



Interim Report

3

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

MESSAGE TO SHAREHOLDERS

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

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

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

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

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

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

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

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

NEXT DIVIDEND PAYMENT

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

Management's discussion and analysis

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



This management's discussion and analysis report ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the third quarter and first nine months ended August 31, 2020, compared to the third quarter and first nine months ended August 31, 2019, as well as to Richelieu Hardware Ltd.'s financial position as at August 31, 2020, compared to November 30, 2019. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the third quarter and first nine months of 2020 as well as the analysis and notes to the audited consolidated financial statements appearing in our 2019 Annual Report. In this MD&A, "Richelieu" or the "Corporation" refers to, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended August 31, 2020, signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this MD&A accounts for any major event that occurred prior to October 8, 2020, on which date the unaudited consolidated interim financial statements and interim MD&A were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including amounts shown in tables, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the third quarter and first nine months ended August 31, 2020, have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") as we believe this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted performance indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidity. Since EBITDA is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses adjusted cash flows from operating activities and adjusted cash flows from operating activities per share. Adjusted cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, adjusted cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies.

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this MD&A, including statements relating to the expected adequacy of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these

expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith regarding future events. Assumptions are that economic conditions and exchange rates will not significantly deteriorate, that supplies will be sufficient to fulfil Richelieu's needs (including as a result of the global outbreak of COVID-19), the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are given, they could prove inaccurate. Forward-looking statements are also subject, by their nature, to known and unknown risks and uncertainties set forth in the Corporation's 2019 Annual Report (see the "Risk Factors" section on pages 34 and 35 of the 2019 Annual Report available on SEDAR at www.sedar.com).

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

The COVID-19 pandemic is altering business and consumer activity in affected areas and beyond. Additional measures may be implemented by one or more governments in jurisdictions where the Corporation operates. Labour shortages due to illness, Corporation- or government-imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction of the Corporation's operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and operating results will depend on future developments that are highly uncertain and cannot be predicted with any meaningful accuracy, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. Potential impacts include, but are not limited to, an impairment of long-lived assets and a change in the expected credit loss on accounts receivable. Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and operating results. The Corporation is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

Richelieu's actual results could differ materially from those indicated in or underlying these forward-looking statements. The reader is therefore cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except as required by law.

CHANGE IN ACCOUNTING POLICIES

The comparative figures have been restated following the adoption of IFRS 16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended August 31, 2020, for more details on the adoption of this new standard.

GENERAL BUSINESS OVERVIEW

as at August 31, 2020

Richelieu is a leading North American importer, distributor and manufacturer of specialty hardware and related products.

Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture, door and window manufacturers, residential and commercial woodworkers, as well as hardware retailers including renovation superstores. The residential and commercial renovation industry is one of the Corporation's principal sources of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of **over 130,000 different items** targeting a **base of more than 90,000 customers** served by **84 centres across North America**, 41 distribution centres in Canada, 41 distribution centres in the United States and two manufacturing plants in Canada.

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

The Corporation employs over 2,300 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. More than 50% of the Corporation's employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and intrapreneurship.

To sustain its growth and remain the leader in its specialty markets, the Corporation continues to implement the strategy which has been beneficial to date, with a focus on:

- continuing to strengthen its product selection by continuously introducing each year diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- pursuing its expansion in North America with the opening of new distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

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

FINANCIAL HIGHLIGHTS						
(unaudited)						
Periods ended August 31						
(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)	3 months			9 months		
	2020	2019		2020	2019	
	\$ ⁽³⁾ Restated	\$	Δ (%)	\$ ⁽³⁾ Restated	\$	Δ (%)
Sales	311,171	269,243	+15.6	808,825	776,661	+4.1
EBITDA ⁽¹⁾	49,083	33,890	+44.8	107,736	89,197	+20.8
EBITDA margin (%)	15.8	12.6		13.3	11.5	
Net earnings	28,814	18,430	+56.3	58,391	47,553	+22.8
Net earnings attributable to shareholders of the Corporation	28,651	18,291	+56.6	58,130	47,324	+22.8
• basic per share (\$)	0.51	0.32	+59.4	1.03	0.83	+24.1
• diluted per share (\$)	0.50	0.32	+56.3	1.03	0.83	+24.1
Net margin attributable to shareholders of the Corporation (%)	9.2	6.8		7.2	6.1	
Adjusted cash flows from operating activities ⁽²⁾	38,063	26,470	+43.8	84,923	70,093	+21.2
• diluted per share (\$)	0.67	0.46	+45.7	1.50	1.22	+23.0
Dividends paid to the shareholders of the Corporation	3,757	3,606	+4.2	7,511	10,830	-30.6
• per share (\$)	0.0667	0.0633		0.1334	0.1899	-29.8
Weighted average number of shares outstanding (diluted) (in thousands)	56,770	57,186		56,582	57,278	
Financial position data						
As at	August 31	November 30		August 31	November 30	
	2020	2019		2020	2019	
	\$ ⁽³⁾ Restated	\$	Δ (%)	\$ ⁽³⁾ Restated	\$	Δ (%)
Total assets	761,337	672,146	+13.3			
Working capital	376,172	335,505	+12.1			
Current ratio	3.6 : 1	4.1 : 1				
Equity attributable to shareholders of the Corporation	551,568	498,384	+10.7			
Return on average equity (%)	14.7	13.7				
Book value per share (\$)	9.76	8.86	+10.2			
Total debt	5,989	5,659				
Cash and cash equivalents	74,491	24,701				
<p>(1) EBITDA is a non-IFRS measure, as indicated on page 2 of this report.</p> <p>(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.</p> <p>(3) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended August 31, 2020 for more details on the adoption of this new standard.</p>						

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

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

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

Richelieu achieved sales of \$246.5 million in the **manufacturers** market, compared to \$233.8 million for the third quarter of 2019, an increase of \$12.7 million or 5.4%, of which 0.9% from an internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$64.7 million, up \$29.3 million or 82.8% over the third quarter of 2019, of which 46.3% from internal growth and 36.5% from acquisitions. This substantial increase in sales is attributable to the favourable fallout from strong demand in the renovation market in the context of the COVID-19 pandemic.

In Canada, Richelieu recorded sales of \$203.0 million, an increase of \$23.1 million or 12.8% over the third quarter of 2019, of which 8.2% from internal growth and 4.6% from acquisitions. Sales to **manufacturers** amounted to \$154.3 million, compared to \$148.1 million for the third quarter of 2019, an increase of 4.2%, of which 1.1% from an internal growth and 3.1% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$48.7 million, up \$16.8 million or 52.7% over the corresponding quarter of 2019, of which 40.7% from an internal growth and 12.0% from acquisitions. This significant increase is the result of major growth in the renovation market in Canada as well as higher cyclical sales than in the corresponding quarter of 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS				
(unaudited)				
(in thousands of \$, except per-share amounts)				
Quarters	1	2	3	4
2020				
o Sales	249,401	248,253	311,171	
o EBITDA	24,883	33,770	49,083	
o Net earnings attributable to shareholders of the Corporation	11,772	17,707	28,651	
• basic per share (\$)	0.21	0.31	0.51	
• diluted per share (\$)	0.21	0.31	0.50	
2019⁽¹⁾				
o Sales	226,351	281,067	269,243	264,986
o EBITDA	20,936	34,371	33,890	35,012
o Net earnings attributable to shareholders of the Corporation	9,943	19,090	18,291	19,147
• basic per share (\$)	0.17	0.33	0.32	0.34
• diluted per share (\$)	0.17	0.33	0.32	0.34
2018 (not restated)				
o Sales	221,893	263,268	260,461	258,778
o EBITDA	19,803	28,080	28,926	29,182
o Net earnings attributable to shareholders of the Corporation	12,704	18,174	18,389	18,510
• basic per share (\$)	0.22	0.31	0.32	0.32
• diluted per share (\$)	0.22	0.31	0.32	0.32

(1) The comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended May 31, 2020 for more details on the adoption of this new standard.

Quarterly variations in earnings - The first quarter ending February 28 or 29 is generally the year's weakest period for Richelieu in light of the fewer business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes fewer business days due to the summer holidays, which can have an impact on the period's financial results. The second and fourth quarters ending May 31 and November 30, respectively, generally represent the fiscal year's most active periods.

FINANCIAL POSITION

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

Change in cash and cash equivalents and capital resources				
<i>(in thousands of \$, unless otherwise indicated)</i>				
Periods ended	3 months		9 months	
	2020	2019	2020	2019
August 31	\$	<i>restated \$</i>	\$	<i>restated \$</i>
Cash flows provided by (used for):				
Operating activities	54,028	47,368	112,210	64,671
Financing activities	(9,242)	(11,592)	(19,878)	(29,050)
Investing activities	(12,892)	(3,340)	(42,322)	(28,415)
Effect of exchange rate changes on cash and cash equivalents	35	115	(220)	184
Net change in cash and cash equivalents and bank overdraft	31,929	32,551	49,790	7,390
Cash and cash equivalents (bank overdraft), beginning of period	42,562	(17,753)	24,701	7,408
Cash and cash equivalents end of period	74,491	14,798	74,491	14,798
	As at August 31, 2020		As at November 30, 2019	
	\$		\$	
Working capital	376,172			335,505
Renewable line of credit (CA\$)	65,000			65,000
Renewable line of credit (US\$)	6,000			6,000

Operating activities

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

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

Financing activities

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

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Investing activities

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

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

Sources of financing

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

Richelieu believes it has the capital resources to fulfil its ongoing commitments and obligations and to assume the funding requirements needed for its growth, financing, and investing activities between now and the end of fiscal 2020. The Corporation has an authorized line of credit of \$65 million as well as a line of credit of US\$6 million renewable annually and bearing interest at prime and base rates respectively. In addition, Richelieu considers it could obtain access to other outside financing, if necessary.

Analysis of financial position as at August 31, 2020

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

Assets

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

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

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

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

As at August 31, 2020, at market close, the Corporation's **share capital** consisted of 56,486,005 common shares [56,240,030 shares as at November 30, 2019]. Weighted average of diluted outstanding shares for the three- and nine-month periods ended August 31, 2020, were 56,770,000 and 56,582,000 [2019 - 57,186,000 and 57,278,000]. During the first nine months of 2020, the Corporation issued 245,975 common shares at an average exercise price of \$15.94 [113,275 in fiscal 2019 at an average exercise price of \$10.92] upon the exercise of stock options under its stock option plan. As at August 31, 2020, 1,786,600 stock options were outstanding [1,770,700 as at November 30, 2019].

CONTRACTUAL COMMITMENTS

There were no major changes in Richelieu's contractual commitments outside the normal course of business, compared to those set forth on page 32 of the Corporation's 2019 Annual Report, available on SEDAR at www.sedar.com. For 2020 and the foreseeable future, the Corporation expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or trading purposes and to enter into these contracts only with major financial institutions.

Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2019 Annual Report, available on SEDAR at www.sedar.com, management has designed and evaluated internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2019. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting ("ICFR and DC&P") were effective. During the quarter ended August 31, 2020, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect misstatements. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter ended August 31, 2020, have been prepared by management in accordance with IFRS. Note 2 accompanying the interim consolidated financial statements for the quarter ended August 31, 2020, presents the accounting policies adopted during the period, in particular IFRS 16.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2019 and for the year then ended with the exception of the new accounting policy adopted on December 1, 2019 (see note 2), and which requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

Adopted during the period

IFRS 16, Leases

Effective December 1, 2019, the Corporation adopted IFRS 16. This new standard requires the lessee to recognize most leases in the statement of financial position using a single model, eliminating the current distinction between finance leases and operating leases. According to IFRS 16, the expenses related to leases are recognized in the consolidated statements of earnings mainly as amortization expense of the right-of-use assets, accompanied by an interest expense on the lease obligations. Since the expenses related to operating leases were previously recognized in operating expenses as incurred, adoption of IFRS16 affected the timing of their recognition over the lease term as well as the presentation of expenses in the consolidated statement of earnings. IFRS 16 was applied using the full retrospective approach with restatement of comparative financial statements for the year ended November 30, 2019 as if IFRS16 had always been applied. The Corporation opted for all the practical expedients and applies the exemption for short-term leases and contracts for which the value of the underlying assets is low.

The adoption of IFRS 16 did not have a significant impact on net earnings. The adoption of IFRS 16, however, did have a material impact on the consolidated statements of financial position related to the recording of a right-to-use asset and related lease obligation. The comparative figures have been restated following the adoption of IFRS 16 on December 1, 2019. Refer to note 2 of the interim consolidated financial statements for the period ended August 31, 2020, for more details on the adoption of this new standard.

Risk factors are described in the “Risk Factors” section on pages 34 et 35 of Richelieu’s 2019 Annual Report, available on SEDAR at www.sedar.com. See page 2 for an update to the risks and uncertainties the Corporation is facing since that date.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com.



Richard Lord

President and Chief Executive
Officer



Antoine Auclair

Vice-President and Chief
Financial Officer

October 8, 2020