



Interim Report

3

Three- and nine-month periods
ended August 31, 2021

MESSAGE TO SHAREHOLDERS

Once again, Richelieu is pleased to report a strong quarterly performance. Total sales for the first nine months ended August 31, 2021 grew to over \$1 billion, further strengthening our financial position. In addition, Richelieu continued its expansion strategy, completing five acquisitions in North America and opening two additional distribution centers in the United States during the same period.

As in previous quarters, Richelieu continued to benefit from favorable conditions in the renovation market, thanks to its proven innovation strategies and efficient value-added, multi-channel services, as well as successive value-creating acquisitions that contributed to the geographic and sectoral diversification of its North American markets. We remained committed to supporting our customers by providing them with quick and easy access to our incomparable range of products, either through our network of “one-stop-shop” centers or our distinctive website richelieu.com, and this despite the existing supply chain challenges.

Our total sales for the third quarter increased by 20.0% to \$373.3 million compared to the same period in 2020, including 14.1% from internal growth and 5.9% from acquisitions. Both our Canadian and U.S. markets contributed to this growth, with sales up 21.3% in Canada and 26.7% (in U.S. dollars) in the U.S. for sales of \$246.2 million and US\$102.1 million respectively. The manufacturing market in both Canada and the United States benefited from strong demand in the renovation market, with sales of \$205.3 million in Canada, up 32.5%, and US\$91.2 million in the U.S., up 36.7%. These increases also reflect the strong growth of our specialty markets and, to a lesser extent, rising prices due to higher costs. The retail market was down 14.8% in Canada and 21.6% (in U.S. dollars) in the U.S., thus returning to a pre-pandemic business volume. For the first nine months of the fiscal year, our sales totaled \$1.042 billion, up 28.9%, of which 25.1% from internal growth and 3.8% from acquisitions.

Reflecting higher sales, tight cost control, and improved gross margins, EBITDA for the third quarter grew 30.3% to \$63.9 million and EBITDA margin rose to 17.1% compared to 15.8% in the third quarter of 2020. Net earnings attributable to shareholders grew 35.2% to \$38.7 million, or \$0.69 per share basic and diluted, respectively up 35.3% and 38.0%. For the first nine months, net earnings attributable to shareholders increased by 67.1% to \$97.2 million, representing \$1.72 per share diluted.

Our sound and vigorous financial position was further improved by reaching an average return on equity of 21.2% as at August 31, 2021, compared to 16.2% as at November 30, 2020, \$66.7 million in cash, and working capital of \$416.9 million, up 10.5% from November 30, 2020, for a current ratio of 3.3:1.

As previously announced, we completed, as of June 1, the acquisition of Usacan Industrial Fasteners Ltd. and, on July 5, that of Inter-Co Inc. Furthermore, following the end of our third quarter, we also acquired all issued and outstanding shares of Cook Fasteners Inc., a distributor specializing in screws and bolts for the manufacturing market operating a distribution center in Mississauga, Ontario, as well as all operating net assets of Industrial Plywood Inc., a distributor of panels and related products operating from two distribution centers in Reading, PA and Lewistown, PA. Considering our prior acquisition of Task Tools in the first quarter, we have now completed five acquisitions since the beginning of the financial year, representing additional annual sales of approximately \$75 million.

In addition, after opening our Rochester center in the first quarter, our fifth location in New York State, we opened a new specialty hardware distribution center in Reading, PA, in the third quarter. Our North American network now consists of 97 strategically located, interconnected distribution centers.

We look forward to achieving our growth objectives in the fourth quarter and end our financial year with good results. To do so, we intent to maintain our value-creating strategies and seize all opportunities that meet our short and long-term growth criteria.

NEXT DIVIDEND PAYMENT

On October 7, 2021, the Board of Directors approved the payment of a quarterly dividend of 0.07\$ per share. This dividend will be paid on November 4, 2021, to shareholders of record as at October 21, 2021.

Management's discussion and analysis of operating results and financial position for the third quarter and first nine months ended August 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 third quarter and first nine months ended August 31, 2021, compared with the third quarter and first nine months ended August 31, 2020, as well as to Richelieu Hardware Ltd.'s financial position as at August 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 third quarter and first nine 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 August 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 October 7, 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 third quarter and first nine months period ended August 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, operating costs will not increase significantly, 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 August 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 **94 centers across North America**, of which 46 distribution centers in Canada, 46 distribution centers in the United States and two manufacturing plants in Canada.

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

The Corporation employs over 2,400 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 centers and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

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

FINANCIAL HIGHLIGHTS						
(unaudited)						
Periods ended August 31						
(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			9 months		
	2021	2020	Δ (%)	2021	2020	Δ (%)
	\$	\$		\$	\$	
Sales	373,298	311,171	+20.0	1,042,263	808,825	+28.9
EBITDA ⁽¹⁾	63,937	49,083	+30.3	163,053	107,736	+51.3
EBITDA margin (%)	17.1	15.8		15.6	13.3	
Net earnings	38,908	28,814	+35.0	97,501	58,391	+67.0
Net earnings attributable to shareholders of the Corporation	38,749	28,651	+35.2	97,158	58,130	+67.1
• basic per share (\$)	0.69	0.51	+35.3	1.74	1.03	+68.9
• diluted per share (\$)	0.69	0.50	+38.0	1.72	1.03	+67.0
Net margin attributable to shareholders of the Corporation (%)	10.4	9.2		9.3	7.2	
Adjusted cash flows from operating activities ⁽²⁾	48,612	38,063	+27.7	125,096	84,923	+47.3
• diluted per share (\$)	0.86	0.67	+28.4	2.22	1.50	+48.0
Dividends paid to the shareholders of the Corporation ⁽³⁾	3,914	3,757	+4.2	15,465	7,511	+105.9
• per share (\$) (excluding the special dividend) ⁽³⁾	0.0700	0.0667	+4.9	0.2100	0.1334	+57.4
Weighted average number of shares outstanding (diluted) (in thousands)	56,566	56,770		56,475	56,582	
Financial position data						
As at	August 31	November 30				
	2021	2020				
	\$	\$	Δ (%)			
Total assets	885,814	771,056	+14.9			
Working capital	416,947	377,408	+10.5			
Current ratio	3.3 : 1	3.6 : 1				
Equity attributable to shareholders of the Corporation	622,308	551,094	+12.9			
Average return on equity (%)	21.2	16.2				
Book value per share (\$)	11.15	9.86	+13.1			
Total debt	8,850	5,792				
Cash and cash equivalents	66,682	73,928				
<small>(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.</small>						

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2021, COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2020

Consolidated sales						
(in thousands of \$, except exchange rates)						
Periods ended	3 months			9 months		
	2021	2020	Δ (%)	2021	2020	Δ (%)
August 31	\$	\$	Δ (%)	\$	\$	Δ (%)
Canada	246,232	203,010	+21.3	687,524	514,934	+33.5
United States (CA\$)	127,066	108,161	+17.5	354,739	293,891	+20.7
(US\$)	102,084	80,556	+26.7	283,413	217,387	+30.4
Average exchange rate	1.2447	1.3427		1.2517	1.3519	
Consolidated sales	373,298	311,171	+20.0	1,042,263	808,825	+28.9

Third-quarter consolidated sales reached \$373.3 million, compared to \$311.2 million for the corresponding quarter of 2020, an increase of \$62.1 million or 20.0%, of which 14.1% from internal growth and 5.9% from acquisitions. At comparable exchange rates to the third quarter of 2020, the consolidated sales increase would have been 23.2% for the quarter ended August 31, 2021.

Richelieu achieved sales of \$318.8 million in the **manufacturers** market, compared to \$244.6 million for the third quarter of 2020, an increase of \$74.2 million or 30.3%, of which 24.5% from internal growth and 5.8% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$54.5 million, down \$12.1 million or 18.2% over the third quarter of 2020, of which 6.1% increase from acquisitions and 24.3% from internal decrease, thus returning to pre-pandemic business volume. Note that in the second half of 2020, the Corporation benefited from the favorable fallout from very strong demand in the renovation market in the midst of the pandemic.

In Canada, Richelieu recorded sales of \$246.2 million, an increase of \$43.2 million or 21.3% over the third quarter of 2020, of which 12.9% from internal growth and 8.4% from acquisitions. Sales to **manufacturers** amounted to \$205.3 million, compared to \$155 million in the third quarter of 2020, an increase of 32.5%, of which 23.9% from internal growth and 8.6% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$40.9 million, down \$7.1 million or 14.8% over the corresponding quarter of 2020, of which 7.2% increase from acquisitions and 22.0% from internal decrease.

In the United States, sales totalled US\$102.1 million, compared to US\$80.6 million for the third quarter of 2020, up US\$21.5 million or 26.7%, of which 25.3% from internal growth and 1.4% from acquisitions. Sales to **manufacturers** amounted to US\$91.2 million, compared to US\$66.7 million, an increase of 36.7% over the third quarter of 2020, of which 35.3% from internal growth and 1.4% from acquisitions. Sales in US\$ to hardware **retailers** and renovation superstores reached \$10.9 million, compared to \$13.9 million for the corresponding quarter of 2020, down \$3.0 million or 21.6%, from the corresponding quarter of 2020. Total U.S. sales in Canadian dollars stood at \$127.1 million, compared to \$108.2 million year over year, an increase of 17.5%. These sales accounted for 34.0% of consolidated sales for the third quarter of 2021, compared to 34.8% of consolidated sales for the third quarter of 2020.

For the first nine months, consolidated sales reached \$1.042 billion, an increase of \$233.5 million or 28.9% over the first nine months of 2020, of which 25.1% from internal growth and 3.8% from acquisitions. At comparable exchange rates to the first nine months of 2020, consolidated sales increase would have been 32.4%.

Sales to **manufacturers** reached \$872.2 million, compared to \$656.8 million for the first nine months of 2020, an increase of \$215.4 million or 32.8%, of which 29.1% from internal growth and 3.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 11.9% or \$18.1 million to total \$170.1 million.

In Canada, Richelieu recorded sales of \$687.5 million, compared to \$514.9 million for the first nine months of 2020, up by \$172.6 million or 33.5%, of which 29.0% from internal growth and 4.5% from acquisitions. Sales to **manufacturers** reached \$562.6 million, up by \$155.1 million or 38.1%, of which 33.9% from internal growth and 4.2% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$124.9 million, compared to \$107.4 million, up \$17.5 million or 16.3% over the first nine months of 2020.

In the United States, the Corporation recorded sales of US\$283.4 million, compared to US\$217.3 million for the first nine months of 2020, an increase of US\$66.1 million or 30.4%, of which 27.6% from internal growth and 2.8% from acquisitions. Sales to **manufacturers** totalled US\$247.3 million, compared to US\$184.3 million, an increase of US\$63.0 million or 34.2% over the first nine months of 2020, of which 30.9% from internal growth and 3.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were up 9.4% from the corresponding period of 2020. Total U.S. sales in Canadian dollars amounted to \$354.8 million, compared to \$293.9 million for the corresponding nine months of 2020, an increase of 20.7%. They accounted for 34.0% of consolidated sales for the first nine months of 2021, compared to 36.3% of the period's consolidated sales for the first nine months of 2020.

Consolidated EBITDA and EBITDA margin						
(in thousands of \$, unless otherwise indicated)						
Periods ended	3 months			9 months		
	2021	2020	Δ (%)	2021	2020	Δ (%)
August 31	\$	\$	Δ (%)	\$	\$	Δ (%)
Sales	373,298	311,171	+20.0	1,042,263	808,825	+28.9
EBITDA	63,937	49,083	+30.3	163,053	107,736	+51.3
EBITDA margin (%)	17.1	15.8		15.6	13.3	

Third quarter earnings before income taxes, interest and amortization ("EBITDA") reached \$63.9 million and were up \$14.9 million or 30.3% over the third quarter of 2020, resulting from a significant increase in sales as well as continued rigorous cost control. **Gross margin** also improved from the third quarter of 2020 and **EBITDA margin** stood at 17.1%, compared to 15.8% for the corresponding quarter of 2020.

Amortization expense for the third quarter of 2021 amounted to \$9.3 million, up \$0.5 million compared to the corresponding quarter of 2020. **Income tax expense** amounted to \$15.1 million, up \$4.3 million from the third quarter of 2020. **Financial costs** amounted to \$0.7 million.

For the first nine months EBITDA totalled \$163.1 million, up \$55.3 million or 51.3% over the first nine months of 2020. **Gross margin** improved slightly over the corresponding nine-month period of 2020. As for **EBITDA margin**, it stood at 15.6%, compared to 13.3% for the first nine months of 2020 resulting from increased sales and cost control.

Amortization expense for the first nine months of 2021 amounted to \$26.3 million, up \$1.0 million compared to the same period of 2020. **Income tax expense** amounted to \$37.3 million, up \$15.3 million from the first nine months of 2020. **Financial costs** amounted to \$1.9 million for the first nine months of 2021.

Consolidated net earnings attributable to shareholders						
(in thousands of \$, unless otherwise indicated)						
Periods ended	3 months			9 months		
	2021	2020		2021	2020	
August 31	\$	\$	Δ (%)	\$	\$	Δ (%)
EBITDA	63,937	49,083	+30.3	163,053	107,736	+51.3
Amortization of property, plant and equipment and intangible assets	9,300	8,824		26,346	25,287	
Financial costs, net	656	645		1,943	2,086	
Income taxes	15,073	10,800		37,263	21,972	
Net earnings	38,908	28,814	+35.0	97,501	58,391	+67.0
Net earnings attributable to shareholders of the Corporation	38,749	28,651	+35.2	97,158	58,130	+67.1
Net margin attributable to the shareholders of the Corporation (%)	10.4	9.2		9.3	7.2	
Non-controlling interests	159	163		343	261	
Net earnings	38,908	28,814	+35.0	97,501	58,391	+67.0

Third quarter net earnings grew 35.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$38.7 million, up 35.2% over the third quarter of 2020. **Net earnings per share** rose to \$0.69 basic and diluted, compared to \$0.51 basic and \$0.50 diluted for the third quarter of 2020, an increase of 35.3% and 38.0% respectively.

Third quarter comprehensive income amounted to \$45.4 million, considering a positive adjustment of \$6.5 million on translation of the financial statements of the subsidiary in the United States, compared to \$20.9 million for the third quarter of 2020, considering a negative adjustment of \$7.9 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, net earnings increased 67.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$97.2 million, up 67.1% over the corresponding nine months of 2020. **Net earnings per share** amounted to \$1.74 basic and \$1.72 diluted, compared to \$1.03 basic and diluted for the first nine months of 2020, up 68.9% and 67.0% respectively.

For the first nine months, comprehensive income totalled \$93.9 million, considering a negative adjustment of \$3.6 million on translation of the financial statements of the subsidiary in the United States, compared to \$55.6 million for the first nine months of 2020, considering a negative adjustment of \$2.8 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	373,298	
o EBITDA	38,162	60,954	63,937	
o Net earnings attributable to shareholders of the Corporation	20,984	37,425	38,749	
• basic per share (\$)	0.38	0.67	0.69	
• diluted per share (\$)	0.37	0.66	0.69	
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 third quarter and first nine months ended August 31, 2021

Change in cash and cash equivalents and capital resources				
(in thousands of \$, unless otherwise indicated)				
Periods ended	3 months		9 months	
	2021	2020	2021	2020
August 31	\$	\$	\$	\$
Cash flows provided by (used in):				
Operating activities	33,755	54,028	88,168	112,210
Financing activities	(17,260)	(9,242)	(39,625)	(19,878)
Investing activities	(39,578)	(12,892)	(56,306)	(42,322)
Effect of exchange rate changes on cash and cash equivalents	179	35	517	(220)
Net change in cash and cash equivalents	(22,904)	31,929	(7,246)	49,790
Cash and cash equivalents, beginning of period	89,586	42,562	73,928	24,701
Cash and cash equivalents end of period	66,682	74,491	66,682	74,491
	As at August 31, 2021		As at November 30, 2020	
	\$		\$	
Working capital	416,947		377,408	
Renewable line of credit (CA\$)	65,000		65,000	
Renewable line of credit (US\$)	6,000		6,000	

Operating activities

Third quarter cash flows from operating activities (before net change in non-cash working capital balances) amounted to \$48.6 million or \$0.86 diluted per share, an increase of 27.7%, compared to \$38.1 million, or \$0.67 for the corresponding quarter of 2020, stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of \$14.9 million, reflecting change in accounts receivable and accounts payable of \$14.3 million, whereas change in inventories and other items used cash flows of \$29.2 million. Consequently, operating activities provided cash flows of \$33.8 million, compared to \$54.0 million in the third quarter of 2020.

For the first nine months, cash flows from operating activities (before net change in non-cash working capital balances) reached \$125.1 million or \$2.22 per share diluted, compared to \$84.9 million or \$1.50 per share diluted for the first nine months of 2020, an increase of 47.3%. Net change in non-cash working capital balances used cash flows of \$36.9 million, primarily representing changes in accounts receivable and inventories that used cash flows of \$58.4 million whereas accounts payable and other items represented a cash inflow of \$21.5 million. Consequently, operating activities provided cash flows of \$88.2 million, compared to \$112.2 million for the first nine months of 2020.

Financing activities

Third quarter cash flows from financing activities used cash flows of \$17.3 million, compared to \$9.2 million for the third quarter of 2020. The Corporation paid lease obligations of \$4.2 million and issued shares for \$0.7 million, compared to lease obligation payments of \$3.8 million, a share issuance for \$2.9 million and a long-term debt repayment of \$4.5 million in the third quarter of 2020. Dividends paid to shareholders of the Corporation amounted to \$3.9 million compared to \$3.8 million in the same period of 2020. The Corporation also repurchased common shares for an amount of \$9.8 million in the third quarter of 2021, while it did not make any share repurchases in 2020.

For the first nine months, cash flows from financing activities used cash flows of \$39.6 million, compared to \$19.9 million in the first nine months of 2020. The Corporation repaid long-term debt of \$3.1 million, paid lease obligations of \$12.1 million and issued shares for \$4.6 million, compared to a long-term debt repayment of \$5.0 million, lease obligations payments of \$11.0 million and a \$3.9 million share issue in the first nine months of 2020. Dividends paid to shareholders of the Corporation amounted to \$15.5 million compared to \$7.5 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 \$13.1 million in the first nine months of 2021, while it did not make any share repurchases in 2020.

Investing activities

Third quarter cash flows from investing activities represented a cash outflow of \$39.6 million, including \$34.4 million for two business acquisitions made during the current quarter and \$5.2 million primarily for the purchase of new equipment to maintain and improve operational efficiency, as well as further investments in IT infrastructure.

For the first nine months, cash flows from investing activities represented a total cash outflow of \$56.3 million, including \$44.2 million for the three business acquisitions made during the current period and \$12.1 million primarily for the purchase of new equipment to maintain and improve operational efficiency.

Sources of financing

As at August 31, 2021, the cash and cash equivalents amounted to \$66.7 million, compared with \$73.9 million as at November 30, 2020. The Corporation posted a **working capital** of \$416.9 million for a current ratio of 3.3:1, 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 August 31, 2021

Summary financial position		
(in thousands of \$, except exchange rates)		
As at	August 31, 2021	November 30, 2020
	\$	\$
Current assets	602,251	522,702
Non-current assets	283,563	248,354
Total	885,814	771,056
Current liabilities	185,304	145,294
Non-current liabilities	75,836	71,319
Equity attributable to shareholders of the Corporation	622,308	551,094
Non-controlling interests	2,366	3,349
Total	885,814	771,056
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.262	1.297

Assets

Total assets amounted to \$885.8 million as at August 31, 2021, compared with \$771.1 million as at November 30, 2020, an increase of 14.9%. **Current assets** grew by 15.2% or \$79.5 million over November 30, 2020. This increase stems from the addition of current assets following the business acquisitions made during the period and from the rise in inventories resulting from the increase in demand and, to a lesser extent, in the products cost. **Non-current assets** increased 14.2% mainly due to the addition of intangible and goodwill related to the business acquisitions.

Cash position		
(in thousands of \$)		
As at	August 31 2021	November 30 2020
	\$	\$
Current portion of long-term debt	7,750	3,592
Long-term debt	1,100	2,200
Total debt	8,850	5,792
<i>Cash and cash equivalents</i>	66,682	73,928

The Corporation continues to benefit from a healthy and solid financial position. As at August 31, 2021, **total debt** was \$8.9 million, mainly representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$622.3 million as at August 31, 2021, compared with \$551.1 million as at November 30, 2020, an increase of \$71.2 million stemming primarily from a growth of \$69.0 million in retained earnings which amounted to \$549.8 million, and of \$5.8 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down by \$3.6 million. As at August 31, 2021, the **book value per share** was \$11.15, up by 13.1% over November 30, 2020.

As at August 31, 2021, at the close of markets, the Corporation's **share capital** consisted of 55,808,294 common shares [55,893,568 shares as at November 30, 2020]. Weighted average of diluted outstanding shares for the three and nine-month periods ended August 31, 2021, were 56,566,200 and 56,474,900 [2020 - 56,769,970 and 56,582,160]. During the first nine months of 2021, the Corporation issued 231,100 common shares at an average exercise price of \$20.09 [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 316,374 common shares in the normal course of operations for a cash consideration of \$13.1 million (678,362 common shares for a cash consideration of \$25.0

million in fiscal 2020). During the first nine months ended August 31, 2021, the Corporation granted 289,000 stock options (300,500 in fiscal 2020) and cancelled 31,875 stock options. As at August 31, 2021, 1,723,950 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 September 1, 2021, the Corporation acquired all of the issued and outstanding shares of Cook Fasteners Inc., an industrial fastener distributor operating a distribution center in Mississauga, Ontario.

Effective September 20, 2021, the Corporation acquired the principal net assets of Industrial Plywood, a distributor of panels and related products operating two distribution centers in Pennsylvania.

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 August 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 August 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, 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 and on the Corporation's website at www.richelieu.com.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com and on the Corporation's website at www.richelieu.com.



Richard Lord

President and Chief Executive
Officer



Antoine Auclair

Vice-President and Chief
Financial Officer

October 7, 2021