Richelieu

Interim Report

Three- and six-month periods
ended May 31, 2021

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MESSAGE TO SHAREHOLDERS

Richelieu achieved strong growth in the second quarter ended May 31, 2021, while successfully pursuing its acquisition strategy.

The vigorous growth was fueled by the strength of our market penetration, innovation, acquisition, and geographic and sectoral diversification strategies, allowing us to create opportunities and seize those offered by the current renovation market. Our results reflect the strength of our business model, including our distinctive concept of value-added service provided in all of our centers. They also attest to the professionalism of our entire team and the agility of our organization to adapt to new market conditions. However, for comparison, it should be noted that the same quarter in 2020 saw negative internal growth in sales due to the pandemic.

Both in Canada and in the United States, our markets delivered solid performance, including our specialty markets added by way of acquisitions, generating $371.4 million in total sales for the quarter, up 49.6%, with 46.8% from internal growth and 2.8% from acquisitions. The 52.6% increase in the manufacturers' market contributed $311.3 million to total sales, including $203.7 million in Canada (up 63.5%) and US$86.7 million in the United States (up 52.6%). Good progress was also made in the retailer and renovation superstore market, where sales totaled $60.1 million, an increase of 35.7%. For the first six months of the fiscal year, we achieved sales totaling $669.0 million, a 34.4% increase over the first half of 2020, with 31.9% from internal growth and 2.5% from acquisitions.

This increase in sales as well as our continued rigorous cost control were reflected in the quarter's EBITDA margin, which rose to 16.4% compared to 13.6% in the same quarter of 2020. EBITDA grew by 80.5% to $61.0 million. Net earnings attributable to shareholders more than doubled to $37.4 million, or $0.66 per diluted share, compared to $0.31 for the corresponding quarter in 2020. For the first six months of 2021, net earnings attributable to shareholders rose to $58.4 million, up 98.2%, or $1.03 per diluted share.

Our financial position remains impeccable with $89.6 million in cash, and total debt of $2.6 million. Working capital was $416.3 million, for a ratio of 3.7:1, and average return on equity was 20.4%, compared to 16.2% as at November 30, 2020.

Our acquisition strategy remains strong to seize market opportunities that meet our main criteria of complementarity, synergy potential, and long-term value growth. As announced last April, we acquired the shares of **Task Tools**, at the beginning of the second quarter, on April 5. Task Tools is a distributor of power tool accessories and related products serving the retailers' market in Canada and the United States. We also signed two agreements in principle, one of which was completed with the acquisition of **Uscan Industrial Fasteners Ltd.** on June 1. Uscan is a leading importer and distributor of screws, bolts and industrial fasteners. Founded in Montreal in 1970, the Company operates a distribution center from which it supplies retailers, mainly in Eastern Canada. Then, on July 5, we acquired 75% of the shares of **Inter-Co Inc.,** a distributor of Division 10 products for the construction industry in Canada and the United States, operating two centers in Ontario and three centers in the United States (Arizona, Ohio and Texas)). It will be amalgamated with one of our divisions which already operates in this sector of activity and covers Western Canada. In addition, we signed a new agreement in principle for an acquisition in the United States. Together, these transactions would represent additional sales of $73 million on an annual basis. Furthermore, in anticipation of solid future growth in the United States, we are currently working on several expansion projects in some of our centers, such as Detroit, Atlanta, Dallas, Boston and Orlando, as well as the opening of a new center in Pennsylvania.

Our value-added service concept remains the cornerstone of Richelieu's leadership. It is mainly based on innovation, diversity, complementarity and quality of our offering as well as the ease of access to our products through our "One-stop-shop" centers and our trilingual website richelieu.com. We practice continuous improvement in order to maximize our strengths and effectively support our manufacturer and retailer customers in their business.

Over the coming periods, we will pursue our strategies and sound cash flow management as we seek out new acquisition opportunities in line with our short- and long-term growth criteria.

NEXT DIVIDEND PAYMENT

On July 8, 2021, the Board of Directors approved the payment of a quarterly dividend of 0.07$ per share. This dividend will be paid on August 5, 2021, to shareholders of record as at July 22, 2021.

Management's discussion and analysis

of operating results and financial position for the second quarter and first six months ended May 31, 2021

This management's discussion and analysis report ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2021, compared with the second quarter and first six months ended May 31, 2020, as well as to Richelieu Hardware Ltd.'s financial position as at May 31, 2021, compared with that of November 30, 2020. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the second quarter and first six months of 2021 as well as the Corporation's fiscal 2020 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 May 31, 2021, signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on SEDAR. The information contained in this MD&A accounts for any major event that occurred prior to July 8, 2021, 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 second quarter and first six months period ended May 31, 2021, 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) and share-based compensation expense. 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, 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 2020 annual MD&A (see the "Risk Factors" section) available on SEDAR at www.sedar.com.

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 May 31, 2021

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 active customers** served by **87 centres across North America**, of which 42 distribution centres in Canada, 43 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, 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 2,400 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 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 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)

Periods ended May 31

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)	3 months 2021 $	3 months 2020 $	Δ (%)	6 months 2021 $	6 months 2020 $	Δ (%)
Sales	**371,384**	248,253	+49.6	**668,965**	497,654	+34.4
EBITDA(1)	**60,954**	33,770	+80.5	**99,116**	58,653	+69.0
EBITDA margin (%)	***16.4***	*13.6*		***14.8***	*11.8*	
Net earnings	**37,551**	17,783	+111.2	**58,593**	29,577	+98.1
Net earnings attributable to shareholders of the Corporation	**37,425**	17,707	+111.4	**58,409**	29,479	+98.1
• basic per share ($)	**0.67**	0.31	+116.1	**1.04**	0.52	+100.0
• diluted per share ($)	**0.66**	0.31	+112.9	**1.03**	0.52	+98.1
Net margin attributable to shareholders of the Corporation (%)	***10.1***	*7.1*		***8.7***	*5.9*	
Adjusted cash flows from operating activities(2)	**46,500**	26,726	+74.0	**76,484**	46,860	+63.2
• diluted per share ($)	**0.82**	0.47	+74.5	**1.36**	0.83	+63.9
Dividends paid to the shareholders of the Corporation (3)	**3,917**	—		**11,551**	3,754	+207.7
• per share ($) (excluding the special dividend) (3)	**0.0700**	—		**0.1400**	0.0670	+109.0
Weighted average number of shares outstanding (diluted) (in thousands)	**56,540**	56,538		**56,443**	56,580	

Financial position data

As at	May 31 2021 $	November 30 2020 $	Δ (%)
Total assets	**811,480**	**771,056**	+5.2
Working capital	**416,344**	**377,408**	+10.3
Current ratio	***3.7 : 1***	***3.6 : 1***	
Equity attributable to shareholders of the Corporation	**589,570**	**551,094**	+7.0
Average return on equity (%)	***20.4***	***16.2***	
Book value per share ($)	**10.53**	**9.86**	+6.8
Total debt	**2,646**	**5,792**	
Cash and cash equivalents	**89,586**	**73,928**	

(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 cumulative amount for 2021 includes a special dividend of $ 0.0667 per share paid in the first quarter of 2021 in addition to the quarterly dividend of $ 0.07 per share. No dividends were paid in the second quarter of 2020.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2021, COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2020

Consolidated sales

(in thousands of $, except exchange rates)

Periods ended May 31	3 months 2021 $	3 months 2020 $	Δ (%)	6 months 2021 $	6 months 2020 $	Δ (%)
Canada	**248,052**	155,215	+59.8	**441,292**	311,930	+41.5
United States (CA$)	**123,332**	93,038	+32.6	**227,673**	185,724	+22.6
(US$)	**99,448**	66,510	+49.5	**181,329**	136,827	+32.5
Average exchange rate	***1.2402***	*1.3989*		***1.2556***	*1.3574*	
Consolidated sales	**371,384**	248,253	+49.6	**668,965**	497,654	+34.4

Second-quarter consolidated sales reached $371.4 million, compared to $248.3 million for the corresponding quarter of 2020, an increase of $123.1 million or 49.6%, of which 46.8% from internal growth and 2.8% from acquisitions. At comparable exchange rates to the second quarter of 2020, the consolidated sales increase would have been 56.0% for the quarter ended May 31, 2021.

Richelieu achieved sales of $311.3 million in the **manufacturers** market, compared to $204 million for the second quarter of 2020, an increase of $107.3 million or 52.6%, of which 50.5% from internal growth and 2.1% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $60.1 million, up $15.8 million or 35.7% over the second quarter of 2020, of which 29.8% from internal growth and 5.9% from acquisitions. Note that in the second quarter of 2020, the Corporation suffered a significant drop in sales due to the slowdown in business resulting from the pandemic.

In Canada, Richelieu recorded sales of $248.1 million, an increase of $92.9 million or 59.8% over the second quarter of 2020, of which 56.7% from internal growth and 3.1% from acquisitions. Sales to **manufacturers** amounted to $203.7 million, compared to $124.6 million in the second quarter of 2020, an increase of 63.5%, of which 61.7% from internal growth and 1.8% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $44.4 million, up $13.8 million or 45.1% over the corresponding quarter of 2020, of which 37.4% from an internal growth and 7.7% from acquisitions. The significant increase in internal growth in these two markets was influenced by strong demand in the renovation market.

In the United States, sales totalled US$99.4 million, compared to US$66.5 million for the second quarter of 2020, up US$32.9 million or 49.5%, of which 47.0% from internal growth and 2.5% from acquisitions. Sales to **manufacturers** amounted to US$86.7 million, compared to US$56.8 million, an increase of 52.6% over the second quarter of 2020, of which 50.1% from internal growth and 2.6% from acquisitions. Sales in US$ to hardware **retailers** and renovation superstores reached $12.7 million, compared to $9.7 million for the corresponding quarter of 2020, an increase of $3.0 million, up 30.9% from the corresponding quarter of 2020, including 29.5% from an internal growth and 1.4% from acquisitions. As in Canada, the renovation market in the United States has been growing strongly, driving up sales in these markets. Total U.S. sales in Canadian dollars stood at $123.3 million, compared to $93 million year over year, an increase of 32.6%. They accounted for 33.2% of consolidated sales for the second quarter of 2021, compared to 37.5% of consolidated sales for the second quarter of 2020.

First-half consolidated sales reached $669.0 million, an increase of $171.3 million or 34.4% over the first six months of 2020, of which 31.9% from internal growth and 2.5% from acquisitions. At comparable exchange rates to the first half of 2020, consolidated sales increase would have been 38.1%.

Sales to **manufacturers** reached $553.4 million, compared to $412.3 million for the first six months of 2020, an increase of $141.1 million or 34.2%, of which 31.9% from internal growth and 2.3% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 35.4% or $30.2 million to total $115.6 million.

In Canada, Richelieu recorded sales of $441.3 million, compared to $311.9 million for the first six months of 2020, up by $129.4 million or 41.5%, of which 39.5% from internal growth and 2.0% from acquisitions. Sales to **manufacturers** reached $357.3 million, up by $104.8 million or 41.5%, of which 40.1% from internal growth and 1.4% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $84.0 million, compared to $59.4 million, up $24.6 million or 41.4% over the first half of 2020.

In the United States, the Corporation recorded sales of US$181.3 million, compared to US$136.8 million for the first six months of 2020, an increase of US$44.5 million or 32.5%, of which 28.8% from internal growth and 3.7% from acquisitions. Sales to **manufacturers** totalled US$156.1 million, compared to US$117.6 million, an increase of US$38.5 million or 32.7% over the first half of 2020, of which 28.5% from internal growth and 4.2% from acquisitions. Sales to hardware **retailers** and renovation superstores were up 31.3% from the corresponding period of 2020. Total U.S. sales in Canadian dollars amounted to $227.7 million, compared to $185.7 million for the corresponding six months of 2020, an increase of 22.6%. They accounted for 34.0% of consolidated sales for the first half of 2021, compared to 37.3% of the period's consolidated sales for the first six months of 2020.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2021 $	3 months 2020 $	Δ (%)	6 months 2021 $	6 months 2020 $	Δ (%)
Sales	**371,384**	248,253	+49.6	**668,965**	497,654	+34.4
EBITDA	**60,954**	33,770	+80.5	**99,116**	58,653	+69.0
EBITDA margin (%)	***16.4***	*13.6*		***14.8***	*11.8*	

Second quarter earnings before income taxes, interest and amortization ("EBITDA") reached $61.0 million and were up $27.2 million or 80.5% over the second quarter of 2020, resulting from a significant increase in sales as well as continued rigorous cost control. **Gross margin** also improved slightly from the second quarter of 2020 and **EBITDA margin** stood at 16.4%, compared to 13.6% for the corresponding quarter of 2020.

Amortization expense for the second quarter of 2021 amounted to $8.5 million, down $0.1 million compared to the corresponding quarter of 2020. **Income tax expense** amounted to $14.2 million, up $7.6 million from the second quarter of 2020. **Financial costs** amounted to $0.6 million.

First-half earnings before income taxes, interest and amortization ("EBITDA") totalled $99.1 million, up $40.5 million or 69.0% over the first six months of 2020. The **gross margin** improved slightly over the corresponding six-month period of 2020. As for the **EBITDA margin,** it stood at 14.8%, compared to 11.8% for the first six months of 2020 resulting from increased sales and expense control.

Amortization expense for the first half of 2021 amounted to $17.0 million, up $0.5 million compared to the same period of 2020. **Income tax expense** amounted to $22.2 million, up $11.0 million from the first half of 2020. **Financial costs** amounted to $1.3 million for the first half of 2021.

Consolidated net earnings attributable to shareholders (in thousands of $, unless otherwise indicated)						
	3 months			**6 months**		
Periods ended	**2021**	2020		**2021**	2020	
May 31	**$**	$	∆ (%)	**$**	$	∆ (%)
EBITDA	**60,954**	33,770	+80.5	**99,116**	58,653	+69.0
Amortization of property, plant and equipment and intangible assets	**8,525**	8,614		**17,046**	16,463	
Financial costs, net	**630**	708		**1,287**	1,441	
Income taxes	**14,248**	6,665		**22,190**	11,172	
Net earnings	**37,551**	17,783	+111.2	**58,593**	29,577	+98.1
Net earnings attributable to shareholders of the Corporation	**37,425**	17,707	+111.4	**58,409**	29,479	+98.1
Net margin attributable to the shareholders of the Corporation (%)	***10.1***	*7.1*		***8.7***	*5.9*	
Non-controlling interests	**126**	76		**184**	98	
Net earnings	**37,551**	17,783	+111.2	**58,593**	29,577	+98.1

Second quarter net earnings grew 111.2%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $37.4 million, up 111.4% over the second quarter of 2020. **Net earnings per share** rose to $0.67 basic and $0.66 diluted, compared to $0.31 basic and diluted for the second quarter of 2020, an increase of 116.1% and 112.9% respectively.

Comprehensive income amounted to $30.5 million, considering a negative adjustment of $7.1 million on translation of the financial statements of the subsidiary in the United States, compared to $21.4 million for the second quarter of 2020, considering a positive adjustment of $3.6 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings increased 98.1%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $58.4 million, up 98.1% over the corresponding six months of 2020. **Net earnings per share** amounted to $1.04 basic and $1.03 diluted, compared to $0.52 basic and diluted for the first half of 2020.

Comprehensive income totalled $48.4 million, considering a negative adjustment of $10.1 million on translation of the financial statements of the subsidiary in the United States, compared to $34.7 million for the first half of 2020, considering a positive adjustment of $5.1 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**
2021				
o Sales	**297,581**	**371,384**		
o EBITDA	**38,162**	**60,954**		
o Net earnings attributable to shareholders of the Corporation	**20,984**	**37,425**		
• basic per share ($)	**0.38**	**0.67**		
• diluted per share ($)	**0.37**	**0.66**		
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
2019 (1)				
o Sales	226,351	281,067	269,243	264,986
o EBITDA	20,936	34,371	33,890	35,010
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

(1) The 2019 figures have been restated following the adoption of IFRS 16 on December 1, 2019. Refer to note 2 of the Corporation's audited consolidated financial statements for fiscal 2020 available on SEDAR and on the Corporation's website.

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 second quarter and first six months ended May 31, 2021

Change in cash and cash equivalents and capital resources
(in thousands of $, unless otherwise indicated)

Periods ended May 31	3 months 2021 $	3 months 2020 $	6 months 2021 $	6 months 2020 $
Cash flows provided by (used in):				
Operating activities	**47,430**	49,400	**54,435**	58,182
Financing activities	**(6,670)**	(3,780)	**(22,387)**	(10,636)
Investing activities	**(13,876)**	(2,922)	**(16,728)**	(29,430)
Effect of exchange rate changes on cash and cash equivalents	**306**	(113)	**338**	(255)
Net change in cash and cash equivalents	**27,190**	42,585	**15,658**	17,861
Cash and cash equivalents (bank overdraft), beginning of period	**62,396**	(23)	**73,928**	24,701
Cash and cash equivalents end of period	**89,586**	42,562	**89,586**	42,562

	As at May 31, 2021 $	As at November 30, 2020 $
Working capital	**416,344**	377,408
Renewable line of credit (CA$)	**65,000**	65,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Second quarter cash flows from operating activities (before net change in non-cash working capital balances) amounted to $46.5 million or $0.82 diluted per share, an increase of 74.0%, compared to $26.7 million, or $0.47 for the corresponding quarter of 2020, stemming primarily from the net earnings growth. Net change in non-cash working capital balances represented a cash inflow of $0.9 million, reflecting the change in accounts receivable of $18.0 million, whereas the change in accounts payable and other items represented cash inflows of $18.9 million. Consequently, operating activities provided cash flows of $47.4 million, compared to $49.4 million in the second quarter of 2020.

First-half cash flows from operating activities (before net change in non-cash working capital balances) reached $76.5 million or $1.36 per share diluted, compared to $46.9 million or $0.83 per share diluted for the first six months of 2020, an increase of 63.2%. Net change in non-cash working capital balances used cash flows of $22.0 million, primarily representing changes in accounts receivable and inventories that used cash flows of $28.5 million whereas accounts payable and other items represented a cash inflow of $6.5 million. Consequently, operating activities provided cash flows of $54.4 million, compared to $58.2 million for the first six months of 2020.

Financing activities

Second quarter cash flows from financing activities used cash flows of $6.7 million, compared to $3.8 million for the second quarter of 2020. The Corporation repaid long-term debt of $1.8 million, paid lease obligations of $4.0 million and issued shares for $3.1 million, compared to a long-term debt repayment of $0.3 million, lease obligation payments of $3.7 million and a share issuance for $0.3 million in the second quarter of 2020. Dividends paid to shareholders of the Corporation amounted to $3.9 million while no dividend was paid in the corresponding quarter of 2020.

First-half cash flows from financing activities used cash flows of $22.4 million, compared to $10.6 million in the first half of 2020. The Corporation repaid long-term debt of $3.2 million, paid lease obligations of $7.8 million and issued shares for $3.9 million, compared to a long-term debt repayment of $0.5 million, lease obligations payments of $7.2 million and a $1.0 million share issue in 2020. Dividends paid to shareholders of the Corporation amounted to $11.6 million compared to $3.8 million in the same period of 2020. Note that the Corporation paid a special dividend of $0.0667 per share in addition to a dividend of $0.07 per share in the first quarter of 2021. The Corporation also repurchased common shares for an amount of $3.3 million in the first half of 2021, while it did not make any share repurchases in 2020.

Investing activities

Second quarter cash flows from investing activities represented a cash outflow of $13.9 million, including $9.8 million for business acquisitions made during the current quarter and $4.0 million primarily for the purchase of new equipment to maintain and improve operational efficiency, including the addition of IT licenses.

First-half cash flows from investing activities represented a total cash outflow of $16.7 million, comprising $9.8 million for the two business acquisitions made during the current period and $6.9 million primarily for the purchase of new equipment to maintain and improve operational efficiency.

Sources of financing

As at May 31, 2021, the cash and cash equivalents amounted to $89.6 million, compared with $73.9 million as at November 30, 2020. The Corporation posted a **working capital** of $416.3 million for a current ratio of 3.7:1, compared with $377.4 million (current ratio of 3.6:1) as at November 30, 2020.

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 2021. The Corporation continues to benefit from an authorized line of credit of $65 million as well as a line of credit of US$6 million renewable annually and bearing interest at prime and base rates respectively. In addition, Richelieu considers it could obtain additional external financing if necessary.

Analysis of financial position as at May 31, 2021

Summary financial position
(in thousands of $, except exchange rates)

As at	**May 31, 2021 $**	November 30, 2020 $
Current assets	**568,292**	522,702
Non-current assets	**243,188**	248,354
Total	**811,480**	771,056
Current liabilities	**151,948**	145,294
Non-current liabilities	**67,684**	71,319
Equity attributable to shareholders of the Corporation	**589,570**	551,094
Non-controlling interests	**2,278**	3,349
Total	**811,480**	771,056
Exchange rates on translation of a subsidiary in the United States	***1.207***	*1.297*

Assets

Total assets amounted to $811.5 million as at May 31, 2021, compared with $771.1 million as at November 30, 2020, an increase of 5.2%. **Current assets** grew by 8.7% or $45.6 million over November 30, 2020. **Non-current assets** were down by 2.1%, resulting from the lower exchange rate used for the translation of the financial statements of the subsidiary in the United States.

Cash position

(in thousands of $)

As at	May 31 2021 $	November 30 2020 $
Current portion of long-term debt	**1,546**	3,592
Long-term debt	**1,100**	2,200
Total debt	**2,646**	5,792
Cash and cash equivalents	**89,586**	*73,928*

The Corporation continues to benefit from a healthy and solid financial position. As at May 31, 2021**, total debt** was $2.6 million, representing mainly balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $589.6 million as at May 31, 2021, compared with $551.1 million as at November 30, 2020, an increase of $38.5 million stemming primarily from a growth of $43.8 million in retained earnings which amounted to $524.6 million, and of $4.8 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down by $10.1 million. As at May 31, 2021, the **book value per share** was $10.53, up by 6.8% over November 30, 2020.

As at May 31, 2021, at the close of markets, the Corporation's **share capital** consisted of 56,009,606 common shares [55,893,568 shares as at November 30, 2020]. Weighted average of diluted outstanding shares for the three- and six-month periods ended May 31, 2021, were 56,539,960 and 56,442,680 [2020 - 56,538,290 and 56,579,600]. During the first half of 2021, the Corporation issued 198,600 common shares at an average exercise price of $19.76 [331,900 in fiscal 2020 at an average exercise price of $16.92] upon the exercise of stock options under its stock option plan. In addition, the Corporation repurchased for cancellation 82,562 common shares in the normal course of operations for a cash consideration of $3.3 million (678,362 common shares for a cash consideration of $25.0 million in fiscal 2020). During the six -month period ended May 31, 2021, the Corporation granted 289,000 stock options (300,500 in fiscal 2020) and cancelled 12,750 stock options. As at May 31, 2021, 1,775,575 stock options were outstanding [1,697,925 as at November 30, 2020].

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 2020 annual MD&A, available on SEDAR at www.sedar.com. For 2021 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.

SUBSEQUENT EVENTS

Effective as of June 1, 2021, the Corporation acquired all of the common and outstanding shares of Uscan Hardware Distribution Ltd, a distributor of industrial screws, bolts and industrial fasteners for the retailer's market in Canada, which operates one distribution center located in Quebec.

Effective as of July 5, 2021, the Corporation acquired, through a newly incorporated subsidiary ("Newco"), 100% of the issued and outstanding shares of Inter-Co Inc., in partial consideration of which a participation equivalent to 25% of the share capital of Newco has been issued in the name of the sellers. Inter-Co Inc. is a distributor of Division 10 products intended for the construction industry operating five distribution centers, three in the United States (Arizona, Ohio and Texas) and two in Canada (Ontario).

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2020 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, 2020. 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 May 31, 2021, 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 May 31, 2021, 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, 2020 and for the year then ended and 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 2020 annual MD&A, available on SEDAR at www.sedar.com.

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

July 8, 2021

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three- and six-month periods ended May 31, 2021

[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars] [Unaudited]	Notes	**As at May 31, 2021**	As at November 30, 2020
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		**89,586**	73,928
Accounts receivable		**175,781**	156,908
Inventories		**296,580**	287,344
Prepaid expenses		**6,345**	4,522
		568,292	522,702
Non-current assets			
Property, plant and equipment		**41,364**	40,920
Intangible assets		**39,080**	42,243
Right-of-use assets		**70,294**	73,076
Goodwill		**85,718**	85,197
Deferred taxes		**6,732**	6,918
		811,480	771,056
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**127,676**	120,193
Income taxes payable		**5,036**	4,031
Current portion of long-term debt		**1,546**	3,592
Current portion of lease obligations		**17,690**	17,478
		151,948	145,294
Non-current liabilities			
Long-term debt		**1,100**	2,200
Lease obligations		**57,844**	60,457
Deferred taxes		**6,901**	6,842
Other liabilities		**1,839**	1,820
		219,632	216,613
Equity			
Share capital	3	**53,290**	48,522
Contributed surplus		**6,342**	6,280
Retained earnings		**524,603**	480,808
Accumulated other comprehensive income	4	**5,335**	15,484
Equity attributable to shareholders of the Corporation		**589,570**	551,094
Non-controlling interests		**2,278**	3,349
		591,848	554,443
		811,480	771,056

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- and six-month periods ended May 31 [In thousands of dollars, except earnings per share] [Unaudited]

		For the three months ended May 31,		For the six months ended May 31,	
		2021		**2021**	
	Notes	**$**	$	**$**	$
Sales		**371,384**	248,253	**668,965**	497,654
Operating expenses excluding amortization	5	**310,430**	214,483	**569,849**	439,001
Earnings before amortization, financial costs and income taxes		**60,954**	33,770	**99,116**	58,653
Amortization of property, plant and equipment and right-of-use assets		**6,948**	6,779	**13,876**	13,190
Amortization of intangible assets		**1,577**	1,835	**3,170**	3,273
Financial costs, net		**630**	708	**1,287**	1,441
		9,155	9,322	**18,333**	17,904
Earnings before income taxes		**51,799**	24,448	**80,783**	40,749
Income taxes		**14,248**	6,665	**22,190**	11,172
Net earnings		**37,551**	17,783	**58,593**	29,577
Net earnings attributable to:					
Shareholders of the Corporation		**37,425**	17,707	**58,409**	29,479
Non-controlling interests		**126**	76	**184**	98
		37,551	17,783	**58,593**	29,577
Net earnings per share attributable to shareholders of the Corporation					
Basic		**0.67**	0.31	**1.04**	0.52
Diluted		**0.66**	0.31	**1.03**	0.52

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		For the three months ended May 31,		For the six months ended May 31,	
		2021		**2021**	
	Notes	**$**	$	**$**	$
Net earnings		**37,551**	17,783	**58,593**	29,577
Other comprehensive income (loss) that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	4	**(7,057)**	3,646	**(10,149)**	5,102
Comprehensive income		**30,494**	21,429	**48,444**	34,679
Comprehensive income attributable to:					
Shareholders of the Corporation		**30,368**	21,353	**48,260**	34,581
Non-controlling interests		**126**	76	**184**	98
		30,494	21,429	**48,444**	34,679

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended May 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	3			4			
Balance as at November 30, 2019	42,190	5,700	431,313	19,181	498,384	3,237	501,621
Net earnings	—	—	29,479	—	29,479	98	29,577
Other comprehensive income	—	—	—	5,102	5,102	—	5,102
Comprehensive income	—	—	29,479	5,102	34,581	98	34,679
Stock options exercised	1,287	(238)	—	—	1,049	—	1,049
Share-based compensation expense	—	981	—	—	981	—	981
Dividends *[note 8]*	—	—	(3,754)	—	(3,754)	(277)	(4,031)
Other liabilities	—	—	—	—	—	18	18
	1,287	743	(3,754)	—	(1,724)	(259)	(1,983)
Balance as at May 31, 2020	43,477	6,443	457,038	24,283	531,241	3,076	534,317
Balance as at November 30, 2020	**48,522**	**6,280**	**480,808**	**15,484**	**551,094**	**3,349**	**554,443**
Net earnings	**—**	**—**	**58,409**	**—**	**58,409**	**184**	**58,593**
Other comprehensive loss	**—**	**—**	**—**	**(10,149)**	**(10,149)**	**—**	**(10,149)**
Comprehensive income (loss)	**—**	**—**	**58,409**	**(10,149)**	**48,260**	**184**	**48,444**
Shares repurchased	**(71)**	**—**	**(3,186)**	**—**	**(3,257)**	**—**	**(3,257)**
Stock options exercised	**4,839**	**(914)**	**—**	**—**	**3,925**	**—**	**3,925**
Share-based compensation expense	**—**	**976**	**—**	**—**	**976**	**—**	**976**
Dividends *[note 8]*	**—**	**—**	**(11,551)**	**—**	**(11,551)**	**(511)**	**(12,062)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**(19)**	**(19)**
Acquisition of non-controlling interests *[note 2]*	—	—	**123**	**—**	**123**	**(725)**	**(602)**
	4,768	**62**	**(14,614)**	**—**	**(9,784)**	**(1,255)**	**(11,039)**
Balance as at May 31, 2021	**53,290**	**6,342**	**524,603**	**5,335**	**589,570**	**2,278**	**591,848**

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

		For the three months ended May 31,		For the six months ended May 31,	
		2021	2020	**2021**	2020
	Notes	**$**	*$*	**$**	*$*
OPERATING ACTIVITIES					
Net earnings		**37,551**	17,783	**58,593**	29,577
Items not affecting cash					
Amortization of property, plant and equipment and right-of-use assets		**6,948**	6,779	**13,876**	13,190
Amortization of intangible assets		**1,577**	1,835	**3,170**	3,273
Deferred taxes		**(131)**	(161)	**(131)**	(161)
Share-based compensation expense	3	**555**	490	**976**	981
		46,500	26,726	**76,484**	46,860
Net change in non-cash working capital balances		**930**	22,674	**(22,049)**	11,322
		47,430	49,400	**54,435**	58,182
FINANCING ACTIVITIES					
Repayment of long-term debt		**(1,833)**	(308)	**(3,161)**	(482)
Dividends paid to shareholders of the Corporation	8	**(3,917)**	—	**(11,551)**	(3,754)
Payment of lease obligations		**(3,997)**	(3,725)	**(7,832)**	(7,172)
Other dividends paid		**—**	—	**(511)**	(277)
Common shares issued		**3,077**	253	**3,925**	1,049
Common shares repurchased for cancellation		**—**	—	**(3,257)**	—
		(6,670)	(3,780)	**(22,387)**	(10,636)
INVESTING ACTIVITIES					
Business acquisitions	2	**(9,842)**	683	**(9,842)**	(23,398)
Additions to property, plant and equipment and intangible assets		**(4,034)**	(3,605)	**(6,886)**	(6,032)
		(13,876)	(2,922)	**(16,728)**	(29,430)
Effect of exchange rate changes on cash and cash equivalents		**306**	(113)	**338**	(255)
Net change in cash and cash equivalents		**27,190**	42,585	**15,658**	17,861
Cash and cash equivalents (bank overdraft), beginning of period		**62,396**	(23)	**73,928**	24,701
Cash and cash equivalents, end of period		**89,586**	42,562	**89,586**	42,562
Supplementary information					
Income taxes paid		**10,681**	6,776	**21,331**	13,793
Net interest paid		**630**	708	**1,287**	1,441

See accompanying notes to the interim consolidated financial statements.

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is a corporation 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, 2020 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 for the fiscal year 2020.

2. BUSINESS ACQUISITIONS

2021

Effective March 29, 2021, the Corporation acquired the principal net assets of Ontario Building Supply, a decorative panel and related products distributor operating a distribution center in Rochester, New York.

Effective April 5, 2021, the Corporation acquired all issued and outstanding shares of Caplan Industries doing business as Task Toolsl, a distributor of power tool accessories and related products serving retailers in Canada and the U.S. from two centers in British Columbia and Ontario.

Sales of $3.3 million have been generated by these acquisitions. Had those acquisitions been made on December 1, 2020, management believes that sales included in the consolidated statement of earnings would have totalled approximately $9.7 million.

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 Saint-Jacques, New Brunswick.

Summary of acquisitions

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

	2021	2020
	$	$
Current assets acquired	9,054	24,356
Property, plant and equipment and right-of-use assets	3,291	3,223
Intangible assets	—	7,858
Goodwill	1,532	4,269
	13,877	39,706
Current liabilities assumed	(1,712)	(6,229)
Lease obligations	(2,837)	(2,754)
Deferred taxes	—	(955)
Net assets acquired	9,328	29,768
Consideration		
Cash, net of cash acquired	(9,240)	(23,398)
Consideration payable	(88)	(6,370)
	(9,328)	(29,768)

On March 1, 2021, the Corporation acquired from a minority shareholder an additional 5% interest in the voting shares of Menuiserie des Pins Ltée, increasing its ownership interest to 85%, for a cash consideration of $602.

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:

	Number of shares *(in thousands)*	$
Outstanding, as at November 30, 2019	56,240	42,190
Issued	332	6,919
Repurchased	(678)	(587)
Outstanding, as at November 30, 2020	**55,894**	**48,522**
Issued	**199**	**4,839**
Repurchased	**(83)**	**(71)**
Outstanding, as at May 31, 2021	**56,010**	**53,290**

During the six-month period ended May 31, 2021, the Corporation issued 198,600 common shares [in fiscal year 2020 - 331,900] at an average exercise price of $19.76 per share [in fiscal year 2020 - $16.92] pursuant to the exercise of stock options under the stock option plan. In addition, the Corporation, repurchased 82,562 common shares for cancellation in consideration of $3,257 [678,362 common shares for a consideration of $25,030 in fiscal year 2020], which resulted in a premium on the redemption in the amount of $3,186 recognized as a reduction of retained earnings [premium of $24,443 in fiscal year 2020].

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, 2019	1,771	22.80
Granted	301	28.48
Exercised	(332)	16.92
Cancelled	(41)	28.70
Outstanding, as at November 30, 2020	**1,699**	**24.81**
Granted	**289**	**34.84**
Exercised	**(199)**	**19.76**
Cancelled	**(13)**	**29.54**
Outstanding, as at May 31, 2021	**1,776**	**26.98**

Stock options granted during the six-month period ended May 31, 2021 have an average fair value of $9.04 per option [in fiscal year 2020 - $6.43] as determined using the Black & Scholes option pricing model with an expected dividend yield of 0.8% [2020 - 0.9%], expected volatility of 22.9% [2020 - 21.6%], a risk-free interest rate of 0.80% [2020 - 1.70%] and an expected life of 7 years [2020 - 7 years]. For the three- and six-month periods ended May 31, 2021, the compensation expense related to stock options amounted to $555 and $976 [2020 - $490 and $981] and is recognized under *Operating expenses excluding amortization*. As at May 31, 2021, exercise price of stock options outstanding varied between $9.14 and $34.84 [The exercise price of stock options outstanding varied between $9.14 and $32.77 as at November 30, 2020].

Deferred Share Unit Plan (DSU)

The liability resulting from the DSU plan of $8,822 [November 30, 2020 - $7,316] is recognized under the *Accounts payable and accrued liabilities*. As at May 31, 2021, the fair value of the swaps on shares amounted to an asset of $196 [November 30, 2020 - amounted to a liability of $314] 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 six-month periods ended May 31, 2021 amounted to $179 and $443 [2020 - $149 and $333] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to $187 and $362 for the three- and six-month periods ended May 31, 2021 [2020 - $168 and $353] 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 May 31,		For the six months ended May 31,	
(in thousands)	**2021**	2020	**2021**	2020
Weighted average number of shares outstanding - Basic	**55,931**	56,289	**55,905**	56,274
Dilutive effect under stock option plan	**609**	249	**538**	306
Weighted average number of shares outstanding - Diluted	**56,540**	56,538	**56,443**	56,580

For the three- and six-month periods ended May 31, 2021, the computation of diluted net earnings per share does not include any anti-dilutive stock options (2020 – 1,142,000 and 624,500, respectively).

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	For the three months ended May 31,		For the six months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Balance at the beginning of the period	**12,392**	20,637	**15,484**	19,181
Exchange differences on translation of foreign operations	**(7,057)**	3,646	**(10,149)**	5,102
Balance at the end of the period	**5,335**	24,283	**5,335**	24,283

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 May 31, 2021, the fair value of the foreign exchange forward contracts amounted to a liability of approximately $57 [a liability of $15 as at November 30, 2020] representing the amount the Corporation would pay 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 May 31, 2021, is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of its customers and generally does not require collateral. The allowance for doubtful accounts increased by $588 and $1,283 [2020 - $997 and $2,031] during the three- and six-month periods ended May 31, 2021, to a total of $7,896 as at May 31, 2021 [November 30, 2020 - $6,613].

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- and six-month periods ended May 31, 2021, foreign exchange losses of $472 and an $181 respectively [2020 - foreign exchange gains of $1,169 and $1,997 respectively].

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 May 31, 2021 and 2020 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

As at May 31, 2021, 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 $304 [as at May 31, 2020 - $392] and would have increased consolidated comprehensive income by $6,624 [as at May 31, 2020 - $7,123]. The exchange rate sensitivity is calculated by aggregating the net foreign exchange rate exposure of the Corporation's financial instruments as at May 31, 2021.

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 cash generated by operating activities.

Operating expenses excluding amortization

	For the three months ended May 31,		For the six months ended May 31,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Inventories from distribution, imports and manufacturing activities recognized as an expense	**263,965**	181,513	**484,914**	365,853
Salaries and related charges	**42,201**	31,115	**78,172**	67,802
Other charges	**4,264**	1,855	**6,763**	5,346
	310,430	214,483	**569,849**	439,001

For the three- and six-month periods ended May 31, 2021, an expense of $1,095 and $2,420 [2020 - $923 and $1,829] for inventory obsolescence is included in Inventories from distribution, imports and manufacturing activities recognized as an expense.

Government Grant

For the three- and six-month periods ended May 31, 2020, the Corporation had recognized an amount of $3,267 as a reduction of Salaries and related charges, included under *Operating expenses excluding amortization,* in connection with the Canada Emergency Wage Subsidy ("CEWS") program. No amount has been accounted for in 2021.

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 May 31, 2021, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.4 % [1.1 % as at November 30, 2020] [Long-term debt/ Equity]
- Average return on shareholders' equity of 20.4% over the last 12 months [16.2% for the year ended November 30, 2020]

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

7. GEOGRAPHIC INFORMATION

During the three- and six-month periods ended May 31, 2021, nearly 66% of sales were made in Canada [2020 - 63%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to $123,332 and $227,673 respectively, for the two periods [2020 - $93,038 and $185,724] in Canadian dollars, and to $99,448 and $181,329 respectively [2020 - $66,510 and $136,827.2268] in US dollars.

As at May 31, 2021, of the total amount of property, plant and equipment, $7,442 [November 30, 2020 - $7,677] were located in the United States. In addition, intangible assets located in the United States amounted to $12,275 [November 30, 2020 - $14,145] and goodwill to $14,222 [November 30, 2020 - $14,479] in Canadian dollars and to $10,168 [November 30, 2020 - $10,910] and to $11,781 [as at November 30, 2020 - $11,168] in US dollars. Of the total amount of right-of-use assets, $28,842 [November 30, 2020 - $31,408] were located in the United States.

8. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three- and six-month periods ended May 31, 2021, the Corporation paid dividends of $3,917 and $11,551 [2020 - zero and $3,754] to holders of common shares.

9. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three- and six-month periods ended May 31, 2021 (including the comparative figures) were approved for issue by the Board of Directors on July 8, 2021.

10. SUBSEQUENT EVENTS

Effective as of June 1, 2021, the Corporation acquired all of the common and outstanding shares of Uscan Hardware Distribution Ltd, a distributor of industrial screws, bolts and industrial fasteners for the retailer's market in Canada, which operates one distribution center located in Quebec.

Effective as of July 5, 2021, the Corporation acquired, through a newly incorporated subsidiary ("Newco"), 100% of the issued and outstanding shares of Inter-Co Inc., in partial consideration of which a participation equivalent to 25% of the share capital of Newco has been issued in the name of the sellers. Inter-Co Inc. is a distributor of Division 10 products intended for the construction industry operating five distribution centers, three in the United States (Arizona, Ohio and Texas) and two in Canada (Ontario).