Richelieu

Press release
for immediate release

Richelieu increased its sales by 8.3% to $1.128 billion in 2020
A 29.3% increase in net earnings per share

5 acquisitions completed in North America

- **For the fiscal year ended November 30, 2020**, **sales** reached $1,128 million, up 8.3% over 2019. **Earnings before income taxes, interest and amortization (EBITDA)** amounted to $154.5 million, up 24.4%. **Net earnings attributable to shareholders** increased by 28.2% to $85.2 million and amounted to $1.50 **diluted per share**, up 29.3%.
- **For the fourth quarter sales** totalled $319 million, up 20.4%. **EBITDA** increased by 33.5% to $46.7 million. **Diluted net earnings per share** amounted to $0.48, up 41.2%.
- **Repurchase of 678,362 common shares for $25.0 million** in 2020.
- **Five acquisitions** closed in North America during the fiscal year, for additional sales of more than $70 million on an annual basis.
- **Sound and solid financial position.** As at November 30, 2020, **cash** amounted to $73.9 million, **total debt** was $5.8 million and **working capital** of $377.4 million (ratio of 3.6 : 1).
- **Dividend increase of 4.9%** to $0.07 for the first quarter of 2021 and **payment of a special dividend of $0.0667**.

Montreal, January 21, 2021 – "In 2020, Richelieu (RCH/TSX) achieved solid growth under the circumstances. Our improved results reflect our *One-stop shop* service approach, our innovation strategy, the diversification of our market segments, as well as the substantial contribution of our acquisitions and rigorous cost control. We ended the year with strong liquidity and a sound financial position. In addition to the implementation of all needed prevention measures in the pandemic context, extra vigilance and dedication at all levels of our organization were required during the year. Building on our value-added service concept and the commitment of our team, we spared no effort and did our utmost to provide maximum support to our customers," said Richelieu president and CEO Richard Lord.

"In the fourth quarter, our sales in the manufacturers market rose 15.8% in Canada and 15.8% (US$) in the United States, while sales in the retailers market increased 42.6% in Canada and 184.3% (US$) in the United States. For the fiscal year, sales were up 2.1% in Canada and 7.3% (US$) in the United States in the manufacturers market, while sales in the retailers market rose 27.0% in Canada and 53.5% (US$) in the United States. In light of the solid growth in results, the Board of Directors approved a 4.9% increase in the quarterly dividend, to $0.07 per share. In addition, a special dividend of $0.0667 per share will be paid to shareholders as compensation for the the dividend that was not declared in the first quarter of 2020 to mitigate the possible financial impact of the COVID-19 crisis. We will continue our strategies in 2021 by remaining solidly focused on our customers, innovation, and value-added service," added Richard Lord.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2020, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2019

Consolidated sales

Consolidated sales reached $1,127.8 million, an increase of $86.2 million or 8.3% over 2019, of which 0.7% from internal growth and 7.6% from acquisitions. At comparable exchange rates to 2019, the consolidated sales growth would have been 7.9% for the year ended November 30, 2020.

Sales to **manufacturers** grew to $938.2 million, compared with $898.2 million for fiscal 2019, an increase of $40.0 million or 4.5%, of which 5.4% from acquisitions and 0.9% from internal decrease resulting from the slow down in the second quarter due to the pandemic. Sales to hardware **retailers** and renovation superstores grew by 32.2% or $46.2 million to total $189.7 million, of which 10.2% from internal growth and 22.0% from acquisitions. This increase in sales is attributable to the favourable fallout from strong demand in the renovation market in the context of the COVID-19 pandemic.

In Canada, Richelieu achieved sales of $730.0 million, compared with $686.0 million for fiscal 2019, up by $44.0 million or 6.4%, of which 5.0% resulted from acquisitions and 1.4% from internal growth. Sales to **manufacturers** rose to $581.0 million, up by $12.2 million or 2.1%, of which 4.1% from acquisitions and 2.0% from internal decrease. Sales to hardware **retailers** and renovation superstores reached $149.0 million, compared with $117.3 million, up by $31.7 million or 27.0% over fiscal 2019, of which 18.1% from internal growth and 8.9% from acquisitions. This increase is the result of major growth in the renovation market in Canada.

In the United States, the Corporation recorded sales of US$296.3 million, compared with US$267.6 million for fiscal 2019, an increase of US$28.8 million or 10.7%, of which 12.6% from acquisitions and 1.9% from an internal decrease. Sales to **manufacturers** totalled US$265.9 million, compared with US$247.7 million, an increase of US$18.2 million or 7.3% over fiscal 2019, resulting entirely from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 53.5% compared to fiscal 2019, resulting mainly from acquisitions. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $397.9 million, compared with $355.6 million for 2019, an increase of 11.9%. They accounted for 35.3% of consolidated sales in fiscal 2020, whereas they represented 34.1% of the year's consolidated sales in fiscal 2019.

Earnings before income taxes, interest and amortization (EBITDA) totalled $154.5 million, up by $30.3 million or 24.4% over 2019. The **gross margin** remained stable compared with 2019. As for the **EBITDA margin,** it stood at 13.7%, compared with 11.9% for 2019, resulting from increased sales as well as cost reduction measures and government grants.

Amortization expenses amounted to $34.0 million compared with $29.2 million for 2019, an increase of $4.8 million resulting from the increase in the amortization of intangible assets and right-of-use assets mainly relating to business acquisitions made in 2019 and in 2020. **Income taxes** amounted to $32.1 million, an increase of $6.9 million over 2019.

Consolidated net earnings attributable to shareholders

Net earnings rose 28.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $85.2 million, an increase of 28.2% compared to 2019. **Net earnings per share** amounted to $1.51 basic and $1.50 diluted, compared with $1.17 basic and $1.16 diluted for 2019, an increase of 29.1% and 29.3% respectively.

Comprehensive income totalled $81.9 million, reflecting a negative adjustment of $3.7 million on translation of the financial statements of the subsidiary in the United States, compared with $66.5 million for 2019, which reflected a negative adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States.

FOURTH QUARTER ENDED NOVEMBER 30, 2020

Fourth-quarter consolidated sales amounted to $319.0 million, compared with $265.0 million for the corresponding quarter of 2019, an increase of $54.0 million or 20.4%, of which 12.0% resulting of internal growth and 8.4% from acquisitions. At comparable exchange rates to the fourth quarter of 2019, the consolidated sales growth would have been 20.5% for the quarter ended November 30, 2020.

Richelieu achieved sales of $270.2 million in the **manufacturers** market, compared with $233.6 million for the fourth quarter of 2019, an increase of $36.6 million or 15.7%, of which 9.8% from internal growth and 5.9% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $48.8 million, up by $17.4 million or 55.4% over the fourth quarter of 2019, of which 28.5% resulting from internal growth and 26.9% from acquisitions.

In Canada, Richelieu recorded sales of $215.0 million, an increase of $35.9 million over the fourth quarter of 2019. Sales to **manufacturers** amounted to $174.5 million, an increase of 15.8% of which 11.6% resulting from internal growth and 4.2% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $40.5 million, up by $12.1 million or 42.6%. The favourable growth experienced in this market during the third quarter of fiscal 2020 continued to have a positive effect on sales in the fourth quarter of 2020.

In the United States, sales totalled US$78.9 million, compared with US$64.9 million for the fourth quarter of 2019, an increase of US$14.0 million or 21.6%, of which 6.9% resulting from internal growth and 14.7% from acquisitions. Sales to **manufacturers** amounted to US$72.6 million, an increase of US$9.9 million or 15.8% over the fourth quarter of 2019. Sales to hardware **retailers** and renovation superstores were up by US$4.1 million, or 186.4%, from the corresponding quarter of 2019, resulting mainly from growth through the acquisitions. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $104.0 million, an increase of 21.1%. They accounted for 32.6% of consolidated sales for the fourth quarter of 2020, whereas they had represented 32.4% of the period's consolidated sales for the fourth quarter of 2019.

Earnings before income taxes, interest and amortization (EBITDA) amounted to $46.7 million compared with $35.0 million in the fourth quarter of 2019, up 33.5%. The **EBITDA margin** stood at 14.6%, compared with 13.2% for the fourth quarter of 2019, resulting from increased sales together with cost reduction measures implemented.

Amortization expenses amounted to $8.7 million compared with $7.8 million for the corresponding quarter of 2019, an increase of $0.9 million. **Income taxes** amounted to $10.2 million compared with $7.5 million for the fourth quarter of 2019.

Net earnings were up by 42.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $27.1 million, up by 41.5% over the fourth quarter of 2019. **Net earnings per share** rose to $0.48 basic and diluted, compared with $0.34 basic and diluted for the fourth quarter of 2019, an increase of 41.2%.

Comprehensive income amounted to $26.4 million, reflecting a negative adjustment of $0.9 million on translation of the financial statements of the subsidiary in the United States, compared with $19.1 million for the fourth quarter of 2019, which reflected a negative adjustment of $0.1 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 $36.2 million or $0.64 per share, compared with $27.9 million or $0.49 per share for the fourth quarter of 2019, an increase of 29.5% resulting primarily from net earnings increase. Net change in non-cash working capital balances used cash flows of $2.7 million, reflecting the change in inventory of $5.9 million, whereas the change in accounts receivable, accounts payable and other items represented a cash inflow of $3.2 million. Consequently, operating activities provided cash flows of $33.5 million, compared with $35.8 million for the fourth quarter of 2019.

Financing activities used cash flows of $31.0 million, compared with $22.9 million for the fourth quarter of 2019. This change was primarily driven by common shares repurchases of $25.0 million in the fourth quarter of 2020 compared with $15.8 million for the same quarter in 2019.

Investing activities used cash flows of $3.2 million in the fourth quarter, mainly for equipment to maintain and improve operational efficiency.

Analysis of principal cash flows for the year ended November 30, 2020

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $121.1 million or $2.14 diluted per share, compared with $98.0 million or $1.71 diluted per share for 2019, an increase of 23.5% stemming primarily from net earnings increase. Net change in non-cash working capital balances represented a cash inflow of $24.6 million, primarily representing changes in inventory and accounts payable of $27.7 million whereas accounts receivables and other items used cash flows of $3.1 million. Consequently, operating activities provided cash flows of $145.7 million compared with $100.5 million for 2019.

Financing activities

Financing activities used cash flows of $50.8 million, compared with $52.0 million for 2019. During the year, Richelieu repurchased common shares for cancellation for $25.0 million, compared with $25.2 million in 2019. The Corporation paid dividends to shareholders of $11.3 million, down by 21.8% over 2019 and made a debt repayment in the amount of $5.2 million compared to $1.1 million for the 2019. The Corporation also issued shares for $5.6 million compared to $1.2 million in fiscal 2019.

Investing activities

Investing activities used cash flows of $45.5 million, of which $33.1 million for business acquisitions and $12.4 million, mainly for equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at November 30, 2020, **cash and cash equivalents** amounted to $73.9 million, compared with $24.7 million as at November 30, 2019. The Corporation had a **working capital** of $377.4 million for a current ratio of 3.6 : 1, compared with $335.5 million (4.1 : 1 ratio) as at November 30, 2019.

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 2021. 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.

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 2021, 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	**2020** **$**	2019 $
Current assets	**522,702**	445,345
Non-current assets	**248,354**	226,801
Total	**771,056**	672,146
Current liabilities	**145,294**	109,878
Non-current liabilities	**71,307**	60,647
Equity attributable to shareholders of the Corporation	**551,094**	498,384
Non-controlling interests	**3,361**	3,237
Total	**771,056**	672,146
Exchange rates on translation of a subsidiary in the United States	***1.297***	*1.330*

Assets

Total assets amounted to $771.1 million as at November 30, 2020, compared with $672.1 million as at November 30, 2019. **Current assets** increased by 17.4% or $77.4 million from November 30, 2019 owing mainly to the business acquisitions made in fiscal 2020.

Cash position

(in thousands of $)

As at November 30	**2020** $	2019 $
Current portion of long-term debt	**3,592**	5,659
Long-term debt	**2,200**	—
Total debt	**5,792**	5,659
Cash and cash equivalents	***73,928***	*24,701*

As at November 30, 2020, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $5.8 million, representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $551.1 million as at November 30, 2020, compared with $498.4 million as at November 30, 2019, an increase of $52.7 million. That increase is mainly due to a rise of $49.5 million in retained earnings, which amounted to $480.8 million, and of $6.9 million in share capital and contributed surplus, while accumulated other comprehensive income was down by $3.7 million. As at November 30, 2020, **the book value per share** was $9.86, up by 11.3% over November 30, 2019, and the return on average shareholders' equity was 16.2%.

As at November 30, 2020, the Corporation's **share capital** consisted of 55,893,568 common shares (56,240,030 shares as at November 30, 2019). In 2020, upon the exercise of stock options under the stock option plan, Richelieu issued 331,900 common shares at an average price of $16.92 (113,275 in 2019 at an average price of $10.92). In addition, 678,362 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $25.0 million in 2020 (987,479 common shares for a cash consideration of $25.2 million in 2019). The Corporation granted 300,500 stock options in fiscal 2020 (232,000 in 2019). Consequently, as at November 30, 2020, 1,697,925 stock options were outstanding (1,770,700 as at November 30, 2019).

Dividends

On January 21, 2021, the Board of Directors approved the payment of a quarterly dividend of $0.07 per share to shareholders of record as at February 4, 2021, payable on February 18, 2021. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

The Board of Directors further approved the payment of an additional, special dividend of $0.0667 per share to shareholders of record as at February 4, 2021, payable on February 18, 2021. Said special dividend however will not be designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT NOVEMBER 30, 2020

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, door and window, 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 130,000 different items targeted to a base of more than 90,000 customers who are served by 84 centres in North America – 41 distribution centres in Canada, 41 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 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.

COVID – 19 Update — The following is an update to the risks or uncertainties facing the Corporation since that date. The Corporation continues to closely monitoring the evolution of the COVID-19 situation. The Corporation has suspended all non-essential travels and taken active steps to implement physical distancing and other measures recommended by public health agencies. COVID-19 is altering business and consumer activity in affected areas and beyond. Additional measures may be implemented by one or more governments in jurisdictions where the Corporation operates. Labour shortages due to illness, Corporation or government imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction of the Corporation's operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the evolution of the current pandemic or new actions required to contain the COVID-19 virus or remedy its impact, among others. Potential impacts include, but are not limited to, an impairment of long-lived assets and a change in the estimated credit loss on accounts receivable. Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and results of operations. The Corporation is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

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For information:

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JANUARY 21, 2021 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 21, 2021, 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 21, 2021 until midnight on January 28, 2021, by dialing **1 888-390-0541, access code: 301959 #.** 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

	2020	2019
	$	$ *(Restated [1])*
ASSETS		
Current assets		
Cash and cash equivalents	**73,928**	24,701
Accounts receivable	**156,908**	137,589
Income taxes receivable	**—**	1,336
Inventories	**287,344**	275,154
Prepaid expenses	**4,522**	6,565
	522,702	445,345
Non-current assets		
Property, plant and equipment	**40,920**	41,309
Intangible assets	**42,243**	35,383
Right-of-use assets	**73,076**	63,642
Goodwill	**85,197**	80,164
Deferred taxes	**6,918**	6,303
	771,056	672,146
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**120,193**	90,140
Income taxes payable	**4,031**	—
Current portion of long-term debt	**3,592**	5,659
Current portion of lease obligations	**17,478**	14,079
	145,294	109,878
Non-current liabilities		
Long-term debt	**2,200**	—
Lease obligations	**60,457**	53,274
Deferred taxes	**6,842**	5,553
Other liabilities	**1,808**	1,820
	216,601	170,525
Equity		
Share capital	**48,522**	42,190
Contributed surplus	**6,280**	5,700
Retained earnings	**480,808**	431,313
Accumulated other comprehensive income	**15,484**	19,181
Equity attributable to shareholders of the Corporation	**551,094**	498,384
Non-controlling interests	**3,361**	3,237
	554,455	501,621
	771,056	672,146

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.

CONSOLIDATED STATEMENTS OF EARNINGS

[In thousands of dollars, except earnings per share]

Years ended November 30

	2020	2019
	$	$ *(Restated [1])*
Sales	**1,127,840**	1,041,647
Operating expenses excluding amortization	**973,379**	917,440
Earnings before amortization, financial costs and income taxes	**154,461**	124,207
Amortization of property, plant and equipment and right-of-use assets	**27,261**	24,006
Amortization of intangible assets	**6,761**	5,180
Financial costs, net	**2,682**	3,060
	36,704	32,246
Earnings before income taxes	**117,757**	91,961
Income taxes	**32,146**	25,290
Net earnings	**85,611**	66,671
Net earnings attributable to:		
Shareholders of the Corporation	**85,222**	66,471
Non-controlling interests	**389**	200
	85,611	66,671
Net earnings per share attributable to shareholders of the Corporation		
Basic	**1.51**	1.17
Diluted	**1.50**	1.16

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]

Years ended November 30

	2020	2019
	$	$ *(Restated [1])*
Net earnings	**85,611**	66,671
Other comprehensive loss that will be reclassified to net earnings		
Exchange differences on translation of foreign operations	**(3,697)**	(132)
Comprehensive income	**81,914**	66,539
Comprehensive income attributable to:		
Shareholders of the Corporation	**81,525**	66,339
Non-controlling interests	**389**	200
	81,914	66,539

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
Years ended November 30

	2020	2019
	$	$ *(Restated [1])*
OPERATING ACTIVITIES		
Net earnings	**85,611**	66,671
Items not affecting cash and cash equivalent		
Amortization of property, plant and equipment and right-of-use assets	**27,261**	24,006
Amortization of intangible assets	**6,761**	5,180
Deferred taxes	**(393)**	317
Share-based compensation expense	**1,885**	1,864
	121,125	98,038
Net change in non-cash working capital balances	**24,582**	2,428
	145,707	100,466
FINANCING ACTIVITIES		
Repayment of long-term debt	**(5,173)**	(1,090)
Dividends paid to Shareholders of the Corporation	**(11,284)**	(14,424)
Payment of lease obligations	**(14,686)**	(12,299)
Other dividends paid	**(277)**	(193)
Common shares issued	**5,614**	1,236
Common shares repurchased for cancellation	**(25,030)**	(25,224)
	(50,836)	(51,994)
INVESTING ACTIVITIES		
Business acquisitions	**(33,074)**	(20,788)
Additions to property, plant and equipment and intangible assets	**(12,441)**	(10,558)
	(45,515)	(31,346)
Effect of exchange rate changes on cash and cash equivalents	**(129)**	167
Net change in cash and cash equivalents	**49,227**	17,293
Cash and cash equivalents, beginning of year	**24,701**	7,408
Cash and cash equivalents, end of year	**73,928**	24,701

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.