

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three and nine-month periods ended August 31, 2024
[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
[Unaudited]

| Notes | As at August 31, 2024 \$ | As at November 30, 2023 \$ |
|--|--------------------------------|----------------------------------|
| ASSETS | | |
| Current assets | | |
| | 47,679 | 46,327 |
| Cash and cash equivalents | | |
| | 233,575 | 219,264 |
| Accounts receivable | | |
| | 11,487 | 12,621 |
| Income taxes receivable | | |
| | 584,474 | 572,351 |
| Inventories | | |
| | 12,024 | 8,905 |
| Prepaid expenses | | |
| | 889,239 | 859,468 |
| Non-current assets | | |
| | 87,493 | 78,053 |
| Property, plant and equipment | | |
| | 65,123 | 67,808 |
| Intangible assets | | |
| | 182,798 | 167,124 |
| Right-of-use assets | | |
| | 138,549 | 135,089 |
| Goodwill | | |
| | 11,089 | 7,421 |
| Deferred taxes | | |
| | 1,374,291 | 1,314,963 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| | 36,350 | 22,617 |
| Bank overdraft | | |
| | 177,845 | 169,785 |
| Accounts payable and accrued liabilities | | |
| | — | 4,373 |
| Income taxes payable | | |
| | 3,636 | 2,940 |
| Current portion of long-term debt | | |
| | 39,458 | 37,989 |
| Current portion of lease obligations | | |
| | 257,289 | 237,704 |
| Non-current liabilities | | |
| | 2,799 | 2,406 |
| Long-term debt | | |
| | 161,735 | 143,336 |
| Lease obligations | | |
| | 12,224 | 11,169 |
| Deferred taxes | | |
| | 12,850 | 12,191 |
| Other liabilities | | |
| | 446,897 | 406,806 |
| Equity | | |
| | 75,279 | 72,289 |
| Share capital | 4 | |
| | 10,582 | 9,040 |
| Contributed surplus | | |
| | 812,752 | 794,971 |
| Retained earnings | | |
| | 26,479 | 28,593 |
| Accumulated other comprehensive income | 5 | |
| | 925,092 | 904,893 |
| Equity attributable to shareholders of the Corporation | | |
| | 2,302 | 3,264 |
| Non-controlling interests | | |
| | 927,394 | 908,157 |
| | 1,374,291 | 1,314,963 |

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 nine-month periods ended August 31 [In thousands of dollars, except earnings per share]
[Unaudited]

| | Notes | For the three months ended August 31, | | For the nine months ended August 31, | |
|---|-------|--|---------------|---|----------------|
| | | 2024 \$ | 2023 \$ | 2024 \$ | 2023 \$ |
| Sales | | 467,747 | 458,993 | 1,356,032 | 1,334,105 |
| Operating expenses excluding amortization | 6 | 414,793 | 398,017 | 1,208,876 | 1,162,515 |
| Earnings before amortization, financial costs and income taxes | | 52,954 | 60,976 | 147,156 | 171,590 |
| Amortization of property, plant and equipment and right-of-use assets | | 14,612 | 12,986 | 43,159 | 36,440 |
| Amortization of intangible assets | | 2,745 | 2,697 | 8,085 | 8,129 |
| Net financial costs | | 3,015 | 3,147 | 8,623 | 11,011 |
| | | 20,372 | 18,830 | 59,867 | 55,580 |
| Earnings before income taxes | | 32,582 | 42,146 | 87,289 | 116,010 |
| Income taxes | | 8,611 | 11,482 | 23,163 | 31,570 |
| Net earnings | | 23,971 | 30,664 | 64,126 | 84,440 |
| Net earnings attributable to: | | | | | |
| Shareholders of the Corporation | | 22,706 | 29,823 | 61,367 | 82,927 |
| Non-controlling interests | | 1,265 | 841 | 2,759 | 1,513 |
| | | 23,971 | 30,664 | 64,126 | 84,440 |
| Net earnings per share attributable to shareholders of the Corporation | | | | | |
| Basic | | 0.41 | 0.53 | 1.10 | 1.49 |
| Diluted | | 0.41 | 0.53 | 1.09 | 1.47 |

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

| | Notes | For the three months ended August 31, | | For the nine months ended August 31, | |
|--|-------|--|---------------|---|---------------|
| | | 2024 \$ | 2023 \$ | 2024 \$ | 2023 \$ |
| Net earnings | | 23,971 | 30,664 | 64,126 | 84,440 |
| Other comprehensive income (loss) that will be reclassified to net earnings | | | | | |
| Exchange differences on translation of foreign operations | 5 | (3,358) | (1,410) | (2,114) | 483 |
| Comprehensive income | | 20,613 | 29,254 | 62,012 | 84,923 |
| Comprehensive income attributable to: | | | | | |
| Shareholders of the Corporation | | 19,348 | 28,413 | 59,253 | 83,410 |
| Non-controlling interests | | 1,265 | 841 | 2,759 | 1,513 |
| | | 20,613 | 29,254 | 62,012 | 84,923 |

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

| Notes | Attributable to shareholders of the Corporation | | | | | | |
|--|---|---------------------|-------------------|--|-----------------|---------------------------|-----------------|
| | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive income | Total | Non-controlling interests | Total equity |
| | 4 | | | 5 | | | |
| Balance as at November 30, 2022 | 61,829 | 8,400 | 719,185 | 27,743 | 817,157 | 2,665 | 819,822 |
| Net earnings | — | — | 82,927 | — | 82,927 | 1,513 | 84,440 |
| Other comprehensive income | — | — | — | 483 | 483 | — | 483 |
| Comprehensive income | — | — | 82,927 | 483 | 83,410 | 1,513 | 84,923 |
| Shares repurchased | (22) | — | (751) | — | (773) | — | (773) |
| Stock options exercised | 4,759 | (870) | — | — | 3,889 | — | 3,889 |
| Share-based compensation expense | — | 2,259 | — | — | 2,259 | — | 2,259 |
| Dividends [note 9] | — | — | (25,128) | — | (25,128) | (625) | (25,753) |
| Other liabilities | — | — | — | — | — | (365) | (365) |
| | 4,737 | 1,389 | (25,879) | — | (19,753) | (990) | (20,743) |
| Balance as at August 31, 2023 | 66,566 | 9,789 | 776,233 | 28,226 | 880,814 | 3,188 | 884,002 |
| Balance as at November 30, 2023 | 72,289 | 9,040 | 794,971 | 28,593 | 904,893 | 3,264 | 908,157 |
| Net earnings | — | — | 61,367 | — | 61,367 | 2,759 | 64,126 |
| Other comprehensive income | — | — | — | (2,114) | (2,114) | — | (2,114) |
| Comprehensive income | — | — | 61,367 | (2,114) | 59,253 | 2,759 | 62,012 |
| Shares repurchased | (633) | — | (18,006) | — | (18,639) | — | (18,639) |
| Stock options exercised | 3,623 | (651) | — | — | 2,972 | — | 2,972 |
| Share-based compensation expense | — | 2,193 | — | — | 2,193 | — | 2,193 |
| Dividends [note 9] | — | — | (25,197) | — | (25,197) | (1,090) | (26,287) |
| Other liabilities | — | — | — | — | — | (689) | (689) |
| Acquisition of non-controlling interests [note 3] | — | — | (383) | — | (383) | (1,942) | (2,325) |
| | 2,990 | 1,542 | (43,586) | — | (39,054) | (3,721) | (42,775) |
| Balance as at August 31, 2024 | 75,279 | 10,582 | 812,752 | 26,479 | 925,092 | 2,302 | 927,394 |

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

| | Notes | For the three months ended August 31, | | For the nine months ended August 31, | |
|--|-------|--|-----------------|---|-----------------|
| | | 2024 \$ | 2023 \$ | 2024 \$ | 2023 \$ |
| OPERATING ACTIVITIES | | | | | |
| Net earnings | | 23,971 | 30,664 | 64,126 | 84,440 |
| Items not affecting cash | | | | | |
| Amortization of property, plant and equipment, and right-of-use assets | | 14,612 | 12,986 | 43,159 | 36,440 |
| Amortization of intangible assets | | 2,745 | 2,697 | 8,085 | 8,129 |
| Deferred taxes | | (2,369) | (357) | (3,503) | (1,110) |
| Share-based compensation expense | 4 | 745 | 624 | 2,193 | 2,259 |
| Net financial costs | | 3,015 | 3,147 | 8,623 | 11,011 |
| | | 42,719 | 49,761 | 122,683 | 141,169 |
| Net change in non-cash working capital balances | | 7,431 | 55,081 | (16,302) | 56,828 |
| | | 50,150 | 104,842 | 106,381 | 197,997 |
| FINANCING ACTIVITIES | | | | | |
| Repayment of long-term debt | | (172) | (108) | (2,254) | (4,712) |
| Payment of lease obligations | | (10,452) | (9,022) | (30,133) | (24,662) |
| Dividends paid to shareholders of the Corporation | 9 | (8,357) | (8,387) | (25,197) | (25,128) |
| Interest paid on bank overdraft | | (654) | (1,311) | (1,722) | (6,031) |
| Other dividends paid | | — | (625) | (1,090) | (625) |
| Common shares issued | | 1,191 | 1,252 | 2,972 | 3,889 |
| Common shares repurchased for cancellation | | — | — | (18,639) | (773) |
| | | (18,444) | (18,201) | (76,063) | (58,042) |
| INVESTING ACTIVITIES | | | | | |
| Business acquisitions | 3 | — | — | (17,567) | (20,004) |
| Additions to property, plant and equipment, and intangible assets | | (6,170) | (8,286) | (25,410) | (22,544) |
| | | (6,170) | (8,286) | (42,408) | (42,548) |
| Effect of exchange rate changes on cash and cash equivalents | | 205 | 212 | 278 | 87 |
| Net change in cash and cash equivalents (bank overdraft) | | 25,741 | 78,567 | (12,381) | 97,494 |
| Cash and cash equivalents (bank overdraft), beginning of period | | (14,412) | (93,061) | 23,710 | (111,988) |
| Cash and cash equivalents (bank overdraft), end of period | | 11,329 | (14,494) | 11,329 | (14,494) |
| Supplementary information | | | | | |
| Income taxes paid | | 3,981 | 9,118 | 29,927 | 51,051 |

See accompanying notes to the interim consolidated financial statements.

NATURE OF BUSINESS

Richelieu Hardware Ltd. (the "Corporation") is incorporated under the laws of Quebec, Canada. The Corporation is an importer, manufacturer and a distributor 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 manufacturers, 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 IAS 34, *Interim Financial Reporting*.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2023, 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, 2023.

2. CHANGES IN ACCOUNTING METHODS

In May 2023, the IASB published amendments to IAS 12, *Income Taxes*, concerning the Pillar 2 tax rules model, to provide a temporary exception to the application of the provisions related to the deferred tax assets and liabilities.

Since June 2024, the application of these amendments has been mandatory in Canada. The Corporation adopted these amendments in the third quarter of 2024 and applied the exception.

After evaluation, the Corporation does not expect the Pillar 2 tax rules to have a significant impact on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2024

Effective December 1, 2023, the Corporation acquired all issued and outstanding shares of Olympic Forest Products Inc., a distributor of specialized lumber and panel products operating one distribution centre in Erin, ON.

Effective January 1, 2024, the Corporation acquired from minority shareholders an additional 15% interest in the voting shares of Provincial Woodproducts Ltd, thereby increasing its interest to 100%.

Effective January 15, 2024, the Corporation acquired the principal net assets of Rapid Start, a distributor of specialized hardware operating one distribution centre in Rittman, OH.

Effective March 27, 2024, the Corporation acquired the principal net assets of Allegheny Plywood, a distributor of specialized panels and decorative surfaces operating three distribution centres in Pittsburgh and Allentown, PA, and in Cleveland, OH.

Effective April 19, 2024, the Corporation acquired from minority shareholders an additional 5% interest in the voting shares of Menuiserie des Pins Ltée, thereby increasing its interest to 90%.

Effective June 4, 2024, the Corporation acquired from minority shareholders an additional 10% interest in the voting shares of Usimm Unigrav Inc., thereby increasing its interest to 85%.

Sales of \$32.6 million have been generated by these acquisitions since their completion. Had these acquisitions been made on December 1, 2023, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$47.4 million.

2023

Effective January 1, 2023, the Corporation acquired, through a newly formed subsidiary, 100% of all issued and outstanding shares of both Usimm Inc. and Unigrav Inc., two 3D scanning providers offering custom-made products for the architectural and industrial market, in partial consideration for which an interest equivalent to 25% of the share capital of the newly formed subsidiary was issued to sellers. The offices of Usimm and Unigrav are located, respectively, in Montreal and Drummondville, QC.

Effective January 4, 2023, the Corporation acquired all issued and outstanding shares of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution centre in Terrebonne, QC.

Effective January 6, 2023, the Corporation acquired all issued and outstanding shares of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution centre in Dartmouth, NS.

Effective April 3, 2023, the Corporation acquired the principal net assets of Maverick Hardware, a distributor of specialized hardware operating one distribution centre in Eugene, OR.

Effective April 30, 2023, the Corporation acquired the principal net assets of Westlund Distributing, a distributor of specialized hardware operating one distribution centre in Monticello, MN.

Notes to interim consolidated financial statements (unaudited)

As at August 31, 2024, and 2023 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Summary of Acquisitions

The preliminary purchase price allocations, as of the date of the transactions, are summarized as follows:

| | 2024 |
|--|---------------|
| | \$ |
| Current assets acquired | 15,133 |
| Property, plant and equipment, and right-of-use assets | 3,622 |
| Intangible assets | 5,055 |
| Goodwill | 3,679 |
| | 27,489 |
| Current liabilities assumed | (4,823) |
| Non-current liabilities assumed | (3,221) |
| Deferred tax liabilities | (857) |
| Net assets acquired | 18,588 |
| Consideration | |
| Cash, net of cash acquired | 15,242 |
| Consideration payable | 3,346 |
| | 18,588 |

Goodwill deductible for tax purposes with regard to these acquisitions amounts to \$0.8 million.

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.

4. SHARE CAPITAL

Authorized

Unlimited number of:

- Common shares, participating, entitling the holder to one vote per share.
- Non-voting, first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

| | Number of shares (In thousands) | \$ |
|---------------------------------------|------------------------------------|---------------|
| Outstanding, November 30, 2022 | 55,786 | 61,829 |
| Issued | 324 | 10,482 |
| Repurchased | (20) | (22) |
| Outstanding, November 30, 2023 | 56,090 | 72,289 |
| Issued | 115 | 3,623 |
| Repurchased | (481) | (633) |
| Outstanding, August 31, 2024 | 55,724 | 75,279 |

During the nine-month period ended August 31, 2024, the Corporation issued 115,150 common shares [2023 - 323,575] at an average exercise price of \$25.81 per share [2023 - \$26.43]

pursuant to the exercise of stock options under the stock option plan. In addition, the Corporation repurchased 480,820 common shares for cancellation for a consideration of \$18,639 [20,000 common shares for a consideration of \$773 in 2023], which resulted in a redemption premium in the amount of \$18,006 recognized as a reduction of retained earnings [premium of \$751 in 2023].

Stock Option Plan

Changes in stock options are summarized as follows:

| | Number of options (In thousands) | Weighted average exercise price \$ |
|---------------------------------------|-------------------------------------|---------------------------------------|
| Outstanding, November 30, 2022 | 1,680 | 30.50 |
| Granted | 307 | 37.39 |
| Exercised | (324) | 26.43 |
| Cancelled | (41) | 37.63 |
| Outstanding, November 30, 2023 | 1,622 | 32.44 |
| Granted | 288 | 46.66 |
| Exercised | (115) | 25.81 |
| Cancelled | (23) | 32.50 |
| Outstanding, August 31, 2024 | 1,772 | 35.18 |

Stock options granted during the nine-month period ended August 31, 2024 have an average fair value of \$11.48 per option [2023 - \$9.18] as determined using the Black & Scholes option pricing model with an expected dividend yield of 1.3% [2023 - 1.4%], expected volatility of 24.4% [2023 - 24.3%], a risk-free interest rate of 3.36% [2023 - 2.75%] and an expected life of 6.12 years [2023 - 6.46 years]. For the three and nine-month periods ended August 31, 2024, the compensation expense related to stock options amounted to \$745 and \$2,193 [2023 - \$624 and \$2,259] and was recognized under *Operating expenses excluding amortization*. As at August 31, 2024, the exercise price of stock options outstanding varied between \$18.83 and \$46.66 [between \$12.71 and \$43.57 as at November 30, 2023].

Deferred Share Unit Plan (DSU)

The \$7,585 liability resulting from the DSU plan [November 30, 2023 - \$7,500] was recognized under *Accounts payable and accrued liabilities*. As at August 31, 2024, the fair value of the swaps amounted to a liability of \$283 [November 30, 2023 - an asset of \$178] recognized under *Accounts payable and accrued liabilities*. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data. Compensation expense for the DSUs for the three and nine-month periods ended August 31, 2024 amounted to \$313 and \$1,024 [2023 - \$323 and \$642] and was recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to \$363 and \$1,024 for the three and nine-month periods ended August 31, 2024 [2023 - \$322 and \$906] and was recognized under *Operating expenses excluding amortization*.

Notes to interim consolidated financial statements (unaudited)

As at August 31, 2024, and 2023 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Net Earnings Per Share

Basic and diluted net earnings per share were calculated based on the following number of shares:

| (In thousands) | For the three months ended August 31, | | For the nine months ended August 31, | |
|---|---------------------------------------|--------|--------------------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 |
| Weighted average number of shares outstanding - Basic | 55,699 | 55,900 | 55,940 | 55,839 |
| Dilutive effect under stock option plan | 273 | 446 | 320 | 386 |
| Weighted average number of shares outstanding - Diluted | 55,972 | 56,346 | 56,260 | 56,225 |

For the three and nine-month periods ended August 31, 2024, the computation of diluted net earnings per share did not take into account the weighted average of 537,875 [2023 - 258,750 anti-dilutive stock options] stock options since their exercise price, which was higher than the average price of the shares for the period, would have had an anti-dilutive effect.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

| | For the three months ended August 31, | | For the nine months ended August 31, | |
|---|---------------------------------------|---------------|--------------------------------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$ | \$ | \$ | \$ |
| Balance, beginning of the period | 29,837 | 29,636 | 28,593 | 27,743 |
| Exchange differences on translation of foreign operations | (3,358) | (1,410) | (2,114) | 483 |
| Balance, end of the period | 26,479 | 28,226 | 26,479 | 28,226 |

6. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair Value

The carrying value of long-term debt approximates its fair value because of the short maturity on balances of sale payable. 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 in the United States. Credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at August 31, 2024, is

deemed acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts increased by \$196 and \$1,212 [2023 - \$672 and \$1,814] during the three and nine-month periods ended August 31, 2024, to a total of \$7,961 as at August 31, 2024 [November 30, 2023 - \$6,749].

Market Risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and in euros. Operating expenses include, for the three and nine-month periods ended August 31, 2024, exchange gains of \$103 and \$1,129 respectively [2023 - foreign exchange gain of \$51 and foreign exchange gain of \$695].

As part of its business practices, the Corporation aims to preserve its purchase costs and selling prices of its commercial activities. To protect its operations from exposure to exchange rate risks, the Corporation uses, among other things, centralized cash flow management. The Corporation may also periodically use foreign exchange forward contracts. By implementing these measures, the Corporation seeks to protect operating results from exposure to exchange rate fluctuations. The Corporation's business practices in terms of foreign exchange risk management does not allow for speculative trades.

As at August 31, 2024, a decrease (increase) 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 (decreased) consolidated net earnings by \$688 [August 31, 2023 - \$1,023] and would have increased (decreased) other comprehensive income by \$11,374 [August 31, 2023 - \$9,813]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposures of the Corporation's financial instruments as at August 31, 2024.

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, its share redemptions and its payout to shareholders using mainly cash generated by operating activities and through its lines of credits when necessary.

The Corporation has an authorized line of credit of C\$85 million [November 30, 2023 - C\$150 million] as well as a line of credit of US\$56 million [November 30, 2023 - US\$56 million]. The restrictive conditions and covenants remain unchanged.

Interest Rate Risk

The Corporation is exposed to interest rate risk associated with the use of its lines of credit.

Notes to interim consolidated financial statements (unaudited)

As at August 31, 2024, and 2023 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Operating Expenses Excluding Amortization

| | For the three months ended August 31, | | For the nine months ended August 31, | |
|--|---------------------------------------|---------|--------------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$ | \$ | \$ | \$ |
| Inventories from distribution, importing and manufacturing activities recognized as an expense | 352,276 | 336,304 | 1,023,560 | 979,407 |
| Salaries and related expenses | 61,754 | 58,865 | 182,062 | 173,783 |
| Other expenses | 763 | 2,848 | 3,254 | 9,325 |
| | 414,793 | 398,017 | 1,208,876 | 1,162,515 |

For the three and nine-month periods ended August 31, 2024, expenses of \$1,269 and \$3,580 [2023 - \$1,562 and \$4,639] for inventory obsolescence were included in Inventories from the distribution, importing and manufacturing activities recognized as an expense.

7. CAPITAL MANAGEMENT

The Corporation's objectives are :

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

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at August 31, 2024, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.7% [0.6% as at November 30, 2023] [Long-term debt/equity]
- Average return on shareholders' equity of 10.0% over the last 12 months [12.9% for the year ended November 30, 2023]

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

8. GEOGRAPHIC INFORMATION

During the three and nine-month periods ended August 31, 2024, nearly 57% of sales were made in Canada [2023 - 59%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to \$203,118 and \$583,068 [2023 - \$188,852 and \$553,527] in Canadian dollars, and to \$148,370 and \$428,788 [2023 - \$141,577 and \$411,162] in US dollars.

As at August 31, 2024, of the total amount of property, plant and equipment, \$29,616 [November 30, 2023 - \$29,707] were located in the United States. In addition, intangible assets located in the United States amounted to \$25,821 [November 30, 2023 - \$27,330] and goodwill amounted to \$32,191 [November 30, 2023 - \$31,605] in Canadian dollars and to \$19,139 [November 30, 2023 - \$20,122] and \$23,861 [November 30, 2023 - \$23,270] respectively, in US dollars. Of the total amount of right-of-use assets, \$107,628 [November 30, 2023 - \$108,477] were located in the United States.

9. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three and nine-month periods ended August 31, 2024, the Corporation paid dividends of \$8,357 and \$25,197 to holders of common shares [2023 - \$8,387 and \$25,128], representing a quarterly dividend of \$0.15 per common share [quarterly dividend of \$0.15 per common share in 2023].

10. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and nine-month periods ended August 31, 2024 (including the comparative figures) were approved for issue by the Board of Directors on October 10, 2024.

11. COMPARATIVE FIGURES

Some figures disclosed for the three and nine-month periods ended August 31, 2023, have been reclassified to conform to the presentation adopted for the three and nine-month periods ended August 31, 2024.