



Interim Report

1

Three-month period
ended February 29, 2020

MESSAGE TO SHAREHOLDERS

Richelieu began FY 2020 on a strong note with vigorous growth in sales, EBITDA and net earnings for its first quarter ended February 29. Solid contributions from recent acquisitions added to internal growth in our main market segments. In addition, we completed three new acquisitions in Canada and the United States during the quarter giving us access to new geographic markets and strengthening our activities in markets where we are present. Our sustained innovation and acquisition strategies combined with our market development initiatives, our unique service concept, and the depth of our product lines positively impacted the quarter's performance.

Total sales reached \$249.4 million, up 10.2%, as a result of an internal growth of 3.5% and a 6.7% increase from acquisitions. Note that in this leap year, the quarter had an extra day. In Canada, we recorded sales of \$156.7 million, up 9.0%, while in the United States, sales increased by 13.3% (US\$) to US\$70.3 million. We achieved solid sales growth of 12.1% (US\$) in the United States in the manufacturers market and 8.4% in Canada despite a still challenging market in Western Canada. Sales to retailers increased 11.9% in Canada and 23% (US\$) in the United States. We are all the more satisfied with the growth achieved in Q1 2020 as the first three months of the fiscal year are historically the weakest. In fact, higher sales combined with sustained cost control contributed to an 18.9% increase in EBITDA and an 18.4% increase in net earnings attributable to shareholders. Diluted net earnings per share attributable to shareholders were \$0.21, up 23.5% from Q1 2019.

At the beginning of the quarter, we acquired Decotec and Mibro, which respectively serve a customer base of Canadian manufacturers and a customer base of retailers in Canada and the United States, and on February 3, 2020, we completed the acquisition of the distributor O'Harco. O'Harco operates three centers in Nebraska, Iowa, and South Dakota, giving us access to these new geographic markets. These three acquisitions add approximately \$60 million in sales on an annual basis as well as new customers, products, and expertise.

The first quarter ended with a financial position that remains strong. Adjusted cash flow increased by 19.1% to \$20.1 million. Working capital reached \$337.2 million for a ratio of 3.8:1, and total debt stood at \$11.6 million, of which \$9.4 million is short-term.

This good first quarter preceded the COVID-19 crisis that has been affecting us since the end of March. In light of the events, we reacted quickly to continue to meet our customers' needs for essential products and services and to anticipate their expectations in these very demanding market conditions. Most of our distribution centres remain operational however with a reduced number of resources. To ensure the safe and efficient continuation of our essential operations and the safety of our employees, suppliers, customers, their families and visitors, we are in compliance with the applicable advice issued by our governments in the context of the COVID-19 pandemic. In order to protect the Corporation's financial position and mitigate the impact of this crisis, we have implemented a series of measures, including temporary lay-offs, teleworking, reduction of directors' and officers' compensation and other wage and/or hourly reductions, as applicable and where appropriate, on a region-by-region basis. We intend to continue the proven business strategies that have enabled us to build a large and diversified customer base and to effectively support our customers in their projects. We entered this crisis from a position of strength, benefiting from our leadership and solid financial position. We believe that these measures will help protect our employees, operations and cash flow in the short term, while ensuring that we maintain the agility needed to resume growth as soon as possible.

Also, in an effort to protect Richelieu's current cash position and mitigate financial impacts likely to result from the COVID-19 crisis, Richelieu's Board of Directors has elected not to declare any dividends for the 1st quarter of 2020.

Management's discussion and analysis of operating results and financial position for the first quarter ended February 29, 2020

This management's discussion and analysis report ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the first quarter ended February 29, 2020, compared with the first quarter ended February 28, 2019, as well as to Richelieu Hardware Ltd.'s financial position as at February 29, 2020, compared with November 30, 2019. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the first quarter of 2020 as well as the analysis and notes to the audited consolidated financial statements appearing in our 2019 Annual Report. In this MD&A, "Richelieu" or the "Corporation" refers to, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended February 29, 2020, signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this MD&A accounts for any major event that occurred prior to April 8, 2020, on which date the unaudited consolidated interim financial statements and interim MD&A were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including amounts shown in tables, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the first quarter ended February 29, 2020, have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") as we believe this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted performance indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidity. Since EBITDA is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses adjusted cash flows from operating activities and adjusted cash flows from operating activities per share. Adjusted cash flows from operating activities 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 the cash flows from operating activities of other companies.

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this MD&A, including statements relating to the expected adequacy of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to

weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend", "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith regarding future events. Assumptions are that economic conditions and exchange rates will not significantly deteriorate, that supplies will be sufficient to fulfil Richelieu's needs (including as a result of the global outbreak of COVID-19), the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are given, they could prove inaccurate. Forward-looking statements are also subject, by their nature, to known and unknown risks and uncertainties set forth in the Corporation's 2019 Annual Report (see the "Risk Factors" section on page 34 and 35 of the 2019 Annual Report available on SEDAR at www.sedar.com).

The following is an update to the risks or uncertainties facing the Corporation since that date. The Corporation is closely monitoring the evolution of the COVID-19 situation. Several provinces in Canada and States in the United States have instituted closures of non-essential businesses. The Corporation has suspended all travel and taken active steps to implement physical distancing and other measures recommended by public health agencies. The Corporation is updating employees and business partners on a frequent basis to provide information on the situation and on necessary precautions to take. It is too soon to gauge the impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. 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 severity of the COVID-19 virus and the 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.

Richelieu's actual results could differ materially from those indicated in or underlying these forward-looking statements. The reader is therefore cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be

announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except as required by law.

CHANGE IN ACCOUNTING POLICIES

The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended February 29, 2020 for more details on the adoption of this new standard.

GENERAL BUSINESS OVERVIEW as at February 29, 2020

Richelieu is a leading North American importer, distributor and manufacturer of specialty hardware and related products.

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture, door and window manufacturers, residential and commercial woodworkers, as well as hardware retailers including renovation superstores**. The residential and commercial renovation industry is one of the Corporation's principal sources of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of **over 130,000 different items** targeting a **base of more than 90,000 customers** served by **82 centers across North America**, 40 distribution centers in Canada, 40 distribution centers in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorative products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates, railing and baluster, and floor protection products. This offering is completed by the Corporation's two manufacturing subsidiaries, Les Industries Cedan Inc. and Menuiserie des Pins Ltée, which manufacture a variety of veneer sheets and edge banding products as well as a broad selection of decorative mouldings and components for the window and door industry. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,400 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. More than 50% of the Corporation's employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and intrapreneurship.

To sustain its growth and remain the leader in its specialty market, the Corporation continues to implement the strategy which has been beneficial to date, with a focus on:

- continuing to strengthen its product selection by continuously introducing each year diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;

- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- pursuing its expansion in North America with the opening of new distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

Richelieu's solid and efficient organization, highly diversified product selection and long-term relationships with leading suppliers worldwide, allows it to compete effectively in a fragmented market consisting mainly of a host of regional distributors offering a limited range of products.

FINANCIAL HIGHLIGHTS

(unaudited)

Quarters ended February 29 and February 28

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	2020	2019	
	\$	⁽²⁾ Restated \$	Δ (%)
Sales	249,401	226,351	+10.2
EBITDA ⁽¹⁾	24,883	20,936	+18.9
EBITDA margin (%)	10.0	9.2	
Net earnings	11,794	9,934	+18.7
Net earnings attributable to shareholders of the Corporation	11,772	9,943	+18.4
• basic per share (\$)	0.21	0.17	+23.5
• diluted per share (\$)	0.21	0.17	+23.5
Net margin attributable to the shareholders of the Corporation (%)	4.7	4.4	
Adjusted cash flows from operating activities ⁽²⁾	20,134	16,901	+19.1
• diluted per share (\$)	0.36	0.29	+24.1
Dividends paid to the shareholders of the Corporation	3,754	3,617	+3.8
• per share (\$)	0.0667	0.0633	+5.4
Weighted average number of shares outstanding (diluted) (in thousands)	56,633	57,397	

Financial position data

As at	February 29, 2020	November 30, 2019	
	\$	⁽²⁾ Restated \$	Δ (%)
Total assets	696,011	672,146	+3.4
Working capital	337,215	335,505	+0.5
Current ratio	3.8 : 1	4.1 : 1	
Equity attributable to shareholders of the Corporation	509,145	498,384	+2.2
Return on average equity (%)	13.9	13.7	
Book value (\$)	9.05	8.86	+2.1
Total debt	11,627	5,659	
Cash and cash equivalents (bank overdraft)	(23)	24,701	

(1) EBITDA is a non-IFRS measure, as indicated on page 2 of this report.

(2) Adjusted cash flows from operating activities and adjusted cash flows from operating activities per share are non-IFRS measures, as indicated on page 2 of this report.

(3) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended February 29, 2020 for more details on the adoption of this new standard.

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 29, 2020, COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 28, 2019

Consolidated sales			
(in thousands of \$, except exchange rates)			
Quarters ended February 29 and February 28	2020 \$	2019 restated \$	Δ (%)
Canada	156,713	143,734	+9.0
United States(CA\$)	92,688	82,617	+12.2
(US\$)	70,316	62,085	+13.3
Average exchange rates	1.318	1.331	
Consolidated sales	249,401	226,351	+10.2

For the quarter ended February 29, 2020, consolidated sales reached \$249.4 million, compared with \$226.4 million for the corresponding quarter of 2019, an increase of 10.2%, of which 3.5% from internal growth and 6.7% from acquisitions. At comparable exchange rates to the first quarter of 2019, the consolidated sales growth would have been 10.6% for the quarter ended February 29, 2020.

Richelieu achieved sales of \$210.5 million in the **manufacturers** market, compared with \$192.3 million for the first quarter of 2019, an increase of \$18.2 million or 9.5% increase, of which 4.8% resulted from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$38.9 million, up \$4.9 million or 14.4% of which 18.5% from acquisitions and an internal decrease of 4.1% caused by the decrease of sales in this market in the United States.

In Canada, Richelieu recorded sales of \$156.7 million, an increase of \$13.0 million or 9% over the first quarter of 2019, of which 3.0% from internal growth and 6.0% from acquisitions. Sales to **manufacturers** amounted to \$127.6 million compared with \$117.7 million, an increase of 8.4% of which 2.2% from internal growth and 6.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to \$29.1 million, up \$3.1 million or 11.9% over the corresponding quarter of 2019, of which 3.7% from internal growth and 8.2% from acquisitions.

In the United States, sales totalled US\$70.3 million, compared with US\$62.1 million for the first quarter of 2019, an increase of US\$8.2 million or 13.3%, of which 5.1% from internal growth and 8.2% from acquisitions. Sales to **manufacturers** amounted to US\$62.8 million compared with US\$56 million over the first quarter of 2019, an increase of 12.1%, of which 9.8% from internal growth and 2.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were up 23.0% from the corresponding quarter of 2019, of which 61.3% from acquisitions and 38.3% of internal decrease caused by higher cyclical sales and initial sales in the corresponding quarter of 2019. Considering applicable exchange rates, total U.S. sales expressed in Canadian dollars stood at \$92.7 million, compared with \$82.6 million for the first quarter of 2019, an increase of 12.2%. They accounted for 37.2% of consolidated sales for the first quarter of 2020, whereas they represented 36.5% of the period's consolidated sales for the first quarter of 2019.

Consolidated EBITDA and EBITDA margin			
(in thousands of \$, unless otherwise indicated)			
Quarters ended February 29 and February 28	2020 \$	2019 restated \$	Δ (%)
Sales	249,401	226,351	+10.2
EBITDA	24,883	20,936	+18.9
EBITDA margin (%)	10.0	9.2	

First-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to \$24.9 million, up \$3.9 million or 18.9% over the first quarter of 2019. The **gross margin** remained relatively stable and the **EBITDA margin** improved due to the increase in sales and the continued control of expenses. It should also be noted that the EBITDA margin was impacted last year by market development costs in the retailer market in the United States. **EBITDA margin** stood at 10.0%, compared to 9.2% for the corresponding quarter of 2019.

Amortization expenses for the first quarter of 2020 amounted to \$7.8 million compared with \$6.7 million for the corresponding quarter of 2019, up \$1.1 million, resulted from the increase in the amortization of intangibles and right-to-use asset relating to business acquisitions made in fiscal 2019 and in the first quarter of 2020.

Consolidated net earnings attributable to shareholders			
(in thousands of \$, unless otherwise indicated)			
Quarters ended February 29 and February 28	2020 \$	2019 restated \$	Δ (%)
EBITDA	24,883	20,936	+18.9
Amortization of property, plant and equipment, intangible assets and right-to-use asset	7,849	6,745	
Financial cost, net	733	584	
Income taxes	4,507	3,673	
Net earnings	11,794	9,934	+18.7
Net earnings attributable to shareholders of the Corporation	11,772	9,943	+18.4
Net margin attributable to the shareholders of the Corporation(%)	4.7	4.4	
Non-controlling interests	22	(9)	
Net earnings	11,794	9,934	+18.7

First-quarter net earnings grew by 18.7%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$11.8 million, up by 18.4% over the first quarter of 2019. **Net earnings per share** rose to \$0.21 basic and diluted, compared with \$0.17 basic and diluted for the first quarter of 2019, an increase of 23.5%.

Comprehensive income amounted to \$13.3 million, considering a positive adjustment of \$1.5 million on translation of the financial statements of the subsidiary in the United States, compared with \$8.5 million for the first quarter of 2019, considering a negative adjustment of \$1.4 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS				
(unaudited)				
(in thousands of \$, except per-share amounts)				
Quarters	1	2	3	4
2020				
o Sales	249,401			
o EBITDA	24,883			
o Net earnings attributable to shareholders of the Corporation	11,772			
basic per share	0.21			
diluted per share	0.21			
2019 ⁽¹⁾				
o Sales	226,351	281,067	269,243	264,986
o EBITDA	20,936	33,193	34,764	35,316
o Net earnings attributable to shareholders of the Corporation	9,943	19,172	18,274	19,082
basic per share	0.17	0.34	0.32	0.34
diluted per share	0.17	0.34	0.32	0.34
2018 (not restated)				
o Sales	221,893	263,268	260,461	258,778
o EBITDA	19,803	28,080	28,926	29,182
o Net earnings attributable to shareholders of the Corporation	12,704	18,174	18,389	18,510
basic per share	0.22	0.31	0.32	0.32
diluted per share	0.22	0.31	0.32	0.32

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended February 29, 2020 for more details on the adoption of this new standard.

Quarterly variations in earnings - The first quarter closed at the end of February is generally the year's weakest for Richelieu in light of fewer number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes fewer business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the first quarter ended February 29, 2020

Cash flows and capital resources		
(in thousands of \$, unless otherwise indicated)		
Quarters ended February 29 and February 28	2020	2019
	\$	restated \$
Cash flows provided by (used for):		
Operating activities	8,782	(10,606)
Financing activities	(6,856)	(6,510)
Investing activities	(26,508)	(6,640)
Effect of exchange rate changes on cash and cash equivalents	(142)	(95)
Net change in cash and cash equivalents	(24,724)	(23,851)
Cash and cash equivalents, beginning of period	24,701	7,408
Cash and cash equivalents end of period (bank overdraft)	(23)	(16,443)
Working capital	337,215	320,617
Renewable line of credit (CA\$)	65,000	65,000
Renewable line of credit (US\$)	6,000	6,000

Operating activities

First-quarter cash flows from operating activities (before net change in working capital balances) amounted to \$20.1 million or \$0.36 diluted per share, compared with \$16.9 million or \$0.29 diluted per share for the first quarter of 2019, an increase of 19.1% stemming primarily from the net earnings growth and increased amortization. Net change in non-cash working capital balances used cash flows of \$11.4 million, reflecting the change in inventory (\$6.2 million), whereas the change in other items used cash flows of \$5.2 million. Consequently, operating activities represented a cash inflow of \$8.8 million, whereas they had used cash flows of \$10.6 million for the first quarter of 2019.

Financing activities

First-quarter cash flows from financing activities used cash flows of \$6.9 million, compared with \$6.5 million for the first quarter of 2019. The Corporation repaid long-term debt of \$0.2 million and issued shares for \$0.8 million, compared with no long-term debt repayment and a \$0.3 million share issue in the first quarter of 2019. Dividends paid to shareholders of the Corporation amounted to \$3.8 million, up 3.8% over the corresponding quarter of 2019.

Investing activities

First-quarter cash flows from investing activities represented a cash outflow of \$26.5 million, of which \$24.1 million for business acquisitions and \$2.4 million primarily for the purchase of new equipment to improve operational efficiency.

Sources of financing

As at February 29, 2020, the bank overdraft amounted to \$23 thousands, compared with cash of \$24.7 million as at November 30, 2019. This change mainly results from the investing activities made during the first quarter of 2020. The Corporation posted a **working capital** of \$337.2 million for a current ratio of 3.8:1, 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 expected 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.

Analysis of financial position as at February 29, 2020

Summary financial position		
(in thousands of \$, except exchange rates)		
As at	February 29, 2020	November 30, 2019
	\$	restated \$
Current assets	456,111	445,345
Non-current assets	239,900	226,801
Total	696,011	672,146
Current liabilities	118,896	109,878
Non-current liabilities	64,976	60,647
Equity attributable to shareholders of the Corporation	509,145	498,384
Non-controlling interests	2,994	3,237
Total	696,011	672,146
Exchange rates on translation of a subsidiary in the United States	1.343	1.330

Assets

Total assets amounted to \$696.0 million as at February 29, 2020, compared with \$672.1 million as at November 30, 2019, an increase of 3.6 %. **Current assets** grew by 2.4% or \$10.8 million over November 30, 2019.

Cash position		
(in thousands of \$)		
As at	February 29, 2020	November 30, 2019
	\$	\$
Current portion of long-term debt	9,427	5,659
Long-term debt	2,200	—
Total debt	11,627	5,659
Cash and cash equivalents (bank overdraft)	(23)	24,701

The Corporation continues to benefit from a healthy and solid financial position. As at February 29, 2020, **total debt** was \$11.6 million, of which \$2.2 million in long-term debt and \$9.4 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$509.1 million as at February 29, 2020, compared with \$498.4 million as at November 30, 2019, an increase of \$10.8 million stemming primarily from a growth of \$8.0 million in retained earnings which amounted to \$439.3 million, and of \$1.3 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by \$1.5 million. As at February 29, 2020, **the book value per share** was \$9.05, up by 2.1% over November 30, 2019.

As at February 29, 2020, at the close of markets, the Corporation's **share capital** consisted of 56,287,305 common shares (56,240,030 shares as at November 30, 2019). During the first quarter ended February 29, 2020, the Corporation issued 47,275 common shares at an average price of \$16.84 (113,275 in 2019 at an average price of \$10.92) upon the exercise of options under its stock option plan. As at February 29, 2020, 2,008,925 stock options were outstanding (1,770,700 as at November 30, 2019).

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth on page 32 of the Corporation's 2019 Annual Report, available on SEDAR at www.sedar.com. For 2020 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions. Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2019 Annual Report, available on SEDAR at www.sedar.com, management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2019. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the quarter ended February 29, 2020, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect misstatements. In addition, projections of an assessment of effectiveness in future periods carry the risk

that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter ended February 29, 2020, have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended February 29, 2020, presents the accounting policies adopted during the period, in particular IFRS 16.

The interim consolidated financial statements were prepared in accordance with the accounting methods that the Corporation adopted for the establishment of its consolidated financial statements as at November 30, 2019, and for the year ended on that date, except for the accounting policy adopted as at December 1, 2019, require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be modified. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Adopted during the period

IFRS 16, Leases

Effective December 1, 2019, the Corporation adopted IFRS 16. This new standard requires the lessee to recognize most leases in the statement of financial position using a single model, eliminating the current distinction between finance leases and operating leases. According to IFRS 16, the expenses related to leases are recognized in the consolidated statements of earnings mainly as amortization expense of the asset related to the right-of-use, accompanied by an interest expense on the lease obligation. Since the expenses related to operating leases were previously recognized in operating expenses as incurred, adoption of IFRS affected the timing of their recognition over lease term as well as the presentation of expenses in the consolidated statement of earnings. IFRS 16 was applied using the full retrospective approach with restatement of comparative financial statements for the year ended November 30, 2019 as if IFRS 16 had always been applied. The Corporation opted for all the practical expedients and applies the exemption for short term leases and contracts for which the value of the underlying assets is low.

The adoption of IFRS 16 did not have a significant impact on net earnings. The adoption of IFRS 16 however did have a material impact on the consolidated statement of financial position related to the recording of a right-of-use asset and related lease obligation. The comparative figures have been restated following the adoption of IFRS 16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended February 29, 2020 for more details on the adoption of this new standard.

Risk factors are described in the "Risk Factors" section on page 34 et 35 of Richelieu's 2019 Annual Report, available on SEDAR at www.sedar.com. See page 2 for an update to the risks or uncertainties the Corporation is facing since that date.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com.

President and Chief
Executive Officer



Richard Lord
April 8, 2020

Vice-President and Chief
Financial Officer



Antoine Auclair

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three-month period ended February 29, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars] [Unaudited]

		As at February 29, 2020	As at November 30, 2019 <i>(Restated, note 2)</i>	As at December 1st, 2018 <i>(Restated, note 2)</i>
	Notes	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents		—	24,701	7,408
Accounts receivable		146,933	137,589	138,767
Income taxes receivable		3,840	1,336	—
Inventories		297,479	275,154	270,275
Prepaid expenses		7,859	6,565	3,394
		456,111	445,345	419,844
Non-current assets				
Property, plant and equipment		41,412	41,309	41,725
Intangible assets		42,663	35,383	29,340
Right-of-use assets		64,618	63,642	53,853
Goodwill		84,864	80,164	71,984
Deferred taxes		6,343	6,303	6,836
		696,011	672,146	623,582
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdraft		23	—	—
Accounts payable and accrued liabilities		95,309	90,140	88,359
Income taxes payable		—	—	119
Current portion of long-term debt		9,427	5,659	2,023
Current portion of lease obligations		14,137	14,079	12,466
		118,896	109,878	102,967
Non-current liabilities				
Long-term debt		2,200	—	—
Lease obligations		54,461	53,274	43,682
Deferred taxes		6,507	5,553	3,289
Other liabilities		1,808	1,820	1,843
		183,872	170,525	151,781
Equity				
Share capital	4	43,170	42,190	41,398
Contributed surplus		6,007	5,700	4,122
Retained earnings		439,331	431,313	403,760
Accumulated other comprehensive income	5	20,637	19,181	19,313
Equity attributable to shareholders of the Corporation		509,145	498,384	468,593
Non-controlling interests		2,994	3,237	3,208
		512,139	501,621	471,801
		696,011	672,146	623,582

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board of Directors :



Richard Lord
Director



Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended February 29 and February 28 [In thousands of dollars, except earnings per share]
[Unaudited]

		2020	2019
			(Restated, note 2)
	Notes	\$	\$
Sales		249,401	226,351
Operating expenses excluding amortization	6	224,518	205,415
Earnings before amortization, financial costs and income taxes		24,883	20,936
Amortization of property, plant and equipment and right-of-use assets		6,411	5,659
Amortization of intangible assets		1,438	1,086
Financial costs, net		733	584
		8,582	7,329
Earnings before income taxes		16,301	13,607
Income taxes		4,507	3,673
Net earnings		11,794	9,934
Net earnings attributable to:			
Shareholders of the Corporation		11,772	9,943
Non-controlling interests		22	(9)
		11,794	9,934
Net earnings per share attributable to shareholders of the Corporation			
Basic		0.21	0.17
Diluted		0.21	0.17

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended February 29 and February 28 [In thousands of dollars]
[Unaudited]

		2020	2019
			(Restated, note 2)
	Notes	\$	\$
Net earnings		11,794	9,934
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	5	1,456	(1,408)
Comprehensive income		13,250	8,526
Comprehensive income attributable to:			
Shareholders of the Corporation		13,228	8,535
Non-controlling interests		22	(9)
		13,250	8,526

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended February 29 and February 28 [In thousands of dollars]
[Unaudited]

Notes	Attributable to shareholders of the Corporation				Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
	\$	\$	\$	\$	\$	\$	\$
	4		2	5			
Balance as at November 30, 2018	41,398	4,122	405,445	19,313	470,278	3,208	473,486
Impact of change in accounting policy	—	—	(1,685)	—	(1,685)	—	(1,685)
Restated balance as at December 1, 2018	41,398	4,122	403,760	19,313	468,593	3,208	471,801
Net earnings	—	—	9,943	—	9,943	(9)	9,934
Other comprehensive loss	—	—	—	(1,408)	(1,408)	—	(1,408)
Comprehensive income	—	—	9,943	(1,408)	8,535	(9)	8,526
Stock options exercised	364	(66)	—	—	298	—	298
Share-based compensation expense	—	266	—	—	266	—	266
Dividends [note 9]	—	—	(3,617)	—	(3,617)	(193)	(3,810)
Other liabilities	—	—	—	—	—	17	17
	364	200	(3,617)	—	(3,053)	(176)	(3,229)
Balance as at February 28, 2019	41,762	4,322	410,086	17,905	474,075	3,023	477,098
Balance as at November 30, 2019 as initially presented	42,190	5,700	434,061	19,182	501,133	3,237	504,370
Impact of change in accounting policy [note 2]	—	—	(2,748)	(1)	(2,749)	—	(2,749)
Restated balance as at December 1, 2019	42,190	5,700	431,313	19,181	498,384	3,237	501,621
Net earnings	—	—	11,772	—	11,772	22	11,794
Other comprehensive income	—	—	—	1,456	1,456	—	1,456
Comprehensive income	—	—	11,772	1,456	13,228	22	13,250
Stock options exercised	980	(184)	—	—	796	—	796
Share-based compensation expense	—	491	—	—	491	—	491
Dividends [note 9]	—	—	(3,754)	—	(3,754)	(277)	(4,031)
Other liabilities	—	—	—	—	—	12	12
	980	307	(3,754)	—	(2,467)	(265)	(2,732)
Balance as at February 29, 2020	43,170	6,007	439,331	20,637	509,145	2,994	512,139

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended February 29 and February 28 [In thousands of dollars]
[Unaudited]

		2020	2019
			(Restated, note 2)
	Notes	\$	\$
OPERATING ACTIVITIES			
Net earnings		11,794	9,934
Items not affecting cash			
Amortization of property, plant and equipment and right-of-use assets		6,411	5,659
Amortization of intangible assets		1,438	1,086
Deferred taxes		—	(44)
Share-based compensation expense	4	491	266
		20,134	16,901
Net change in non-cash working capital balances		(11,352)	(27,507)
		8,782	(10,606)
FINANCING ACTIVITIES			
Repayment of long-term debt		(174)	—
Dividends paid to shareholders of the Corporation	9	(3,754)	(3,617)
Payment of principal portion of lease obligations		(3,447)	(2,998)
Other dividends paid		(277)	(193)
Common shares issued		796	298
		(6,856)	(6,510)
INVESTING ACTIVITIES			
Business acquisitions	3	(24,081)	(4,803)
Additions to property, plant and equipment and intangible assets		(2,427)	(1,837)
		(26,508)	(6,640)
Effect of exchange rate changes on cash and cash equivalents		(142)	(95)
Net change in cash and cash equivalents		(24,724)	(23,851)
Cash and cash equivalents, beginning of period		24,701	7,408
Cash and cash equivalents (bank overdraft), end of period		(23)	(16,443)
Supplementary information			
Income taxes paid		7,017	8,161
Interest paid, net		733	584

See accompanying notes to the interim consolidated financial statements.

Notes to interim consolidated financial statements (Unaudited)

February 29, 2020 and February 28, 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products target an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, door and window, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Corporation's interim consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"], more specifically with IAS 34, *Interim Financial Reporting*.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2019 and for the year then ended with the exception of the new accounting policy adopted on December 1, 2019, and which requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable. In management's opinion, these interim consolidated financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Corporation is subject to seasonal fluctuations. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the Corporation's annual report for the fiscal year 2019.

2. CHANGES IN ACCOUNTING POLICIES

Recently adopted

IFRS 16, Leases

Effective December 1, 2019, the Corporation adopted IFRS 16. This new standard requires the lessee to recognize most leases in the statement of financial position using a single model, eliminating the current distinction between finance leases and operating leases. According to IFRS 16, the expenses related to leases are recognized in the consolidated statements of earnings mainly as amortization expense of the asset related to the right-of-use, accompanied by an interest expense on the lease obligations. Since the expenses related to operating leases were previously recognized in operating expenses as incurred, adoption of IFRS affected the timing of their recognition over lease term as well as the presentation of expenses in the consolidated statement of earnings.

IFRS 16 was applied using the full retrospective approach with restatement of comparative financial statements for the year ended November 30, 2019 as if IFRS 16 had always been applied. The Corporation opted for all the practical expedients and applies the exemption for short term leases and contracts for which the value of the underlying assets is low.

Accounting policy

i) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (i.e., the date the underlying asset is available for use) and are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of the lease obligations. The cost of right-of-use assets includes

the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which is actually between 2 and 11 years.

ii) Lease obligations

At the commencement date of the lease, the lease obligations is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if applicable. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Financial implications on application

Consolidated statement of earnings	February 28, 2019	Adjustments	February 28, 2019 restated
	\$		\$
Earnings before amortization and financial costs	17,434	3,502	20,936
Amortization of property, plant and equipment and right-of-use assets	2,477	3,182	5,659
Amortization of intangible assets	1,086	—	1,086
Financial costs, net	74	510	584
	3,637	3,692	7,329
Earnings before income taxes	13,797	(190)	13,607
Income taxes	3,723	(50)	3,673
Net earnings	10,074	(140)	9,934
Net earnings attributable to:			
Shareholders of the Corporation	10,083	(140)	9,943
Non-controlling interests	(9)	—	(9)
	10,074	(140)	9,934
Net earnings per share attributable to shareholders of the Corporation			
Basic	0.18	(0.01)	0.17
Diluted	0.18	(0.01)	0.17

Notes to interim consolidated financial statements (Unaudited)

February 29, 2020 and February 28, 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Consolidated statements of financial position	November 30, 2019	Adjustments	November 30, 2019 <i>restated</i>
	\$	\$	\$
Current assets	445,345	—	445,345
Non-current assets			
Property, plant and equipment	41,309	—	41,309
Intangible assets	35,383	—	35,383
Right-to-use assets	—	63,642	63,642
Goodwill	80,164	—	80,164
Deferred taxes	5,341	962	6,303
Total assets	607,542	64,604	672,146
Accounts payable and accrued liabilities	90,140	—	90,140
Current portion of long-term debt	5,659	—	5,659
Current portion of lease obligations	—	14,079	14,079
Non-current liabilities			
Lease obligations	—	53,274	53,274
Deferred taxes	5,553	—	5,553
Other liabilities	1,820	—	1,820
Equity			
Share capital	42,190	—	42,190
Contributed surplus	5,700	—	5,700
Retained earnings	434,061	(2,748)	431,313
Accumulated other comprehensive income	19,182	(1)	19,181
Non-controlling interests	3,237	—	3,237
Total liabilities and equity	607,542	64,604	672,146

Consolidated statements of cash flows	February 28, 2019	Adjustments	February 28, 2019 <i>restated</i>
	\$	\$	\$
Net earnings	10,074	(140)	9,934
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment, intangible assets and right-to-use	2,477	3,182	5,659
Amortization of intangible assets	1,086	—	1,086
Deferred taxes	—	(44)	(44)
Share-based compensation expense	266	—	266
	13,903	2,998	16,901
Net change in non-cash working capital balances	(27,507)	—	(27,507)
	(13,604)	2,998	(10,606)
FINANCING ACTIVITIES			
Payment of principal portion of lease obligations	—	(2,998)	(2,998)
Interest paid, net	74	510	584

Consolidated statements of financial position	December 1, 2018	Adjustments	December 1, 2018 <i>restated</i>
	\$	\$	\$
Current assets	419,844	—	419,844
Non-current assets			
Property, plant and equipment	41,725	—	41,725
Intangible assets	29,340	—	29,340
Right-to-use assets	—	53,853	53,853
Goodwill	71,984	—	71,984
Deferred taxes	6,226	610	6,836
Total assets	569,119	54,463	623,582
Accounts payable and accrued liabilities	88,359	—	88,359
Income taxes payable	119	—	119
Current portion of long-term debt	2,023	—	2,023
Current portion of lease obligations	—	12,466	12,466
Non-current liabilities			
Lease obligations	—	43,682	43,682
Deferred taxes	3,289	—	3,289
Other liabilities	1,843	—	1,843
Equity			
Share capital	41,398	—	41,398
Contributed surplus	4,122	—	4,122
Retained earnings	405,445	(1,685)	403,760
Accumulated other comprehensive income	19,313	—	19,313
Non-controlling interests	3,208	—	3,208
Total liabilities and equity	569,119	54,463	623,582

3. BUSINESS ACQUISITIONS
2020

Effective December 2, 2019, the Corporation acquired all of the outstanding common shares of Decotec Inc, a distributor of decorative panels and related products operating a distribution centre in North York, Ontario.

Effective December 9, 2019, the Corporation acquired the principal net assets of Mibro, a distributor of hardware and accessories for power tools for the retailers' market in Canada and the United States. Mibro operates a distribution centre in Toronto, Ontario.

Effective February 3, 2020, the Corporation acquired the principal net assets of Omaha Hardwood Lumber Company ("O'Harco"), a distributor of specialized hardware operating three distribution centres in Omaha, NB, Des Moines, IA and Sioux Falls, SD.

Sales of \$10 million have been generated since their acquisition. Had those acquisitions been made on December 1, 2019, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$15 million.

2019

Effective January 1, 2019, the Corporation acquired all outstanding common shares of Lion Industries Inc., a specialty hardware distributor serving a clientele of door and window manufacturers in Western Canada, operating a distribution centre in Calgary, Alberta.

Notes to interim consolidated financial statements (Unaudited)

February 29, 2020 and February 28, 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Effective February 4, 2019, the Corporation acquired all outstanding common shares of Blackstone Building Products Inc., a specialty hardware distributor serving a clientele of door and window manufacturers in Ontario, operating a distribution centre in Concord, Ontario.

Effective February 4, 2019, the Corporation acquired all outstanding common shares of Truform Building Products Inc., a specialty hardware distributor serving a clientele of door and window manufacturers, operating two distribution centres in Concord, Ontario and Calgary, Alberta.

Effective May 1, 2019, the Corporation acquired all outstanding common shares of Euro Architectural Components Inc., a distributor operating two distribution centres (Toronto, Ontario and Montreal, Quebec) in the stainless steel stair and railing components and architectural and glass hardware markets.

Summary of acquisitions

The preliminary purchase price allocations, at the transaction dates, are summarized as follows:

	2020 \$
Current assets acquired	24,081
Property, plant and equipment and right-to-use assets	3,223
Intangible assets	8,439
Goodwill	4,554
	40,297
Current liabilities assumed	(6,137)
Lease obligations	(2,754)
Deferred taxes	(955)
Net assets acquired	30,451
Consideration	
Cash, net of cash acquired	24,081
Consideration payable	6,370
	30,451

Goodwill deductible for tax purposes with regards to these acquisitions amounts to \$1,352.

4. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares, participating, entitling the holder to one vote per share.

Non-voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

	Number of shares (in thousands)	\$
Outstanding, November 30, 2018	57,114	41,398
Issued	113	1,522
Repurchased	(987)	(730)
Outstanding, November 30, 2019	56,240	42,190
Issued	47	980
Repurchased	—	—
Outstanding, February 29, 2020	56,287	43,170

During the three-month period ended February 29, 2020, the Corporation issued 47,275 common shares [FY2019 - 113,275] at an average exercise price of \$16.84 per share [2019 - \$10.92] pursuant to the exercise of options under the stock option plan.

Stock option plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average exercise price \$
Outstanding, November 30, 2018	1,670	21.69
Granted	232	25.27
Exercised	(113)	10.92
Cancelled	(18)	26.27
Outstanding, November 30, 2019	1,771	22.80
Granted	304	28.48
Exercised	(47)	16.84
Cancelled	(19)	29.15
Outstanding, February 29, 2020	2,009	22.90

Stock options granted during the three-month period ended February 29, 2020 have an average fair value of \$6.43 per option [FY2019 - \$4.54] as determined using the Black & Scholes option pricing model with a expected dividend yield of 0.9% [2019 - 1.1%], expected volatility of 21.60% [2019 - 20%], a risk free interest rate of 1.70% [2019 - 1.96%] and an expected life of 7 years [2019 - 7 years]. For the three-month period ended February 29, 2020, the compensation expense related to stock options amounted to \$491 [2019 - \$266] and is recognized under *Operating expenses excluding amortization*. As at February 29, 2020, exercise price of stock options outstanding varied between \$7.79 and \$32.77 [Stock options exercise price of stock options outstanding varied between \$7.79 and \$32.77 as at November 30, 2019].

Deferred Share Unit Plan (DSU)

The financial liability resulting from the DSU plan of \$7,663 [November 30, 2019 - \$7,296] is recognized under the *Accounts payable and accrued liabilities*. As at February 29, 2020, the fair value of the swaps amounted to a liability of \$242 [November 30, 2019 - amounted to an asset of \$18] and is recognized under *Accounts payable and accrued liabilities*. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data. Compensation expense for the DSUs for the three-month period ended February 29, 2020, amounted to \$184 [2019 - \$175] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to \$185 for the three-month period ended February 29, 2020 [2019 - \$170] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

Net earnings per share, basic and diluted, was calculated based on the following number of shares:

(in thousands)	2020	2019
Weighted average number of shares outstanding - Basic	56,259	57,132
Dilutive effect under stock option plan	374	265
Weighted average number of shares outstanding - Diluted	56,633	57,397

The computation of diluted net earnings per share excludes the weighted average of 629,500 outstanding options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect (2019 - 880,875).

Notes to interim consolidated financial statements (Unaudited)

February 29, 2020 and February 28, 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

5. ACCUMULATED COMPREHENSIVE INCOME

Accumulated other comprehensive income, including the following items and their variances, was as follows:

	2020	2019
	\$	\$
Balance at the beginning of the period	19,181	19,313
Exchange differences on translation of foreign operations	1,456	(1,408)
Balance at the end of the period	20,637	17,905

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION**Fair value**

The carrying value of long-term debt approximates its fair value because of the short maturity on amounts payable. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data.

As at February 29, 2020, the fair value of the foreign exchange forward contracts amounted to an asset of \$128 [a liability of \$18 as at November 30, 2019] representing the amount the Corporation would collect on settlement of these contracts at spot rates. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data.

Credit Risk

The Corporation sells its products to numerous customers in Canada, and to a lesser extent in the United States. Credit risk refers to the possibility that customers will be unable to assume their liabilities toward the Corporation. The average collection period for accounts receivable, as at February 29, 2020 is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts increased by \$1,034 [2019 - \$593] during the three-month period ended February 29, 2020 for a total of \$7,797 as at February 29, 2020 [November 30, 2019 - \$6,763].

Market Risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and in euro. Operating expenses included, for the three-month period ended February 29, 2020, an exchange gain of \$829 [2019 - gain of \$330].

The Corporation's policy is to maintain the purchase costs and selling prices of its commercial activities by mitigating its exposure through the use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange forward contracts are used. Significant exchange risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange risk management. The goal of this policy is to protect the Corporation's operating results by reducing exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at February 29, 2020, a decrease of 5% in the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have increased consolidated net earnings by \$774 [\$586 as at February 28, 2019] and would have increased the consolidated comprehensive income by \$7,377 [\$7,564 as at February 28, 2019]. The exchange rate sensitivity is calculated by aggregating the net foreign exchange rate exposure of the Corporation's financial instruments as at February 29, 2020.

Liquidity Risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, as required. During the previous years, the Corporation financed its growth, its acquisitions, and its payout to shareholders using cash generated by operating activities.

Operating expenses excluding amortization

	2020	2019
	\$	\$ (restated see note 2)
Inventories from distribution, imports and manufacturing activities recognized as an expense	184,559	167,381
Salaries and related charges	35,542	33,362
Other charges	4,417	4,672
	224,518	205,415

For the three-month period ended February 29, 2020, an expense of \$906 [2019 - \$836] for inventory obsolescence is included in Inventories from distribution, imports and manufacturing activities recognized as an expense.

7. CAPITAL MANAGEMENT

The Corporation's objectives are:

- Maintain a low debt ratio to preserve the capacity to pursue its growth both internally and through acquisitions;
- Provide an adequate return to shareholders.

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at February 29, 2020, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 2.3 % [1.1 % as at November 30, 2019] [Long-term debt/Equity]
- Return on average shareholders' equity of 13.9% over the last 12 months [13.7% Year ended November 30, 2019]

The Corporation's capital management objectives remained unchanged from the previous fiscal year.

8. GEOGRAPHIC INFORMATION

During the three-month period ended February 29, 2020, nearly 63% of sales had been made in Canada [2019 - 64%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to \$92,688 [2019 - \$82,617] in Canadian dollars and to \$70,316 [2019 - \$62,085] in US dollars.

As at February 29, 2020, of the total amount of property, plant and equipment, \$7,730 [November 30, 2019 - \$7,606] were located in the United States. In addition, intangible assets located in the United States amounted to \$16,592 [November 30, 2019 - \$12,864] and goodwill to \$14,902 [November 30, 2019 - \$13,890] in Canadian dollars and to \$12,355 [November 30, 2019 - \$9,680] and goodwill to \$11,097 [November 30, 2019 - \$10,452] in US dollars.

9. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three-month period ended February 29, 2020 (including the comparative figures) were approved for issue by the Board of Directors on April 8, 2020.

10. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. COVID-19 has since been evolving rapidly and precautionary measures implemented by governments and health agencies worldwide have creating significant disruption in supply chains and general economic activities. Although this has led to significant volatility and declines in the global economy, the actual impacts of said volatility remain difficult to assess and uncertain. It is too soon to measure the impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. 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 impacts the Corporation's business, operations, financial condition, liquidity 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 severity of the COVID-19 virus and the 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