% in sales, 6.8% in EBITDA, and 5.6% in net earnings. Sales in the manufacturers market rose 4.0% in Canada and 2.8% (US\$) in the United States, while sales in the retailers market declined 5.6% in Canada and 26.7% (US\$) in the United States in the fourth quarter. In line with previous years, Richelieu ended 2019 with a sound and solid financial position. Continuous innovation in the product offering and customer service as well as business acquisitions remain Richelieu's two prime growth drivers," commented Richelieu president and CEO Richard Lord.



“We are also pleased to start fiscal 2020 on a strong note with two new acquisitions: Decotec Inc., a distributor of decorative panels and related products with a distribution center in the Toronto suburb of North York, which we acquired on December 2, 2019, and **Mibro**, a distributor of hardware products and power tool accessories intended to the retailers market, which we acquired on December 9, 2019. A leader in its field for over 65 years, Mibro serves a wide range of customers in Canada and the United States from two distribution centres located in Toronto and Buffalo. Combined with the four acquisitions completed in fiscal 2019, annual sales will represent approximately \$70 million. These acquisitions provide us with access to expert resources and strengthen our position in these key and strategic markets for Richelieu's future. Furthermore, we have just signed an agreement in principle to acquire a US distributor operating in new strategic regions for Richelieu. This transaction would generate additional sales of approximately US\$15 million on an annual basis”, said Richard Lord.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2019, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2018

Consolidated sales

Consolidated sales reached \$1,041.6 million, an increase of \$37.3 million or 3.7% over 2018, of which 0.1% from an internal growth and 3.6% from acquisitions. At comparable exchange rates to 2018, the consolidated sales growth would have been 2.7% for the year ended November 30, 2019.

Sales to **manufacturers** grew to \$897.8 million, compared with \$851.1 million for 2018, an increase of \$46.7 million or 5.5%, of which 1.2% from an internal growth and 4.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.1% or \$9.4 million to total \$143.8 million.

In Canada, Richelieu achieved sales of \$685.7 million, compared with \$678.3 million for 2018, up by \$7.4 million or 1.1%, of which 3.2% from acquisitions and 2.1% from an internal decrease. Sales to **manufacturers** rose to \$568.0 million, up by \$18.8 million or 3.4%, of which 3.9% resulting from acquisitions and 0.5% from an internal decrease. Sales to hardware **retailers** and renovation superstores reached \$117.7 million, compared with \$129.1 million, down by \$11.4 million or 8.8% over 2018. The slowdown in this market, mainly in the first half, as well as the closure of several stores of a major customer, impacted sales downwards.

In the United States, the Corporation recorded sales of US\$267.8 million, compared with US\$252.7 million for 2018, an increase of US\$15.1 million or 6.0%, of which 1.6% from an internal growth and 4.4% from acquisitions. Sales to **manufacturers** totalled US\$248.1 million, compared with US\$233.9 million, an increase of US\$14.2 million or 6.1% over 2018, of which 1.4% from internal growth and 4.7% 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 3.2%. Sales to hardware **retailers** and renovation superstores were up by 4.8%. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$356.0 million, compared with \$326.1 million for 2018, an increase of 9.2%. They accounted for 34.2% of consolidated sales in 2019, whereas they represented 32.5% of the year's consolidated sales in 2018.

Consolidated EBITDA and EBITDA margin

Earnings before income taxes, interest and amortization (EBITDA) totalled \$109.5 million, up by \$3.5 million or 3.3% over 2018. The **gross margin** and **EBITDA margin** remained stable with 2018. The **EBITDA margin** stood at 10.5%, compared with 10.6% for 2018.

Amortization expenses amounted to \$15.5 million compared with \$13.2 million for 2018, an increase of \$2.3 million resulting mainly from investments made in property, plant and equipment and intangible assets. **Income taxes** amounted to \$25.6 million, an increase of \$0.9 million over 2018.

Consolidated net earnings attributable to shareholders

Net earnings remained stable. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$67.5 million, stable with 2018. **Net earnings per share** amounted to \$1.19 basic and \$1.18 diluted, compared with \$1.18 basic and \$1.17 diluted for 2018, an increase of 0.8% and 0.9% respectively.

Comprehensive income totalled \$67.6 million, considering a negative adjustment of \$0.1 million on translation of the financial statements of the subsidiary in the United States, compared with \$71.7 million for 2018, considering a positive adjustment of \$3.7 million on translation of the financial statements of the subsidiary in the United States.

FOURTH QUARTER ENDED NOVEMBER 30, 2019

Fourth-quarter consolidated sales amounted to \$265.0 million, compared with \$258.8 million for the corresponding quarter of 2018, an increase of \$6.2 million or 2.4%, of which 3.0% resulting from acquisitions and 0.6% of internal decrease. At comparable exchange rates to the fourth quarter of 2018, the consolidated sales growth would have been 2.0% for the quarter ended November 30, 2019.

Richelieu achieved sales of \$233.5 million in the **manufacturers** market, compared with \$224.5 million for the fourth quarter of 2018, an increase of \$9 million or 4.0%, of which 0.6% from an internal growth and 3.4% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$31.5 million, down by \$2.8 million or 8.2% over the fourth quarter of 2018.

In Canada, Richelieu recorded sales of \$179.0 million, an increase of \$4.1 million over the fourth quarter of 2018. Sales to **manufacturers** amounted to \$150.4 million, an increase of 4.0% mainly from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$28.6 million, down by \$1.7 million or 5.6%. The general slowdown felt in this market during the first three quarters of fiscal 2019 continued to have a downward effect on sales in the fourth quarter of 2019.

In the United States, sales totalled US\$65.0 million, compared with US\$64.1 million for the fourth quarter of 2018, an increase of US\$0.9 million or 1.4%, resulting from an internal growth. Sales to **manufacturers** amounted to US\$62.8 million, an increase of US\$1.7 million or 2.8% over the fourth quarter of 2018. Sales to hardware **retailers** and renovation superstores were down by 26.7% from the corresponding quarter of 2018, mainly due to lower cyclical sales, but are up by 4.8% for fiscal 2019. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$86.0 million, an increase of 2.5%. They accounted for 32.4% of consolidated sales for the fourth quarter of 2019, whereas they had represented 32.4% of the period's consolidated sales for the fourth quarter of 2018.

Earnings before income taxes, interest and amortization (EBITDA) amounted to \$31.2 million compared with \$29.2 million in the fourth quarter of 2018. The **EBITDA margin** stood at 11.8%, compared with 11.3% for the fourth quarter of 2018, resulting from a slight improvement in gross margins and operating costs.

Amortization expenses amounted to \$4.1 million compared with \$3.5 million for the corresponding quarter of 2018, an increase of \$0.6 million resulting mainly from investments made in intangible assets. **Income taxes** amounted to \$7.6 million, stable with 2018.

Net earnings was up by 5.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$19.5 million, up by 5.6% over the fourth quarter of 2018. **Net earnings per share** rose to \$0.34 basic and diluted, compared with \$0.32 basic and diluted for the fourth quarter of 2018, an increase of 6.3%.

Comprehensive income amounted to \$19.4 million, considering a negative adjustment of \$0.1 million on translation of the financial statements of the subsidiary in the United States, compared with \$20.7 million for the fourth quarter of 2018, considering a positive adjustment of \$2.2 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 \$24.8 million or \$0.43 per share, compared with \$23.2 million or \$0.40 per share for the fourth quarter of 2018, an increase of 6.9% resulting primarily from net earnings increase. Net change in non-cash working capital balances represented a cash inflow of \$7.9 million, reflecting the change in inventory (\$5.1 million), whereas the change in accounts receivable and payable and other items represented a cash inflow of \$2.7 million. Consequently, operating activities provided cash flows of \$32.6 million, compared with \$25.5 million for the fourth quarter of 2018.

Financing activities used cash flows of \$19.8 million, compared with \$14.8 million for the fourth quarter of 2018. This change was primarily driven by common shares buyback of \$15.8 million in the fourth quarter of 2019 compared with \$12.4 million for the same quarter in 2018.

Investing activities represented a cash outflow of \$2.9 million in the fourth quarter, mainly for equipment to improve operational efficiency and IT equipment.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2019

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached \$85.7 million or \$1.50 diluted per share, compared with \$83.8 million or \$1.44 diluted per share for 2018, an increase of 2.3% stemming primarily from amortizations. Net change in non-cash working capital balances represented a cash inflow of \$2.4 million, primarily representing changes in inventory and accounts payable (\$3.0 million) whereas accounts receivables and other items used cash flows of \$0.6 million. Consequently, operating activities provided cash flows of \$88.2 million compared with \$42.3 million for 2018. In 2018, non-cash working capital items required liquidities of \$ 41.5 million, mainly due to investment in inventory, particularly for the addition of new products.

Financing activities

Financing activities used cash flows of \$39.7 million, compared with \$42.3 million for 2018. During the year, Richelieu repurchased common shares for cancellation for \$25.2 million, compared with \$26.5 million in 2018. The Corporation paid dividends to shareholders of \$14.4 million, up by 4.3% over 2018 and made a debt repayment in the amount of \$1.1 million compared to \$3.9 million for the 2018 fiscal year.

Investing activities

Investing activities represented a total cash outflow of \$31.3 million, of which \$20.8 million for business acquisitions and \$10.6 million, mainly for equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at November 30, 2019, **cash and cash equivalents** amounted to \$24.7 million, compared with \$7.4 million as at November 30, 2018. The Corporation posted a **working capital** of \$349.6 million for a current ratio of 4.7 : 1, compared with \$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 and the financing and investing activities between now and the end of 2020. The Corporation continues to benefit from 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 of financial position

(in thousands of \$, except exchange rates)

	2019	2018
As at November 30	\$	\$
Current assets	445,345	419,844
Non-current assets	162,197	149,275
Total	607,542	569,119
Current liabilities	95,799	90,501
Non-current liabilities	7,373	5,132
Equity attributable to shareholders of the Corporation	501,133	470,278
Non-controlling interests	3,237	3,208
Total	607,542	569,119
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.329	1.330

Assets

Total assets amounted to \$607.5 million as at November 30, 2019, compared with \$569.1 million as at November 30, 2018. **Current assets** increased by 6.1% or \$25.5 million from November 30, 2018 owing mainly to business acquisitions made in fiscal 2019.

Cash position

(in thousands of \$)

	2019	2018
As at November 30	\$	\$
Current portion of long-term debt	5,659	2,023
Long-term debt	—	—
Total debt	5,659	2,023
<i>Cash and cash equivalents</i>	24,701	7,408

As at November 30, 2019, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$5.7 million representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$501.1 million as at November 30, 2019, compared with \$470.3 million as at November 30, 2018, an increase of \$30.9 million. That increase is mainly due to a rise of \$28.6 million in retained earnings, which amounted to \$434.1 million, and \$2.4 million of share capital and contributed surplus, while accumulated other comprehensive income was down by \$0.1 million. As at November 30, 2019, **the book value per share** was \$8.91, up by 8.3% over November 30, 2018, and the return on average shareholders' equity was 13.9%.

As at November 30, 2019, the Corporation's **share capital** consisted of 56,240,030 common shares (57,114,234 shares as at November 30, 2018). In 2019, upon the exercise of stock options under the stock option plan, Richelieu issued 113,275 common shares at an average price of \$10.92 (284,774 in 2018 at an average price of \$8.11). In addition, 987,479 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$25.2 million (966,143 common shares for a cash consideration of \$26.5 million in 2018). The Corporation granted 232,000 stock options during the year (357,000 in 2018). Consequently, as at November 30, 2019, 1,770,700 stock options were outstanding (1,669,475 as at November 30, 2018).

Dividends

On January 23, 2020, the Board of Directors approved the payment of a quarterly dividend of \$0.0667 per share to shareholders of record as at February 6, 2020, payable on February 20, 2020. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT NOVEMBER 30, 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 centres in North America – 39 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 edgbanding products and Menuiserie des Pins Ltée which manufactures components for the window and door industry and a broad selection of decorative mouldings.

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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 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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JANUARY 23, 2020 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 23, 2020, 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 January 23, 2020 until midnight on January 30, 2020, by dialing **1-888-259-6562, access code: 203922 #**. 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

	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	24,701	7,408
Accounts receivable	137,589	138,767
Income taxes receivable	1,336	—
Inventories	275,154	270,275
Prepaid expenses	6,565	3,394
	445,345	419,844
Non-current assets		
Property, plant and equipment	41,309	41,725
Intangible assets	35,383	29,340
Goodwill	80,164	71,984
Deferred taxes	5,341	6,226
	607,542	569,119
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	90,140	88,359
Income taxes payable	—	119
Current portion of long-term debt	5,659	2,023
	95,799	90,501
Non-current liabilities		
Deferred taxes	5,553	3,289
Other liabilities	1,820	1,843
	103,172	95,633
Equity		
Share capital	42,190	41,398
Contributed surplus	5,700	4,122
Retained earnings	434,061	405,445
Accumulated other comprehensive income	19,182	19,313
	501,133	470,278
Equity attributable to shareholders of the Corporation	501,133	470,278
Non-controlling interests	3,237	3,208
	504,370	473,486
	607,542	569,119

CONSOLIDATED STATEMENTS OF EARNINGS

[In thousands of dollars, except earnings per share]

Years ended November 30

	2019	2018
	\$	\$
Sales	1,041,647	1,004,400
Operating expenses excluding amortization	932,134	898,409
Earnings before amortization, financial costs and income taxes	109,513	105,991
Amortization of property, plant and equipment	10,293	9,203
Amortization of intangible assets	5,180	3,997
Financial costs, net	665	65
	16,138	13,265
Earnings before income taxes	93,375	92,726
Income taxes	25,642	24,762
Net earnings	67,733	67,964
Net earnings attributable to:		
Shareholders of the Corporation	67,534	67,777
Non-controlling interests	199	187
	67,733	67,964
Net earnings per share attributable to shareholders of the Corporation		
Basic	1.19	1.18
Diluted	1.18	1.17

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]

Years ended November 30

	2019	2018
	\$	\$
Net earnings	67,733	67,964
Other comprehensive income that will be reclassified to net earnings		
Exchange differences on translation of foreign operations	(131)	3,731
Comprehensive income	67,602	71,695
Comprehensive income attributable to:		
Shareholders of the Corporation	67,403	71,508
Non-controlling interests	199	187
	67,602	71,695

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]

Years ended November 30

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net earnings	67,733	67,964
Items not affecting cash and cash equivalent		
Amortization of property, plant and equipment	10,293	9,203
Amortization of intangible assets	5,180	3,997
Deferred taxes	669	321
Share-based compensation expense	1,864	2,298
	<u>85,739</u>	<u>83,783</u>
Net change in non-cash working capital balances	2,428	(41,511)
	<u>88,167</u>	<u>42,272</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,090)	(3,927)
Dividends paid to Shareholders of the Corporation	(14,424)	(13,824)
Other dividends paid	(193)	(311)
Common shares issued	1,236	2,309
Common shares repurchased for cancellation	(25,224)	(26,531)
	<u>(39,695)</u>	<u>(42,284)</u>
INVESTING ACTIVITIES		
Business acquisitions	(20,788)	(9,004)
Additions to property, plant and equipment and intangible assets	(10,558)	(12,369)
	<u>(31,346)</u>	<u>(21,373)</u>
Effect of exchange rate changes on cash and cash equivalents	167	(369)
Net change in cash and cash equivalents	17,293	(21,754)
Cash and cash equivalents, beginning of year	7,408	29,162
Cash and cash equivalents, end of year	24,701	7,408