



Interim Report

Three-month period
ended February 28, 2022

1

MESSAGE TO SHAREHOLDERS

Richelieu started fiscal 2022 with a strong increase in results for the first quarter ended February 28, reflecting solid internal growth as well as a substantial contribution from acquisitions. Three business acquisitions closed in the United States also marked the period. Thanks to our interconnected network, our strategies of continuous innovation, acquisition and multi-access service, we have seized the opportunities generated by the diversified and vigorous markets we serve. The financial performance of the first quarter, both in Canada and the United States, is all the more significant since the first three months of the year are historically our weakest.

Our total sales were up 29.2% over the first quarter of 2021, at \$384.5 million, an increase driven by a 16.3% internal growth and a 12.9% contribution from acquisitions. We achieved strong performance in the manufacturers' market, where our sales reached \$326.7 million, up 35.2%, of which 21.8% from internal growth and 13.4% from acquisitions. In the retailers' market, our sales were \$57.8 million, up 3.4% due to acquisitions and despite a 7.6% internal decrease over sales in the first quarter of 2021, which were up 34.5%. In Canada, our sales were \$230.5 million, up 19.3%, of which 13.2% was from internal growth and 6.1% from acquisitions, while in the United States they totalled US\$121.2 million, up 48.0%, of which 22.5% was from internal growth and 25.5% from acquisitions. In Canadian dollars, sales in the United States accounted for 40% of total sales.

Increased business volume, gross margin and cost control had a positive impact on EBITDA, which was \$53.7 million, up 40.8% over the corresponding period of 2021. The EBITDA margin rose to 14.0% from 12.8% in the first quarter of 2021. We ended the quarter with diluted net earnings per share of \$0.53, up 43.2% over the first quarter of 2021.

As previously announced in a press release, on December 31, 2021, we completed the acquisitions of Compi Distributors (Missouri and Illinois), HGH Hardware Supply (Alabama, Tennessee, and Georgia), and National Builders Hardware (Oregon). These three acquisitions add approximately \$100 million in annual sales further strengthening our positioning in the United States bringing our North American network to 106 strategically located distribution centers, including 57 centers in the United States.

Richelieu's financial position remained sound and healthy at the end of the first quarter, with adjusted cash flows from operating activities of \$42.6 million or \$0.75 diluted per share, up 38.9%, and working capital of \$449.9 million (current ratio of 2.9:1). The average return on shareholder equity was 24.1% as at February 28, 2022.

In the coming periods, we will further integrate the eight acquisitions completed in 2021 and the first quarter of 2022. In addition to the expansions completed in 2021 in Detroit, Reading, Boston, Orlando, Rochester and Dallas areas, we will complete the expansion of our distribution centers in Fort Myers, Florida, and Atlanta, Georgia and we are undertaking the expansion of our center located in the strategic Chicago area. We remain customer- innovation-driven and results-oriented, with a constant focus on our value-added multi-access service and our two main growth drivers, which are innovation and acquisition strategies.

NEXT DIVIDEND PAYMENT

On April 7, 2022, the Board of Directors approved the payment of a quarterly dividend of 0.13\$ per share. This dividend will be paid on May 5, 2022, to shareholders of record as at April 21, 2022.

Management's discussion and analysis of operating results and financial position for the first quarter ended February 28, 2022



This management's discussion and analysis ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the first quarter ended February 28, 2022, compared with the first quarter ended February 28, 2021, as well as to Richelieu Hardware Ltd.'s financial position as at February 28, 2022, compared with that of November 30, 2021. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the first quarter of 2022 as well as the Corporation's fiscal 2021 MD&A and audited consolidated financial statements available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Corporation's website at www.richelieu.com. 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 28, 2022, signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on SEDAR at www.sedar.com.

The information contained in this MD&A accounts for any major event that occurred prior to April 7, 2022, on which date the unaudited interim consolidated 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 28, 2022, have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before income taxes, interest 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 cash flows or as a measure of liquidity. Since EBITDA 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 the amortization of property, plant and equipment, intangible assets and right-of-use asset, deferred tax expense (or recovery), share-based compensation expense and financial costs. These additional measures do not consider the net change in non-cash working capital items in order 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, including on the assumption that economic conditions and exchange rates will not significantly deteriorate, the operating costs will not increase significantly, that supplies will be sufficient to fulfil Richelieu's needs (including as a result of the global pandemic outbreak), 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 very nature, to known and unknown risks and uncertainties set forth in the 2021 annual MD&A (see the "Risk Factors" section) available on SEDAR.

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.

GENERAL BUSINESS OVERVIEW

as at February 28, 2022

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 100,000 active customers** served by **106 centers across North America**, of which 47 distribution centers in Canada, 57 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, floor protection products as well as accessories for power tools. 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. Many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,700 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. Nearly 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 that has proved beneficial to date, with a particular focus on:

- strengthening 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 North America expansion by opening new distribution centers 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 the Corporation 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 28			
	2022	2021	
(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	\$	\$	Δ (%)
Sales	384,466	297,581	+29.2
EBITDA ⁽¹⁾	53,728	38,162	+40.8
EBITDA margin (%)	14.0	12.8	
Net earnings	30,300	21,042	+44.0
Net earnings attributable to shareholders of the Corporation	30,098	20,984	+43.4
• basic per share (\$)	0.54	0.38	+42.1
• diluted per share (\$)	0.53	0.37	+43.2
Net margin attributable to shareholders of the Corporation (%)	7.8	7.1	
Adjusted cash flows from operating activities ⁽²⁾	42,550	30,732	+38.5
• diluted per share (\$)	0.75	0.54	+38.9
Dividends paid to the shareholders of the Corporation ⁽³⁾	7,278	7,634	
• per share (\$) (excluding the special dividend) ⁽³⁾	0.1300	0.0700	+85.7
Weighted average number of shares outstanding (diluted) (in thousands)	56,574	56,408	
Financial position data			
	February 28, 2022	November 30, 2021	
	\$	\$	Δ (%)
Total assets	1,034,349	964,180	+7.3
Working capital	449,914	456,376	-1.4
Current ratio	2.9 : 1	3.3 : 1	
Equity attributable to shareholders of the Corporation	693,998	666,442	+4.1
Average return on Shareholders' equity (%)	24.1	23.3	
Book value per share (\$)	12.37	11.93	+3.7
Total debt	8,649	6,439	
Cash and cash equivalents (bank overdraft)	(33,534)	58,707	
⁽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⁾ 2021 amount includes a special dividend of 0.0667 \$ per share in addition to the quarterly dividend of 0.075 \$ per share.			

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2022, COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 28, 2021

Consolidated sales (in thousands of \$, except exchange rates)			
Quarters ended February 28	2022 \$	2021 \$	Δ (%)
Canada	230,548	193,240	+19.3
United States (CA\$)	153,918	104,341	+47.5
(US\$)	121,152	81,881	+48.0
Average exchange rates	1.271	1.274	
Consolidated sales	384,466	297,581	+29.2

For the quarter ended February 28, 2022, consolidated sales reached \$384.5 million, compared with \$297.6 million for the corresponding quarter of 2021, an increase of 29.2%, of which 16.3% from internal growth and 12.9% from acquisitions. At comparable exchange rates to the first quarter of 2021, the consolidated sales growth would have been 29.4% for the quarter ended February 28, 2022.

Richelieu achieved sales of \$326.7 million in the **manufacturers** market, compared with \$241.7 million for the first quarter of 2021, an increase of \$85 million or 35.2% increase, of which 21.8% resulted from internal growth and 13.4% from acquisitions. These increases come from increased demand in the renovation market as well as higher selling prices. Sales to hardware **retailers** and renovation superstores stood at \$57.8 million, up \$1.9 million or 3.4% over the first quarter of 2021, of which 11.0% resulted from acquisitions and 7.6% from internal decrease on those of the first quarter of 2021 which had been up sharply.

In Canada, Richelieu recorded sales of \$230.5 million, an increase of \$37.3 million or 19.3% over the first quarter of 2021, of which 13.2% from internal growth and 6.1% from acquisitions. Sales to **manufacturers** amounted to \$186.7 million compared with \$153.2 million in the first quarter of 2021, an increase of 21.9% of which 17.7% from internal growth and 4.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to \$43.8 million, up \$3.8 million or 9.5%, mostly resulting from acquisitions.

In the United States, sales totalled US\$121.2 million, compared with US\$81.9 million for the first quarter of 2021, an increase of US\$39.3 million or 48.0%, of which 22.5% from internal growth and 25.5% from acquisitions. Sales to **manufacturers** amounted to US\$110.2 million compared with US\$69.4 million in the first quarter of 2021, an increase of 58.8%, of which 29.3% from internal growth and 29.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were down 12.0% (in US dollars) from the corresponding quarter of 2021, which were up significantly. Considering applicable exchange rates, total U.S. sales expressed in Canadian dollars stood at \$154.0 million, compared with \$104.4 million for the first quarter of 2021, an increase of 47.5% and they accounted for 40.0% of consolidated sales for the first quarter of 2022, whereas they represented 35.1% of the period's consolidated sales for the first quarter of 2021.

Consolidated EBITDA and EBITDA margin (in thousands of \$, unless otherwise indicated)			
Quarters ended February 28	2022 \$	2021 \$	Δ (%)
Sales	384,466	297,581	+29.2
EBITDA	53,728	38,162	+40.8
EBITDA margin (%)	14.0	12.8	

First-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to \$53.7 million, up \$15.6 million or 40.8% over the first quarter of 2021. **Gross margin** increased slightly and **EBITDA margin** improved mainly due to the increase in sales and costs control. **EBITDA margin** stood at 14.0%, compared to 12.8% for the corresponding quarter of 2021.

Amortization expenses for the first quarter of 2022 amounted to \$11.1 million compared with \$8.5 million for the corresponding quarter of 2021, up \$2.6 million, resulting from an increase in amortization of intangible assets and right-of-use assets mainly due to recent business acquisitions as well as lease renewals and expansions made in the second half of last year.

Consolidated net earnings attributable to shareholders (in thousands of \$, unless otherwise indicated)			
Quarters ended February 28	2022 \$	2021 \$	Δ (%)
EBITDA	53,728	38,162	+40.8
Amortization of property, plant and equipment, intangible assets and right-of-use assets	11,052	8,521	
Financial costs, net	1,082	657	
Income taxes	11,294	7,942	
Net earnings	30,300	21,042	+44.0
Net earnings attributable to shareholders of the Corporation	30,098	20,984	+43.4
Net margin attributable to the shareholders of the Corporation (%)	7.8	7.1	
Non-controlling interests	202	58	
Net earnings	30,300	21,042	+44.0

First-quarter **net earnings** grew by 44.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$30.1 million, up 43.4% over the first quarter of 2021. **Net earnings per share** rose to \$0.54 basic and \$0.53 diluted, compared with \$0.38 basic and \$0.37 diluted for the first quarter of 2021, an increase of 42.1% and 43.2% respectively.

Comprehensive income amounted to \$28.8 million, considering a negative adjustment of \$1.5 million on translation of the financial statements of the subsidiary in the United States, compared with \$18.0 million for the first quarter of 2021, considering a negative adjustment of \$3.1 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
2022				
o Sales	384,466			
o EBITDA	53,728			
o Net earnings attributable to shareholders of the Corporation	30,098			
• basic per share (\$)	0.54			
• diluted per share (\$)	0.53			
2021				
o Sales	297,581	371,384	373,298	398,153
o EBITDA	38,162	60,954	63,937	71,345
o Net earnings attributable to shareholders of the Corporation	20,984	37,425	38,749	44,606
• basic per share (\$)	0.38	0.67	0.69	0.80
• diluted per share (\$)	0.37	0.66	0.69	0.79
2020				
o Sales	249,401	248,253	311,171	319,015
o EBITDA	24,883	33,770	49,083	46,725
o Net earnings attributable to shareholders of the Corporation	11,772	17,707	28,651	27,092
• basic per share (\$)	0.21	0.31	0.51	0.48
• diluted per share (\$)	0.21	0.31	0.50	0.48

Quarterly variations in earnings - The first quarter closing 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 the 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 28, 2022

Cash flows and capital resources		
(in thousands of \$, unless otherwise indicated)		
Quarters ended February 28	2022 \$	2021 \$
Cash flows provided by (used for):		
Operating activities	(37,527)	7,753
Financing activities	(8,293)	(16,465)
Investing activities	(46,150)	(2,852)
Effect of exchange rate changes on cash and cash equivalents	(271)	32
Net change in cash and cash equivalents	(92,241)	(11,532)
Cash and cash equivalents, beginning of period	58,707	73,928
Cash and cash equivalents end of period (bank overdraft)	(33,534)	62,396
Working capital	449,914	386,939
Renewable line of credit (CA\$)	85,000	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 \$42.6 million or \$0.75 diluted per share, compared with \$30.7 million or \$0.54 diluted per share for the first quarter of 2021, an increase of 38.5% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$80.1 million, reflecting the \$73.2 million change in inventories and accounts payable, and the change in accounts receivable and other items which used cash flows of \$6.9 million. Consequently, operating activities used cash flows of \$37.5 million, whereas they had represented a cash inflow of \$7.8 million for the first quarter of 2021.

Financing activities

First-quarter **cash flows from financing activities** used cash flows of \$8.3 million, compared with \$16.5 million for the first quarter of 2021. The Corporation paid lease obligations of \$5.7 million, issued shares for \$5.8 million and made a long-term debt repayment of \$1.1 million, compared to lease obligation payments of \$4.6 million, a share issuance for \$0.8 million and a long-term debt repayment of \$1.3 million in the first quarter of 2021. Dividends paid to shareholders of the Corporation amounted to \$7.3 million compared to \$7.6 million in the same period of 2021. In 2021, the Corporation paid a special dividend of \$0.0667 per share in addition to a dividend of \$0.07 per share. The Corporation also repurchased common shares for an amount of \$3.3 million in the first quarter of 2021, while it did not make any share repurchases in 2022.

Investing activities

First-quarter **cash flows from investing activities** represented a cash outflow of \$46.2 million, including \$42.4 million for three business acquisitions made early during the current quarter and \$3.8 million primarily for the purchase of new equipment to maintain and improve operational efficiency.

Sources of financing

As at February 28, 2022, the bank overdraft amounted to \$33.5 million, compared with a cash balance of \$58.7 million as at November 30, 2021. This change mainly results from business acquisitions made during the first quarter of 2022 as well as the increase in non-cash working capital items during the quarter, primarily inventories. The Corporation posted **working capital** of \$449.9 million for a current ratio of 2.9:1, compared with \$456.4 million (current ratio of 3.3:1) as at November 30, 2021.

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 2022. The Corporation continues to benefit from an authorized line of credit of \$85 million [\$65 million as at November 30 2021] 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 additional external financing if necessary.

Analysis of financial position as at February 28, 2022

Summary financial position (in thousands of \$, except exchange rates)		
As at	February 28, 2022 \$	November 30, 2021 \$
Current assets	686,790	659,179
Non-current assets	347,559	305,001
Total	1,034,349	964,180
Current liabilities	236,876	202,803
Non-current liabilities	100,895	92,440
Equity attributable to shareholders of the Corporation	693,998	666,442
Non-controlling interests	2,580	2,495
Total	1,034,349	964,180
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.270	1.279

Assets

Total assets amounted to \$1.0 billion as at February 28, 2022, compared with \$964.2 million as at November 30, 2021, an increase of 7.3%. **Current assets** grew by 4.2% or \$27.6 million over November 30, 2021. This increase stems from the addition of current assets following the business acquisitions made during the period and from the rise in inventories resulting from the increase in demand and supply costs. **Non-current assets** increased 14.0% mainly due to the addition of intangible assets and goodwill related to the business acquisitions.

Cash position (in thousands of \$)		
As at	February 28, 2022 \$	November 30, 2021 \$
Current portion of long-term debt	8,649	5,339
Long-term debt	—	1,100
Total debt	8,649	6,439
<i>Cash and cash equivalents (bank overdraft)</i>	(33,534)	58,707

The Corporation continues to benefit from a healthy and solid financial position. As at February 28, 2022, **total debt** was \$8.6 million representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$694.0 million as at February 28, 2022, compared with \$666.4 million as at November 30, 2021, an increase of \$27.6 million stemming primarily from a \$22.8 million growth in retained earnings which amounted to \$613.3 million, and a \$6.3 million growth in share capital and contributed surplus, whereas accumulated other comprehensive income was down by \$1.5 million. As at February 28, 2022, **the book value per share** was \$12.37, up by 3.7% over November 30, 2021.

As at February 28, 2022, at the close of markets, the Corporation's **share capital** consisted of 56,093,619 common shares [55,841,119 shares as at November 30, 2021]. Weighted average number of diluted outstanding shares for the three-month periods ended February 28, 2022 was 56,574,430 [2021 - 56,408,470]. During the first quarter ended February 28, 2022, the Corporation issued 252,500 common shares at an average price of \$22.31 [263,925 in fiscal 2021 at an average price of \$19.54] upon the exercise of stock options under its stock option plan. During the quarter ended February 28, 2022, the Corporation granted 276,000 stock options [289,000 in fiscal 2021] and cancelled 4,000 stock options. As a result, as at February 28, 2022, 1,710,875 stock options were outstanding [1,691,125 as at November 30, 2021].

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared with those set forth in the Corporation's 2021 annual MD&A, available on SEDAR. For 2022 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to be sufficient 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 2021 annual MD&A, available on SEDAR, 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, 2021. 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 28, 2022, 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 28, 2022, have been prepared by management in accordance with IFRS.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing its consolidated financial statements as at November 30, 2021 and for the year then ended, which 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. Risk factors are described in the "Risk Factors" section of Richelieu's 2021 annual MD&A, available on SEDAR.

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

A handwritten signature in black ink, appearing to read 'Richard Lord'.

Richard Lord
April 7, 2022

Vice-President and Chief
Financial Officer

A handwritten signature in black ink, appearing to read 'Antoine Auclair'.

Antoine Auclair

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three-month period ended February 28, 2022

[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars] [Unaudited]

		As at February 28, 2022	As at November 30, 2021
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		—	58,707
Accounts receivable		211,394	199,585
Inventories		466,874	395,464
Prepaid expenses		8,522	5,423
		686,790	659,179
Non-current assets			
Property, plant and equipment		47,178	46,239
Intangible assets		70,176	53,910
Right-of-use assets		99,111	87,013
Goodwill		123,922	110,776
Deferred taxes		7,172	7,063
		1,034,349	964,180
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft		33,534	—
Accounts payable and accrued liabilities		159,624	155,009
Income taxes payable		10,710	21,281
Current portion of long-term debt		8,649	5,339
Current portion of lease obligations		24,359	21,174
		236,876	202,803
Non-current liabilities			
Long-term debt		—	1,100
Lease obligations		81,318	71,880
Deferred taxes		9,868	9,868
Other liabilities		9,709	9,592
		337,771	295,243
Equity			
Share capital	3	61,606	54,610
Contributed surplus		6,306	7,046
Retained earnings		613,342	590,522
Accumulated other comprehensive income	4	12,744	14,264
Equity attributable to shareholders of the Corporation		693,998	666,442
Non-controlling interests		2,580	2,495
		696,578	668,937
		1,034,349	964,180

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board of Directors :



Richard Lord
Director



Luc Martin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

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

	Notes	2022 \$	2021 \$
Sales		384,466	297,581
Operating expenses excluding amortization	5	330,738	259,419
Earnings before amortization, financial costs and income taxes		53,728	38,162
Amortization of property, plant and equipment and right-of-use assets		8,535	6,928
Amortization of intangible assets		2,517	1,593
Financial costs, net		1,082	657
		12,134	9,178
Earnings before income taxes		41,594	28,984
Income taxes		11,294	7,942
Net earnings		30,300	21,042
Net earnings attributable to:			
Shareholders of the Corporation		30,098	20,984
Non-controlling interests		202	58
		30,300	21,042
Net earnings per share attributable to shareholders of the Corporation			
Basic		0.54	0.38
Diluted		0.53	0.37

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Notes	2022 \$	2021 \$
Net earnings		30,300	21,042
Other comprehensive income (loss) that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	4	(1,520)	(3,092)
Comprehensive income		28,780	17,950
Comprehensive income attributable to:			
Shareholders of the Corporation		28,578	17,892
Non-controlling interests		202	58
		28,780	17,950

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Attributable to shareholders of the Corporation				Total \$	Non- controlling interests \$	Total equity \$
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			
	\$	\$	\$	\$			
Notes	3			4			
Balance as at November 30, 2020	48,522	6,280	480,808	15,484	551,094	3,349	554,443
Net earnings	—	—	20,984	—	20,984	58	21,042
Other comprehensive loss	—	—	—	(3,092)	(3,092)	—	(3,092)
Comprehensive income (loss)	—	—	20,984	(3,092)	17,892	58	17,950
Shares repurchased	(72)	—	(3,185)	—	(3,257)	—	(3,257)
Stock options exercised	1,037	(189)	—	—	848	—	848
Share-based compensation expense	—	421	—	—	421	—	421
Dividends [note 8]	—	—	(7,634)	—	(7,634)	(511)	(8,145)
Other liabilities	—	—	—	—	—	1	1
	965	232	(10,819)	—	(9,622)	(510)	(10,132)
Balance as at February 28, 2021	49,487	6,512	490,973	12,392	559,364	2,897	562,261
Balance as at November 30, 2021	54,610	7,046	590,522	14,264	666,442	2,495	668,937
Net earnings	—	—	30,098	—	30,098	202	30,300
Other comprehensive loss	—	—	—	(1,520)	(1,520)	—	(1,520)
Comprehensive income (loss)	—	—	30,098	(1,520)	28,578	202	28,780
Shares repurchased	—	—	—	—	—	—	—
Stock options exercised	6,996	(1,190)	—	—	5,806	—	5,806
Share-based compensation expense	—	450	—	—	450	—	450
Dividends [note 8]	—	—	(7,278)	—	(7,278)	—	(7,278)
Other liabilities	—	—	—	—	—	(117)	(117)
	6,996	(740)	(7,278)	—	(1,022)	(117)	(1,139)
Balance as at February 28, 2022	61,606	6,306	613,342	12,744	693,998	2,580	696,578

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Notes	2022 \$	2021 \$
OPERATING ACTIVITIES			
Net earnings		30,300	21,042
Items not affecting cash			
Amortization of property, plant and equipment and right-of-use assets		8,535	6,928
Amortization of intangible assets		2,517	1,593
Deferred taxes		(126)	—
Share-based compensation expense	3	450	421
Financial costs		874	748
		42,550	30,732
Net change in non-cash working capital balances		(80,077)	(22,979)
		(37,527)	7,753
FINANCING ACTIVITIES			
Repayment of long-term debt		(1,079)	(1,328)
Dividends paid to shareholders of the Corporation	8	(7,278)	(7,634)
Payment of lease obligations		(5,742)	(4,583)
Other dividends paid		—	(511)
Common shares issued		5,806	848
Common shares repurchased for cancellation		—	(3,257)
		(8,293)	(16,465)
INVESTING ACTIVITIES			
Business acquisitions	2	(42,350)	—
Additions to property, plant and equipment and intangible assets		(3,800)	(2,852)
		(46,150)	(2,852)
Effect of exchange rate changes on cash and cash equivalents		(271)	32
Net change in cash and cash equivalents		(92,241)	(11,532)
Cash and cash equivalents, beginning of period		58,707	73,928
Cash and cash equivalents (bank overdraft), end of period		(33,534)	62,396
Supplementary information			
Income taxes paid		22,014	10,650
Net interest paid		1,082	657

See accompanying notes to the interim consolidated financial statements.

Notes to interim consolidated financial statements (Unaudited)

February 28, 2022 and February 28, 2021 (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"], and more specifically with IAS34, *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, 2021 and for the year then ended, and their preparation 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 ended November 30, 2021.

2. BUSINESS ACQUISITIONS

2022

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centres in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL.

Effective December 31, 2021, the Corporation acquired the principal net assets of HGH Hardware Supply, a distributor of specialized hardware operating four distribution centres in Birmingham, AL, Nashville, TN and two in Atlanta, GA.

Effective December 31, 2021, the Corporation acquired the principal net assets of National Builders Hardware, a distributor of specialized hardware operating one distribution centre in Portland, OR.

Sales of \$18.9 million have been generated by these acquisitions. Had those acquisitions been made on December 1, 2021, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$25.6 million.

Summary of acquisitions

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

	2022
	\$
Current assets acquired	20,879
Property, plant and equipment and right-of-use assets	10,977
Intangible assets	18,812
Goodwill	13,278
	63,946
Current liabilities assumed	(7,768)
Lease obligations	(10,530)
Net assets acquired	45,648
Consideration	
Cash, net of cash acquired	42,350
Consideration payable	3,298
	45,648

Goodwill deductible for tax purposes with regard to these acquisitions amounts to \$13,278 [\$648 as at November 30, 2021].

Preliminary purchase price allocations are subject to fair value adjustments to assets, liabilities and goodwill until the estimation process is complete. The final purchase price allocation should be completed as soon as management has gathered all the information available and deemed necessary to finalize the calculation, in particular for intangible assets, no later than 12 months after the acquisition date.

3. 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:

In thousands	Number of shares	\$
Outstanding, as at November 30, 2020	55,894	48,522
Issued	264	6,383
Repurchased	(316)	(295)
Outstanding, as at November 30, 2021	55,842	54,610
Issued	253	6,996
Repurchased	—	—
Outstanding, as at February 28, 2022	56,095	61,606

During the three-month period ended February 28, 2022, the Corporation issued 252,500 common shares [in fiscal year 2021 - 263,925] at an average exercise price of \$22.31 per share [in fiscal year 2021 - \$19.54] pursuant to the exercise of stock options under the stock option plan.

Notes to interim consolidated financial statements (Unaudited)

February 28, 2022 and February 28, 2021 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Stock option plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average exercise price \$
Outstanding, as at November 30, 2020	1,699	24.81
Granted	289	34.84
Exercised	(264)	19.54
Cancelled	(33)	30.25
Outstanding, as at November 30, 2021	1,691	27.14
Granted	276	43.57
Exercised	(253)	22.31
Cancelled	(4)	30.39
Outstanding, as at February 28, 2022	1,710	30.50

Stock options granted during the three-month period ended February 28, 2022 have an average fair value of \$12.37 per option [FY2021 - \$9.04] as determined using the Black & Scholes option pricing model with an expected dividend yield of 1.2% [2021 - 0.8%], expected volatility of 23.1% [2021 - 22.9%], a risk free interest rate of 1.84% [2021 - 0.80%] and an expected life of 6.2 years [2021 - 6.9 years]. For the three-month period ended February 28, 2022, the compensation expense related to stock options amounted to \$450 [2021 - \$421] and is recognized under *Operating expenses excluding amortization*. As at February 28, 2022, the exercise price of stock options outstanding varied between \$9.14 and \$43.57 [between \$9.14 and \$34.84 as at November 30, 2021].

Deferred Share Unit Plan (DSU)

The liability resulting from the DSU plan of \$10,433 [November 30, 2021 - \$8,949] is recognized under the *Accounts payable and accrued liabilities*. As at February 28, 2022, the fair value of the swaps amounted to an asset of \$1,444 [November 30, 2021 - amounted to a liability of \$164] 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-month period ended February 28, 2022, amounted to \$200 [2021 - \$264] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to \$274 for the three-month period ended February 28, 2022 [2021 - \$175] 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)	2022	2021
Weighted average number of shares outstanding - Basic	55,914	55,878
Dilutive effect under stock option plan	660	530
Weighted average number of shares outstanding - Diluted	56,574	56,408

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, includes the following items and its variances are detailed as follows:

	2022 \$	2021 \$
Balance at the beginning of the period	14,264	15,484
Exchange differences on translation of foreign operations	(1,520)	(3,092)
Balance at the end of the period	12,744	12,392

5. 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 28, 2022, the fair value of the foreign exchange forward contracts amounted to an asset of approximately \$132 [a liability of \$59 as at November 30, 2021] representing the amount the Corporation would receive 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 28, 2022 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 \$848 during the three-month period ended February 28, 2022 to a total of \$7,019 as at February 28, 2022 [November 30, 2021 - \$6,171].

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 28, 2022, an exchange gain of \$1,040 [2021 - exchange gain of \$291].

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 28, 2022, 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 \$1,768 [\$775 as at February 28, 2021] and would have increased the consolidated comprehensive income by \$9,082 [\$6,969 as at February 28, 2021]. The exchange rate sensitivity is calculated by aggregating the net foreign exchange rate exposure of the Corporation's financial instruments as at February 28, 2022.

Notes to interim consolidated financial statements (Unaudited)

February 28, 2022 and February 28, 2021 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

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. In recent years, the Corporation has financed its growth, its acquisitions, and its payout to shareholders using mainly cash generated by operating activities.

On February 4th 2022, the Corporation amended the Credit Agreement. The Corporation now benefits from an authorized line of credit of \$85 million [\$65 million as at November 30th 2021] as well as a line of credit of US\$6 million [US\$6 million as at November 30th 2021]. The restrictive conditions and covenants remain unchanged.

Operating expenses excluding amortization

	2022	2021
	\$	\$
Inventories from distribution, imports and manufacturing activities recognized as an expense	282,217	220,950
Salaries and related charges	46,099	35,972
Other charges	2,422	2,497
	330,738	259,419

For the three-month period ended February 28, 2022, an expense of \$1,273 [2021 - \$1,095] for inventory obsolescence is included in Inventories from distribution, imports and manufacturing activities recognized as an expense.

6. 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 28, 2022, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.2 % [1.0 % as at November 30, 2021] [Long-term debt/Equity]
- Average return on shareholders' equity of 24.1% over the last 12 months [23.3% for the year ended November 30, 2021]

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

7. GEOGRAPHIC INFORMATION

During the three-month period ended February 28, 2022, nearly 60% of sales were made in Canada [2021 - 65%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to \$153,918 [2021 - \$104,341] in Canadian dollars and to \$121,152 [2021 - \$81,881] in US dollars.

As at February 28, 2022, of the total amount of property, plant and equipment, \$11,136 [November 30, 2021 - \$9,582] were located in the United States. In addition, intangible assets located in the United States amounted to \$31,344 [November 30, 2021 - \$13,514] and goodwill to \$28,100 [November 30, 2021 - \$14,954] in Canadian dollars and to \$24,684 [November 30, 2021 - \$10,565] and goodwill to \$22,129 [November 30, 2021 - \$11,690] in US dollars. Of the total amount of right-of-use assets, \$54,733 [November 30, 2021 - \$45,993] were located in the United States.

8. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three-month period ended February 28, 2022, the Corporation paid dividends of \$7,278 to holders of common shares [2021 - \$7,634], representing a quarterly dividend of \$0.1300 per common share [special quarterly dividend of \$0,0667 and quarterly dividend of \$0,0700 per share 2021].

9. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three-month period ended February 28, 2022 (including the comparative figures) were approved for issue by the Board of Directors on April 7, 2022.