Richelieu

Interim Report

3

Three- and Nine-month periods
ended August 31, 2020

MESSAGE TO SHAREHOLDERS

The third quarter ended August 31, 2020, was a period of solid performance as reflected in our results and financial position, including strong profitability, excellent liquidity, and two acquisitions: one in Canada and the other in the United States.

With sustained sales growth in the manufacturers market during the quarter, a strong increase in the hardware retailers and renovation superstores market, and the impact of acquisitions, total sales reached $311.2 million, up 15.6% over the corresponding quarter of 2019. Internal growth of 6.9% was complemented by the solid contribution of our acquisitions, which added a further 8.7%.

In the manufacturers market, sales increased by 5.4% to $246.5 million, while in the hardware retailers and renovation superstores market they reached $64.7 million, posting a strong increase of 82.3%, of which 36.0% was attributable to the acquisition of Mibro in the first quarter of 2020 and 46.3% to a significant increase in demand and higher cyclical sales. It should be noted that the quarter counted one more business day than the third quarter of 2019. In Canada, we posted a 12.8% increase in sales, of which 8.1% came from internal growth and 4.6% from acquisitions. In our U.S. market, sales rose to US$80.6 million, up 19.3%, reflecting internal growth of 2.7% and a 16.6% contribution from acquisitions.

The EBITDA margin improved significantly to 15.8% compared to 12.6% in third quarter 2019. The significant increase in sales in the hardware retailers and renovation superstores market plus sustained cost-cutting measures and government subsidies resulted in an EBITDA rise of 44.8% to $49.1 million. Net earnings attributable to shareholders increased 56.6% to $28.7 million or $0.50 per diluted share.

Our first nine months results showed sales of $808.8 million, up 4.1% over the comparable period of 2019. EBITDA topped $100 million at $107.7 million, up 20.8%, and net earnings attributable to shareholders grew 22.8% to $58.1 million, or $1.03 per diluted share.

We steadfastly pursued our acquisition strategy by acquiring two distributors in the third quarter. That makes five new acquisitions since the beginning of the year and estimated additional annual sales of over $70 million. The acquisition of specialized distributor Central Wholesale Supply of Richmond, Virginia, on June 29, gave us access to a new geographic market. It was followed by the acquisition on August 4, of Lion Hardware, which serves a clientele of window and door manufacturers in eastern Canada from a distribution centre in Saint-Jacques, New Brunswick. This new acquisition adds to our offerings and customer base in this market segment, where we had already acquired two specialized distributors in 2019, now providing us with complete Canadian coverage of this market segment.

As the health and safety of our employees and partners remain our top priority, in the current pandemic environment, we continue to rigorously apply the measures implemented by the relevant authorities. In addition, we still have some 600 of our employees who continue to work from home.

In conclusion, the first nine months ended with cash of $74.5 million, working capital of $376.2 million (up 12.1% over November 30, 2019), total debt of $6.0 million, and total assets of $761.3 million, up 13.3%. With Richelieu's healthy and solid financial position, we are well positioned to pursue our growth strategy by continuing to introduce innovations to meet customer needs and anticipate their expectations, and seizing acquisition opportunities that meet our criteria. Our innovation and acquisition strategies remain our two main levers for long-term growth and value creation.

NEXT DIVIDEND PAYMENT

On October 8, 2020, the Board of Directors approved the payment of a quarterly dividend of 6.67¢ per share. This dividend will be paid on November 5, 2020, to shareholders of record as at October 22, 2020.

Management's discussion and analysis

of operating results and financial position for the third quarter and first nine months ended August 31, 2020

Richelieu

This management's discussion and analysis report ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2020, compared to the third quarter and first nine months ended August 31, 2019, as well as to Richelieu Hardware Ltd.'s financial position as at August 31, 2020, compared to November 30, 2019. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the third quarter and first nine months 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 August 31, 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 October 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 third quarter and first nine months ended August 31, 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 pages 34 and 35 of the 2019 Annual Report available on SEDAR at www.sedar.com).

The following is an update to the risks and uncertainties the Corporation is facing since that date. The Corporation continues to closely monitor the evolution of the COVID-19 situation. The Corporation has suspended all travel and taken active steps to implement physical distancing and other measures recommended by public health agencies.

The COVID-19 pandemic 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 operating results will depend on future developments that are highly uncertain and cannot be predicted with any meaningful accuracy, 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 expected credit loss on accounts receivable. Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and operating results. 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 IFRS 16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended August 31, 2020, for more details on the adoption of this new standard.

GENERAL BUSINESS OVERVIEW as at August 31, 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 **84 centres across North America**, 41 distribution centres in Canada, 41 distribution centres 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 2,300 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 markets, 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)

Periods ended August 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	**3 months**			**9 months**		
	2020	2019		**2020**	2019	
	$	(3) Restated $	Δ (%)	**$**	(3) Restated $	Δ (%)
Sales	**311,171**	269,243	+15.6	**808,825**	776,661	+4.1
EBITDA(1)	**49,083**	33,890	+44.8	**107,736**	89,197	+20.8
EBITDA margin (%)	***15.8***	*12.6*		***13.3***	*11.5*	
Net earnings	**28,814**	18,430	+56.3	**58,391**	47,553	+22.8
Net earnings attributable to shareholders of the Corporation	**28,651**	18,291	+56.6	**58,130**	47,324	+22.8
• basic per share ($)	**0.51**	0.32	+59.4	**1.03**	0.83	+24.1
• diluted per share ($)	**0.50**	0.32	+56.3	**1.03**	0.83	+24.1
Net margin attributable to shareholders of the Corporation (%)	***9.2***	*6.8*		***7.2***	*6.1*	
Adjusted cash flows from operating activities(2)	**38,063**	26,470	+43.8	**84,923**	70,093	+21.2
• diluted per share ($)	**0.67**	0.46	+45.7	**1.50**	1.22	+23.0
Dividends paid to the shareholders of the Corporation	**3,757**	3,606	+4.2	**7,511**	10,830	-30.6
• per share ($)	**0.0667**	**0.0633**		**0.1334**	**0.1899**	-29.8
Weighted average number of shares outstanding (diluted) (in thousands)	**56,770**	57,186		**56,582**	57,278	

Financial position data

As at	**August 31 2020**	November 30 2019	
	$	(3) Restated $	Δ (%)
Total assets	**761,337**	**672,146**	+13.3
Working capital	**376,172**	**335,505**	+12.1
Current ratio	***3.6 : 1***	***4.1 : 1***	
Equity attributable to shareholders of the Corporation	**551,568**	**498,384**	+10.7
Return on average equity (%)	***14.7***	***13.7***	
Book value per share ($)	**9.76**	**8.86**	+10.2
Total debt	**5,989**	**5,659**	
Cash and cash equivalents	**74,491**	**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 August 31, 2020 for more details on the adoption of this new standard.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2020, COMPARED TO THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2019

Consolidated sales

(in thousands of $, except exchange rates)

Periods ended August 31	3 months 2020 $	2019 $	Δ (%)	9 months 2020 $	2019 $	Δ (%)
Canada	**203,010**	179,939	+12.8	**514,940**	506,661	+1.6
United States (CA$)	**108,161**	89,304	+21.1	**293,885**	270,000	+8.8
(US$)	**80,556**	67,543	+19.3	**217,383**	202,806	+7.2
Average exchange rates	***1.3427***	*1.3222*		***1.3519***	*1.3313*	
Consolidated sales	**311,171**	269,243	+15.6	**808,825**	776,661	+4.1

Third-quarter consolidated sales amounted to $311.2 million, compared to $269.2 million for the corresponding quarter of 2019, an increase of $42.0 million or 15.6%, of which 6.9% from an internal growth and 8.7% from acquisitions. It should be noted that this quarter had one additional business day than the third quarter of 2019. At comparable exchange rates to the third quarter of 2019, consolidated sales increase would have been 15.0% for the quarter ended August 31, 2020.

Richelieu achieved sales of $246.5 million in the **manufacturers** market, compared to $233.8 million for the third quarter of 2019, an increase of $12.7 million or 5.4%, of which 0.9% from an internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $64.7 million, up $29.3 million or 82.8% over the third quarter of 2019, of which 46.3% from internal growth and 36.5% from acquisitions. This substantial 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 recorded sales of $203.0 million, an increase of $23.1 million or 12.8% over the third quarter of 2019, of which 8.2% from internal growth and 4.6% from acquisitions. Sales to **manufacturers** amounted to $154.3 million, compared to $148.1 million for the third quarter of 2019, an increase of 4.2%, of which 1.1% from an internal growth and 3.1% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $48.7 million, up $16.8 million or 52.7% over the corresponding quarter of 2019, of which 40.7% from an internal growth and 12.0% from acquisitions. This significant increase is the result of major growth in the renovation market in Canada as well as higher cyclical sales than in the corresponding quarter of 2019.

In the United States, sales totalled US$80.6 million, compared to US$67.5 million for the third quarter of 2019, up US$13.1 million or 19.3%, of which 2.7% from internal growth and 16.6% from acquisitions. Sales to **manufacturers** amounted to US$68.7 million, compared to US$64.8 million, an increase of 6.0% over the third quarter of 2019, of which 7.1% growth from acquisitions and 1.1% from internal decrease . Sales in US$ to hardware **retailers** and renovation superstores reached $11.9 million, compared to $2.7 million for the corresponding quarter of 2019, an increase of $9.2 million, up 340.7% from the corresponding quarter of 2019, including 93.3% from an internal growth and 247.4% from acquisitions. As in Canada, the renovation market in the United States has been growing strongly, resulting in a major increase in sales in this market. The Company also benefited in the quarter from higher cyclical sales compared to those achieved during the corresponding period of 2019. Total U.S. sales in Canadian dollars stood at $108.2 million, compared to $89.3 million year over year, an increase of 21.1%. They accounted for 34.8% of consolidated sales for the third quarter of 2020, compared to 33.2% of consolidated sales for the third quarter of 2019.

For the first nine months, consolidated sales reached $808.8 million, an increase of $32.1 million or 4.1% over the first nine months of 2019, of which 7.4% growth from acquisitions and 3.3% from internal decrease. At comparable exchange rates to the first nine months of 2019, consolidated sales increase would have been 3.6%.

Sales to **manufacturers** reached $663.9 million, compared to $664.4 million for the first nine months of 2019, a decrease of $0.5 million or 0.1%, of which 4.5% growth from acquisitions and 4.6% from internal decrease. Sales to hardware **retailers** and renovation superstores grew by 29.0% or $32.6 million to total $144.9 million.

In Canada, Richelieu recorded sales of $514.9 million, compared to $506.7 million for the first nine months of 2019, up by $8.2 million or 1.6%, of which 4.8% growth from acquisitions and 3.2% from internal decrease. Sales to **manufacturers** reached $406.4 million, down by $11.5 million or 2.8%, of which 4.1% growth from acquisitions and 6.9% from internal decrease. Sales to hardware **retailers** and renovation superstores reached $108.5 million, compared to $88.8 million, up $19.7 million or 22.2% over the first nine months of 2019.

In the United States, the Corporation recorded sales of US$217.4 million, compared to US$202.8 million for the first nine months of 2019, an increase of US$14.6 million or 7.2%, of which 11.9% growth from acquisitions and 4.7% from internal decrease. Sales to **manufacturers** totalled US$190.4 million, compared to US$185.1 million, an increase of US$5.3 million or 2.9% over the first nine months of 2019, of which 5.2% resulted from acquisitions and 2.3% from internal decrease. Sales to hardware **retailers** and renovation superstores were up 52.5% from the corresponding period of 2019. Total U.S. sales in Canadian dollars amounted to $293.9 million, compared to $270.0 million for the corresponding nine months of 2019, an increase of 8.8%. They accounted for 36.3% of consolidated sales for the first nine months of 2020, compared to 34.8% of the period's consolidated sales for the first nine months of 2019.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended August 31	3 months 2020 $	2019 *restated* $	Δ (%)	9 months 2020 $	2019 *restated* $	Δ (%)
Sales	**311,171**	269,243	+15.6	**808,825**	776,661	+4.1
EBITDA	**49,083**	33,890	+44.8	**107,736**	89,197	+20.8
EBITDA margin (%)	***15.8***	*12.6*		***13.3***	*11.5*	

Third quarter earnings before income taxes, interest and amortization ("EBITDA") reached $49.1 million and was up $15.2 million or 44.8% over the third quarter of 2019, resulting from significant increase in sales in the retailers market together with actions to reduce costs and government subsidies. **Gross margin** remained stable from the third quarter of 2019. **EBITDA margin** stood at 15.8%, compared to 12.6% for the corresponding quarter of 2019.

Amortization expense for the third quarter of 2020 amounted to $8.8 million, up $1.2 million compared to the corresponding quarter of 2019. **Income tax expense** amounted to $10.8 million, up $3.8 million from the third quarter of 2019. **Financial costs** amounted to $0.6 million.

For the first nine months earnings before income taxes, interest and amortization ("EBITDA") totalled $107.7 million, up $18.5 million or 20.8% over the first nine months of 2019. The **gross margin** remained stable with the corresponding nine-month period of 2019. As for the **EBITDA margin,** it stood at 13.3%, compared to 11.5% for the first nine months of 2019 as a result of cost control measures.

Amortization expense for the first nine months of 2020 amounted to $25.3 million, up $3.9 million compared to the same period of 2019, resulting from the increase in the amortization of intangible assets and right-to-use assets mainly relating to business acquisitions made in fiscal 2019 and in 2020 to date. **Income tax expense** amounted to $22.0 million, up $4.1 million from the first nine months of 2019. **Financial costs** amounted to $2.1 million for the first nine months of 2020.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

	3 months			9 months		
Periods ended	**2020**	2019		**2020**	2019	
August 31	**$**	*restated* $	Δ (%)	**$**	*restated* $	Δ (%)
EBITDA	**49,083**	33,890	+44.8	**107,736**	89,197	+20.8
Amortization of property, plant and equipment and intangible assets	**8,824**	7,614		**25,287**	21,381	
Financial costs, net	**645**	872		**2,086**	2,435	
Income taxes	**10,800**	6,974		**21,972**	17,828	
Net earnings	**28,814**	18,430	+56.3	**58,391**	47,553	+22.8
Net earnings attributable to shareholders of the Corporation	**28,651**	18,291	+56.6	**58,130**	47,324	+22.8
Net margin attributable to the shareholders of the Corporation (%)	***9.2***	*6.8*		***7.2***	*6.1*	
Non-controlling interests	**163**	139		**261**	229	
Net earnings	**28,814**	18,430	+56.3	**58,391**	47,553	+22.8

Third quarter net earnings grew 56.3%. Including non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $28.7 million, up 56.6% over the third quarter of 2019. **Net earnings per share** amounted to $0.51 basic and $0.50 diluted, compared to $0.32 basic and diluted for the third quarter of 2019, an increase of 59.4%.

Comprehensive income amounted to $20.9 million, including a negative adjustment of $7.9 million on translation of the financial statements of the United States subsidiary, compared to $16.0 million for the third quarter of 2019, including a negative adjustment of $2.4 million on translation of the financial statements of the United States subsidiary.

For the first nine months, net earnings increased 22.8%. Including non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $58.1 million, up 22.8% over the corresponding nine months of 2019. **Net earnings per share** amounted to $1.03 basic and diluted, compared to $0.83 basic and diluted for the first nine months of 2019.

Comprehensive income totalled $55.6 million, including a negative adjustment of $2.8 million on translation of the financial statements of the United States subsidiary, compared to $47.5 million for the first nine months of 2019, including a negative adjustment of $0.1 million on translation of the financial statements of the United States subsidiary.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

(in thousands of $, except per-share amounts)

Quarters	**1**	**2**	**3**	**4**
2020				
o Sales	**249,401**	**248,253**	**311,171**	
o EBITDA	**24,883**	**33,770**	**49,083**	
o Net earnings attributable to shareholders of the Corporation	**11,772**	**17,707**	**28,651**	
• basic per share ($)	**0.21**	**0.31**	**0.51**	
• diluted per share ($)	**0.21**	**0.31**	**0.50**	
2019 (1)				
o Sales	226,351	281,067	269,243	264,986
o EBITDA	20,936	34,371	33,890	35,012
o Net earnings attributable to shareholders of the Corporation	9,943	19,090	18,291	19,147
• basic per share ($)	0.17	0.33	0.32	0.34
• diluted per share ($)	0.17	0.33	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 May 31, 2020 for more details on the adoption of this new standard.

Quarterly variations in earnings - The first quarter ending February 28 or 29 is generally the year's weakest period for Richelieu in light of the fewer 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 have an impact on the period's financial results. The second and fourth quarters ending May 31 and November 30, respectively, generally represent the fiscal year's most active periods.

FINANCIAL POSITION

Analysis of principal cash flows for the third quarter and first nine months ended August 31, 2020

Change in cash and cash equivalents and capital resources (in thousands of $, unless otherwise indicated)				
	3 months		**9 months**	
Periods ended August 31	**2020 $**	2019 *restated* $	**2020 $**	2019 *restated* $
Cash flows provided by (used for):				
Operating activities	**54,028**	47,368	**112,210**	64,671
Financing activities	**(9,242)**	(11,592)	**(19,878)**	(29,050)
Investing activities	**(12,892)**	(3,340)	**(42,322)**	(28,415)
Effect of exchange rate changes on cash and cash equivalents	**35**	115	**(220)**	184
Net change in cash and cash equivalents and bank overdraft	**31,929**	32,551	**49,790**	7,390
Cash and cash equivalents (bank overdraft), beginning of period	**42,562**	(17,753)	**24,701**	7,408
Cash and cash equivalents end of period	**74,491**	14,798	**74,491**	14,798

	As at August 31, 2020 $	As at November 30, 2019 $
Working capital	**376,172**	335,505
Renewable line of credit (CA$)	**65,000**	65,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Third quarter cash flows from operating activities (before net change in working capital balances) amounted to $38.1 million or $0.67 per share diluted, an increase of 43.8%, compared to the corresponding quarter of 2019, stemming primarily from the net earnings growth and increased amortization. Net change in non-cash working capital balances represented a cash inflow of $16.0 million, reflecting the change in inventory and accounts payable (including income taxes) of $30.3 million, whereas the change in accounts receivable and other items used cash flows of $14.3 million. Note that the Corporation had chosen to postpone certain payments as proposed by the relief measures implemented by some government agencies in Canada in response to the COVID-19 pandemic. Consequently, operating activities provided cash flows of $54.0 million, compared to $47.4 million in the third quarter of 2019.

For the first nine months, cash flows from operating activities (before net change in working capital balances) reached $84.9 million or $1.50 per share diluted, compared to $70.1 million or $1.22 per share diluted for the first nine months of 2019, an increase of 21.2%. Net change in non-cash working capital balances represented a cash inflow of $27.3 million primarily representing changes in inventories, accounts payable (including income taxes) and other items of $37.2, whereas accounts receivable used cash flows of $9.9 million. Consequently, operating activities provided cash flows of $112.2 million, compared to $64.7 million for the first nine months of 2019.

Financing activities

Third quarter financing activities used cash flows of $9.2 million, compared to $11.6 million for the third quarter of 2019. used cash flows of $19.9 million, compared to $29.1 million in the first nine months of 2019. The Corporation repaid long-term debt of $5.0 million, paid lease obligations of $11.0 million and issued shares for $3.9 million, compared to a long-term debt repayment of $0.2 million, lease obligations payments of $9.1 million and a $0.7 million share issue in 2019. Dividends paid to shareholders of the Corporation amounted to $7.5 million compared to $10.8 million in the same period of 2019. The corporation also repurchased common shares for an amount of $9.4 million in the first nine months of 2019, while it had not made any share repurchases in 2020.

For the first nine months, financing activities used cash flows of $19.9 million, compared to $29.1 million in the first nine months of 2019. The Corporation repaid long-term debt of $5.0 million, paid lease obligations of $11.0 million and issued shares for $3.9 million, compared to a long-term debt repayment of $0.2 million, lease obligations payments of $9.1 million and a $0.7 million share issue in 2019. Dividends paid to shareholders of the Corporation amounted to $7.5 million compared to $10.8 million in the same period of 2019. The corporation also repurchased common shares for an amount of $9.4 million in the first nine months of 2019, while it had not made any share repurchases in 2020.

Investing activities

Third quarter investing activities represented a cash outflow of $12.9 million, of which $9.7 million for the business acquisitions made during the current quarter and $3.2 million primarily for the purchase of new equipment to maintain and improve operational efficiency.

For the first nine months, investing activities represented a total cash outflow of $42.3 million, comprising $33.1 million for the five business acquisitions made during the current period of nine months ended August 31 and $9.2 million primarily for the purchase of new equipment to maintain and improve operational efficiency, including the addition of IT licenses.

Sources of financing

As at August 31, 2020, cash and cash equivalents amounted to $74.5 million, compared to $24.7 million as at November 30, 2019. This change reflects the net income growth and the increase in income taxes payable that have been deferred following the relief measures proposed by some government agencies in Canada. The Corporation posted **working capital** of $376.2 million for a current ratio of 3.6:1, compared to $335.5 million (current ratio of 4.1:1) as at November 30, 2019.

Richelieu believes it has the capital resources to fulfil its ongoing commitments and obligations and to assume the funding requirements needed for its growth, financing, and investing activities between now and the end of fiscal 2020. The Corporation has 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 August 31, 2020

Summary financial position (in thousands of $, except exchange rates) As at	**August 31, 2020** **$**	November 30, 2019 *restated* $
Current assets	**519,069**	445,345
Non-current assets	**242,268**	226,801
Total	**761,337**	672,146
Current liabilities	**142,897**	109,878
Non-current liabilities	**63,629**	60,647
Equity attributable to shareholders of the Corporation	**551,568**	498,384
Non-controlling interests	**3,243**	3,237
Total	**761,337**	672,146
Exchange rates on translation of a subsidiary in the United States	***1.304***	*1.330*

Assets

Total assets amounted to $761.3 million as at August 31, 2020, compared to $672.1 million as at November 30, 2019, an increase of 13.3%. **Current assets** increased by 16.6% or $73.7 million from November 30, 2019. **Non-current assets** rose 6.8%. These increases result mainly from business acquisitions made during the current fiscal year.

Cash position (in thousands of $) As at	**August 31 2020** **$**	November 30 2019 $
Current portion of long-term debt	**3,789**	5,659
Long-term debt	**2,200**	—
Total debt	**5,989**	5,659
Cash and cash equivalents	**74,491**	*24,701*

The Corporation continues to benefit from a healthy and solid financial position. As at August 31, 2020**, total debt** was $6 million, representing mainly balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $551.6 million as at August 31, 2020, compared to $498.4 million as at November 30, 2019, an increase of $53.2 million stemming primarily from growth of $50.6 million in retained earnings which amounted to $481.9 million, and $5.4 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down $2.8 million. As at August 31, 2020, **book value per share** was $9.76, up 10.2% over November 30, 2019.

As at August 31, 2020, at market close, the Corporation's **share capital** consisted of 56,486,005 common shares [56,240,030 shares as at November 30, 2019]. Weighted average of diluted outstanding shares for the three- and nine-month periods ended August 31, 2020, were 56,770,000 and 56,582,000 [2019 - 57,186,000 and 57,278,000]. During the first nine months of 2020, the Corporation issued 245,975 common shares at an average exercise price of $15.94 [113,275 in fiscal 2019 at an average exercise price of $10.92] upon the exercise of stock options under its stock option plan. As at August 31, 2020, 1,786,600 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 to 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 trading 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 August 31, 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 August 31, 2020, have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended August 31, 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 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 (see note 2), 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.

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 right-of-use assets, 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 IFRS16 affected the timing of their recognition over the 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 IFRS16 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 statements of financial position related to the recording of a right-to-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 August 31, 2020, for more details on the adoption of this new standard.

Risk factors are described in the "Risk Factors" section on pages 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 and 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.

Richard Lord
President and Chief Executive Officer

Antoine Auclair
Vice-President and Chief Financial Officer

October 8, 2020

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three- and nine-month periods ended August 31, 2020

[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars] [Unaudited]	Notes	**As at August 31, 2020**	As at November 30, 2019 *(Restated, note 2)*	As at December 1, 2018 *(Restated, note 2)*
		$	$	
ASSETS				
Current assets				
Cash and cash equivalents		**74,491**	24,701	7,408
Accounts receivable		**156,494**	137,589	138,767
Income taxes receivable		**—**	1,336	—
Inventories		**283,009**	275,154	270,275
Prepaid expenses		**5,075**	6,565	3,394
		519,069	445,345	419,844
Non-current assets				
Property, plant and equipment		**40,671**	41,309	41,725
Intangible assets		**42,708**	35,383	29,340
Right-of-use assets		**65,951**	63,642	53,853
Goodwill		**86,486**	80,164	71,984
Deferred taxes		**6,452**	6,303	6,836
		761,337	672,146	623,582
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**106,668**	90,140	88,359
Income taxes payable		**15,233**	—	119
Current portion of long-term debt		**3,789**	5,659	2,023
Current portion of lease obligations		**17,207**	14,079	12,466
		142,897	109,878	102,967
Non-current liabilities				
Long-term debt		**2,200**	—	—
Lease obligations		**53,124**	53,274	43,682
Deferred taxes		**6,507**	5,553	3,289
Other liabilities		**1,798**	1,820	1,843
		206,526	170,525	151,781
Equity				
Share capital	4	**47,029**	42,190	41,398
Contributed surplus		**6,254**	5,700	4,122
Retained earnings		**481,932**	431,313	403,760
Accumulated other comprehensive income	5	**16,353**	19,181	19,313
Equity attributable to shareholders of the Corporation		**551,568**	498,384	468,593
Non-controlling interests		**3,243**	3,237	3,208
		554,811	501,621	471,801
		761,337	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- and nine-month periods ended August 31 [In thousands of dollars, except earnings per share] [Unaudited]

		For the three months ended August 31,		For the nine months ended August 31,	
		2020	2019 *(Restated, note 2)*	**2020**	2019 *(Restated, note 2)*
	Notes	**$**	$	**$**	$
Sales		**311,171**	269,243	**808,825**	776,661
Operating expenses excluding amortization	6	**262,088**	235,353	**701,089**	687,464
Earnings before amortization, financial costs and income taxes		**49,083**	33,890	**107,736**	89,197
Amortization of property, plant and equipment and right-of-use assets		**6,998**	6,174	**20,188**	17,649
Amortization of intangible assets		**1,826**	1,440	**5,099**	3,732
Financial costs, net		**645**	872	**2,086**	2,435
		9,469	8,486	**27,373**	23,816
Earnings before income taxes		**39,614**	25,404	**80,363**	65,381
Income taxes		**10,800**	6,974	**21,972**	17,828
Net earnings		**28,814**	18,430	**58,391**	47,553
Net earnings attributable to:					
Shareholders of the Corporation		**28,651**	18,291	**58,130**	47,324
Non-controlling interests		**163**	139	**261**	229
		28,814	18,430	**58,391**	47,553
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.51**	0.32	**1.03**	0.83
Diluted		**0.50**	0.32	**1.03**	0.83

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three- and nine-month periods ended August 31 [In thousands of dollars] [Unaudited]

		For the three months ended August 31,		For the nine months ended August 31,	
		2020	2019 *(Restated, note 2)*	**2020**	2019 *(Restated, note 2)*
	Notes	**$**	$	**$**	$
Net earnings		**28,814**	18,430	**58,391**	47,553
Other comprehensive income that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	5	**(7,930)**	(2,420)	**(2,828)**	(69)
Comprehensive income		**20,884**	16,010	**55,563**	47,484
Comprehensive income attributable to:					
Shareholders of the Corporation		**20,721**	15,871	**55,302**	47,255
Non-controlling interests		**163**	139	**261**	229
		20,884	16,010	**55,563**	47,484

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended August 31 [In thousands of dollars] [Unaudited]

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
	$	$	$	$	$	$	$
Notes	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	—	—	47,324	—	47,324	229	47,553
Other comprehensive (loss)	—	—	—	(69)	(69)	—	(69)
Comprehensive income	—	—	47,324	(69)	47,255	229	47,484
Shares repurchased	(289)	—	(9,097)	—	(9,386)	—	(9,386)
Stock options exercised	833	(155)	—	—	678	—	678
Share-based compensation expense	—	1,381	—	—	1,381	—	1,381
Dividends *[note 9]*	—	—	(10,830)	—	(10,830)	(193)	(11,023)
Other liabilities	—	—	—	—	—	25	25
	544	1,226	(19,927)	—	(18,157)	(168)	(18,325)
Balance as at August 31, 2019	41,942	5,348	431,157	19,244	497,691	3,269	500,960
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	**—**	**—**	**58,130**	**—**	**58,130**	**261**	**58,391**
Other comprehensive (loss)	**—**	**—**	**—**	**(2,828)**	**(2,828)**	**—**	**(2,828)**
Comprehensive income	**—**	**—**	**58,130**	**(2,828)**	**55,302**	**261**	**55,563**
Stock options exercised	**4,839**	**(918)**	**—**	**—**	**3,921**	**—**	**3,921**
Share-based compensation expense	**—**	**1,472**	**—**	**—**	**1,472**	**—**	**1,472**
Dividends *[note 9]*	**—**	**—**	**(7,511)**	**—**	**(7,511)**	**(277)**	**(7,788)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**22**	**22**
	4,839	**554**	**(7,511)**	**—**	**(2,118)**	**(255)**	**(2,373)**
Balance as at August 31, 2020	**47,029**	**6,254**	**481,932**	**16,353**	**551,568**	**3,243**	**554,811**

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three- and nine-month periods ended August 31 [In thousands of dollars] [Unaudited]

		For the three months ended August 31,		For the nine months ended August 31,	
		2020	2019	**2020**	2019
		$	*(Restated, note 2) $*	**$**	*(Restated, note 2) $*
OPERATING ACTIVITIES					
Net earnings		**28,814**	18,430	**58,391**	47,553
Items not affecting cash					
Amortization of property, plant and equipment and right-of-use assets		**6,998**	6,174	**20,188**	17,649
Amortization of intangible assets		**1,826**	1,440	**5,099**	3,732
Deferred taxes		**(66)**	(131)	**(227)**	(222)
Share-based compensation expense	4	**491**	557	**1,472**	1,381
		38,063	26,470	**84,923**	70,093
Net change in non-cash working capital balances		**15,965**	20,898	**27,287**	(5,422)
		54,028	47,368	**112,210**	64,671
FINANCING ACTIVITIES					
Repayment of long-term debt		**(4,509)**	(190)	**(4,991)**	(190)
Dividends paid to shareholders of the Corporation	9	**(3,757)**	(3,606)	**(7,511)**	(10,830)
Payment of principal portion of lease obligations		**(3,848)**	(3,072)	**(11,020)**	(9,129)
Other dividends paid		**—**	—	**(277)**	(193)
Common shares issued		**2,872**	150	**3,921**	678
Common shares repurchased for cancellation		**—**	(4,874)	—	(9,386)
		(9,242)	(11,592)	**(19,878)**	(29,050)
INVESTING ACTIVITIES					
Business acquisitions	3	**(9,676)**	—	**(33,074)**	(20,788)
Additions to property, plant and equipment and intangible assets		**(3,216)**	(3,340)	**(9,248)**	(7,627)
		(12,892)	(3,340)	**(42,322)**	(28,415)
Effect of exchange rate changes on cash and cash equivalents		**35**	115	**(220)**	184
Net change in cash and cash equivalents and bank overdraft		**31,929**	32,551	**49,790**	7,390
Cash and cash equivalents (bank overdraft), beginning of period		**42,562**	(17,753)	**24,701**	7,408
Cash and cash equivalents, end of period		**74,491**	14,798	**74,491**	14,798
Supplementary information					
Income taxes paid (received)		**(1,474)**	5,292	**5,543**	19,782
Interest paid, net		**645**	872	**2,086**	2,435

See accompanying notes to the interim consolidated financial statements.

As at August 31, 2020 and 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 the Province of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products target to 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 IA 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 (see note 2), 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. 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 operating results will depend on future developments that are highly uncertain and cannot be predicted with any meaningful accuracy, 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 expected credit loss on accounts receivable. 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 right-of-use assets, 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 IFRS16 affected the timing of their recognition over the 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 IFRS16 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 amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which is currently between 2 and 11 years.

ii) Lease obligations
At the commencement date of the lease, the lease obligation 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	**For the nine-month period ended August 31, 2019**		
	$	Adjustments	Restated $
Earnings before amortization and financial costs	78,346	10,851	89,197
Amortization of property, plant and equipment and right-of-use assets	7,629	10,020	17,649
Amortization of intangible assets	3,732	—	3,732
Financial costs, net	713	1,722	2,435
	12,074	11,742	23,816
Earnings before income taxes	66,272	(891)	65,381
Income taxes	18,050	(222)	17,828
Net earnings	48,222	(669)	47,553
Net earnings attributable to:			
Shareholders of the Corporation	47,994	(670)	47,324
Non-controlling interests	228	1	229
	48,222	(669)	47,553
Net earnings per share attributable to shareholders of the Corporation			
Basic	0.84	(0.01)	0.83
Diluted	0.84	(0.01)	0.83

As at August 31, 2020 and 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Consolidated statements of financial position	As at November 30, 2019	Adjustments	As at November 30, 2019 *restated*
	$	$	$
Current assets	445,345	—	445,345
Non-current assets			
Property, plant and equipment	41,309	—	41,309
Intangible assets	35,383	—	35,383
Right-of-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	For the nine-month period ended August 31, 2019		
	$	$	$
Net earnings	48,222	(669)	47,553
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment and right-of-use assets	7,629	10,020	17,649
Amortization of intangible assets	3,732	—	3,732
Deferred taxes	—	(222)	(222)
Share-based compensation expense	1,381	—	1,381
	60,964	9,129	70,093
Net change in non-cash working capital balances	(5,422)	—	(5,422)
	55,542	9,129	64,671
FINANCING ACTIVITIES			
Payment of principal portion of lease obligations	—	(9,129)	(9,129)
Interest paid, net	713	1,722	2,435

Consolidated statements of financial position	As at December 1, 2018	Adjustments	As at December 1, 2018 restated
	$	$	$
Current assets	419,844	—	419,844
Non-current assets			
Property, plant and equipment	41,725	—	41,725
Intangible assets	29,340	—	29,340
Right-of-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 the issued and outstanding 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 distributions centres in Omaha, NB, Des Moines, IA and Sioux Falls, SD.

Effective June 29, 2020, the Corporation acquired the principal net assets of Central Wholesale Supply, a distributor of specialized hardware operating a distribution centre in Richmond, VA.

Effective August 4, 2020, the Corporation acquired the principal net assets of Lion Hardware, a specialty hardware distributor serving a clientele of door and window manufacturers in Eastern Canada, operating a distribution centre in Concord, Saint-Jacques, New Brunswick.

Sales of $53.5 million have been generated by these acquisitions. Had those acquisitions been made on December 1, 2019, management believes that sales included in the consolidated statement of earnings would have totalled approximately $60 million.

2019

Effective January 1, 2019, the Corporation acquired all issued and outstanding 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.

Effective February 4, 2019, the Corporation acquired all issued and outstanding 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 issued and outstanding 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 issued and outstanding 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	**28,090**
Property, plant and equipment and right-of-use assets	**5,588**
Intangible assets	**10,663**
Goodwill	**7,388**
	51,729
Current liabilities assumed	**(6,229)**
Lease obligations	**(4,766)**
Deferred taxes	**(955)**
Net assets acquired	**39,779**
Consideration	
Cash, net of cash acquired	**33,074**
Consideration payable	**6,705**
	39,779

Goodwill deductible for tax purposes with regard to these acquisitions amounts to $4,187.

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, as at November 30, 2018	57,114	41,398
Issued	113	1,522
Repurchased	(987)	(730)
Outstanding, as at November 30, 2019	**56,240**	**42,190**
Issued	**246**	**4,839**
Repurchased	**—**	**—**
Outstanding, as at August 31, 2020	**56,486**	**47,029**

During the nine-month period ended August 31, 2020, the Corporation issued 245,975 common shares [FY2019 - 113,275] at an average exercise price of $15.94 per share [2019 - $10.92] pursuant to the exercise of options under the share option plan.

Stock option plan

Changes in stock options are summarized as follows:

	Number of stock options *(in thousands)*	Weighted average exercise price $
Outstanding, as at November 30, 2018	1,669	21.69
Granted	232	25.27
Exercised	(113)	10.92
Cancelled	(18)	26.27
Outstanding, as at November 30, 2019	**1,770**	**22.80**
Granted	**304**	**28.48**
Exercised	**(246)**	**15.94**
Cancelled	**(42)**	**28.78**
Outstanding, as at August 31, 2020	**1,786**	**24.57**

Stock options granted during the nine-month period ended August 31, 2020 have an average fair value of $6.43 per option [FY2019 - $4.54] as determined using the Black & Scholes option pricing model with an expected dividend yield of 0.9% [2019 - 1.1%], expected volatility of 21.6% [2019 - 20.2%], a risk-free interest rate of 1.70% [2019 - 1.96%] and an expected life of 7 years [2019 - 7 years]. For the three- and nine-month periods ended August 31, 2020, the compensation expense related to stock options amounted to $491 and $1,472 [2019 - $557 and $1,381] and is recognized under *Operating expenses excluding amortization*. As at August 31, 2020, exercise price of stock options outstanding varied between $9.14 and $32.77 [Stock option exercise price as at November 30, 2019, varied between $7.79 and $32.77].

Deferred Share Unit Plan (DSU)

The financial liability resulting from the DSU plan of $6,576 [as at November 30, 2019 - $7,296] is recognized under *Accounts payable and accrued liabilities*. As at August 31, 2020, the fair value of the swaps on shares amounted to an asset of $1,381 [as at November 30, 2019 - amounted to an asset of $18] and is recognized under *Accounts receivable*. 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- and nine-month periods ended August 31, 2020 amounted to $213 and $546 [2019 - $165 and $508] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to $172 and $525 for the three- and nine-month periods ended August 31, 2020 [2019 - $187 and $548] 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:

	For the three months ended August 31,		For the nine months ended August 31,	
(in thousands)	**2020**	2019	**2020**	2019
Weighted average number of shares outstanding - Basic	**56,364**	56,912	**56,298**	57,032
Dilutive effect under stock option plan	**406**	274	**284**	246
Weighted average number of shares outstanding - Diluted	**56,770**	57,186	**56,582**	57,278

For the three- and nine-month periods ended August 31, 2020, the computation of diluted net earnings per share excludes the weighted average of 316,500 and 614,500 outstanding stock options with an exercise price exceeding the average market share price for the period due to of their anti-dilutive effect (2019 – 879,875 and 879,875).

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	For the three months ended August 31,		For the nine months ended August 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Balance at the beginning of the period	**24,283**	21,664	**19,181**	19,313
Exchange differences on translation of foreign operations	**(7,930)**	(2,420)	**(2,828)**	(69)
Balance at the end of the period	**16,353**	19,244	**16,353**	19,244

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 August 31, 2020, the fair value of the foreign exchange forward contracts amounted to a liability of $30 [a liability of $18 as at November 30, 2019] representing the amount the Corporation would remit 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 August 31, 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 $270 and $2,301 [2019 - $720 and $1,313] during the three- and nine-month periods ended August 31, 2020, for a total of $9,064 as at August 31, 2020 [as at 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 euros. Operating expenses included, for the three- and nine-month periods ended August 31, 2020, an exchange gain of $132 and a gain of $2,130 [2019 - an exchange gain of $7 and a gain of $889].

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 hedged through centralized management of cash. 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 August 31, 2020 and 2019 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

As at August 31, 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 $628 [as at August 31, 2019 - $517] and would have increased consolidated comprehensive income by $7,165 [as at August 31, 2019 - $7,304]. Exchange rate sensitivity is calculated by aggregating the net foreign exchange rate exposure of the Corporation's financial instruments as at August 31, 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

	For the three months ended August 31,		For the nine months ended August 31,	
	2020	2019	**2020**	2019
	$	(Restated note 2) $	**$**	(Restated note 2) $
Inventories from distribution, imports and manufacturing activities recognized as an expense	**226,237**	195,170	**592,090**	566,287
Salaries and related charges	**33,009**	36,785	**100,811**	109,681
Other charges	**2,842**	3,398	**8,188**	11,496
	262,088	235,353	**701,089**	687,464

For the three- and nine-month periods ended August 31, 2020, an expense of $1,203 and $3,033 [2019 - $985 and $2,867] for inventory obsolescence is included in Inventories from distribution, imports and manufacturing activities recognized as an expense.

Government Grant

For the three- and nine-month periods ended August 31, 2020, the Corporation recognized an amount of $3,523 and $6,790 as a reduction of Salaries and related charges, included under *Operating expenses excluding amortization,* in connection with the Canada Emergency Wage Subsidy ("CEWS") program.

7. CAPITAL MANAGEMENT

The Corporation's objectives are as follows:

- 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 August 31, 2020, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.1 % [1.1 % as at November 30, 2019] [Long-term debt/ Equity]
- Return on average shareholders' equity of 14.7% over the last 12 months [13.7% for year ended November 30, 2019]

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

8. GEOGRAPHIC INFORMATION

During the three- and nine-month periods ended August 31, 2020, nearly 64% of sales were made in Canada [2019 - 65%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to $108,161 and $293,885 [2019 - $89,304 and $270,000] in Canadian dollars, and to $80,556 and $217,383 [2019 - $67,543 and $202,806] in US dollars.

As at August 31, 2020, of the total amount of property, plant and equipment, $7,220 [as at November 30, 2019 - $7,606] were located in the United States. In addition, intangible assets located in the United States amounted to $14,353 [as at November 30, 2019 - $12,864] and goodwill to $14,960 [as at November 30, 2019 - $13,890] in Canadian dollars and to $11,005 [as at November 30, 2019 - $9,680] and goodwill to $11,470 [as at November 30, 2019 - $10,452] in US dollars.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three- and nine-month periods ended August 31, 2020, the Corporation paid dividends of $3,757 and $7,511 [2019 - $3,606 and $10,830].

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three- and nine-month periods ended August 31, 2020 (including the comparative figures) were approved for issue by the Board of Directors on October 8, 2020.