



MANAGEMENT'S REPORT

HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2020

The financial year ended with solid growth in sales, EBITDA, net earnings attributable to shareholders, strong liquidity, and a sound financial position.

Richelieu's growth in 2020 reflects its "one-stop shop" service approach, its innovation strategy, the diversification of its market segments, the substantial contribution of its acquisitions and rigorous cost control measures.

Most of the fiscal year unfolded within the context of the pandemic, requiring not only the implementation of extensive prevention measures, but also extra dedication and commitment at all levels of the organization. Building on its value-added service concept and the commitment and skills of its team, Richelieu has spared no effort and did its utmost to provide maximum support to its customers.

Over the year, the Corporation also actively pursued its acquisition strategy to seize opportunities consistent with its growth and long-term value creation objectives. It acquired five companies in Canada and the United States that will contribute more than \$70 million in sales annually, in addition to diversifying its offering, opening up new geographic markets, strengthening its position in certain strategic markets, and adding expertise. In light of the strong earnings growth in 2020, the Board of Directors approved a 4.9% increase in the quarterly dividend, to \$0.07 per share. In addition, a special dividend of \$0.0667 per share will be paid to shareholders as compensation for the dividend that was not declared in the first quarter of 2020 in anticipation of the potentially negative financial impact of the COVID-19 crisis. Richelieu remains customer driven as well as, innovation, value-added and growth oriented. In 2021 the Corporation will continue to advance its business strategy, focused on product innovation and business acquisitions, in order to continue to strengthen its position, provide distinctive value-added service to its customers, and maintain its North American leadership.

- **Consolidated sales** totalled \$1,128 million, up 8.3%, of which 0.7% came from internal growth and 7.6% from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)⁽¹⁾** grew by 24.4% to \$154.5 million, compared to \$124.2 million. EBITDA margin stood at 13.7%, compared to 11.9% in 2019.
- **Diluted net earnings per share** rose to \$1.50, up by 29.3% compared to 1.16 \$ in the previous year **and net earnings attributable to shareholders** amounted to \$85.2 million compared to \$66.5 million last year.

- **Adjusted cash flows from operating activities⁽¹⁾** grew by 23.5% to \$121.1 million compared to \$98.0 million for fiscal 2019.
- **Working capital** increased by 12.5% to \$377.4 million, with a current ratio of 3.6 : 1.
- **Cash and cash equivalents** totalled \$73.9 million compared to \$24.7 million as at November 30, 2019.
- **Total debt** was \$5.8 million.
- **Repurchase** of 678,362 common shares for \$25.0 million and payment of \$11.3 million in dividends to shareholders. Richelieu thus distributed \$36.3 million to shareholders in 2020 while retaining the financial resources necessary for growth in 2021.

Five acquisitions realized during the year:

- * December 2, 2019: All the issued and outstanding shares of **Decotec Inc.**, a distributor of decorative panels and related products operating a distribution centre in North York, Ontario.
- * December 9, 2019: The principal net assets of **Mibro**, a distributor of hardware and power tools accessories for the retailers' market in Canada and the United States. Mibro operates a distribution centre in Toronto, Ontario.
- * February 3, 2020: The principal net assets of **O'Harco**, a distributor of specialized hardware operating three distributions centres in Omaha, NB, Des Moines, IA and Sioux Falls, SD.
- * June 29, 2020: The principal net assets of **Central Wholesale Supply**, a distributor of specialized hardware operating a distribution centre in Richmond, VA.
- * August 4, 2020: The principal net assets of **Lion Hardware**, a specialty hardware distributor serving a clientele of door and window manufacturers in Eastern Canada, operating a distribution centre in Saint-Jacques, New Brunswick.

(1) EBITDA and adjusted cash flows from operating activities are non-IFRS measures, as indicated on page 2 of this report.

This Management's Discussion and Analysis ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2020, in comparison with the year ended November 30, 2019, as well as the Corporation's financial position as at those dates. This report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2020. In this MD&A, "Richelieu" or the "Corporation" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, such as the Annual Information Form, interim MD&As, Management Proxy Circular, certificates signed by the Corporation's President and Chief Executive Officer and Vice-President and Chief Financial Officer, as well as press releases issued during the year ended November 30, 2020, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

The information contained in this MD&A accounts for any major event that occurred prior to January 21, 2021, on which date the audited consolidated financial statements and 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").

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this MD&A, including statements relating to the expected adequacy of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend", "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including on the assumption that economic conditions and exchange rates will not significantly deteriorate, that supplies will be sufficient to fulfil Richelieu's needs, 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 were prepared, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability.

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.

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 financial performance or 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 amortization of property, plant and equipment and intangible assets, 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.

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 consolidated financial statements for the year ended November 30, 2020, for more details on the adoption of this new standard.

GENERAL BUSINESS OVERVIEW as at November 30, 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 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 centers across North America** with 41 distribution centers in Canada, 41 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 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 2,200 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 market, 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

(in thousands of \$, except per-share amounts, number of shares and data expressed as a %)

	2020	2019	2018	2017	2016
Years ended November 30	\$	⁽³⁾ \$	\$	\$	\$
Sales	1,127,840	1,041,647	1,004,400	942,545	844,473
EBITDA ⁽¹⁾	154,461	124,207	105,991	102,974	94,422
EBITDA margin (%)	13.7	11.9	10.6	10.9	11.2
Net earnings	85,611	66,671	67,964	67,932	63,013
Net earnings attributable to shareholders of the Corporation	85,222	66,471	67,777	67,704	62,814
• per share - basic(\$)	1.51	1.17	1.18	1.17	1.08
• per share - diluted (\$)	1.50	1.16	1.17	1.15	1.07
Net margin attributable to the shareholders of the Corporation (%)	7.6	6.4	6.7	7.2	7.4
Adjusted cash flows from operating activities ⁽²⁾	121,125	98,390	83,783	79,951	73,296
• per share - diluted (\$)	2.14	1.72	1.45	1.36	1.25
Dividends paid to Shareholders of the Corporation	11,284	14,424	13,824	13,157	12,374
• per share (\$)	0.200	0.253	0.240	0.227	0.213
Weighted average number of shares outstanding (diluted) (in thousands)	56,646	57,192	58,064	58,659	58,781
As at November 30					
Total assets	771,056	672,146	569,119	542,667	486,046
Working capital	377,408	335,467	329,343	300,116	280,747
Current ratio	3.6	4.1	4.6	4.0	4.4
Equity attributable to shareholders of the Corporation	551,094	498,384	470,278	434,092	394,268
Return on average shareholders' equity (%)	16.2	13.7	15.0	16.3	16.6
Book value per share (\$)	9.86	8.86	8.23	7.51	6.81
Total debt	5,792	5,659	2,023	4,294	4,864
Cash and cash equivalents	73,928	24,701	7,408	29,162	42,969

(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 comparative figures have been restated following the adoption of IFRS16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2020, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2019

Consolidated sales

(in thousands of \$, except exchange rates)

Years ended November 30	2020 \$	2019 \$	Δ (%)
Canada	729,957	686,028	+6.4
United States (CA\$)	397,883	355,619	+11.9
(US\$)	296,328	267,567	+10.7
Average exchange rates	1.3427	1.3291	
Consolidated sales	1,127,840	1,041,647	+8.3

Consolidated sales reached \$1,127.8 million, an increase of \$86.2 million or 8.3% over 2019, of which 0.7% from internal growth and 7.6% from acquisitions. At comparable exchange rates to 2019, the consolidated sales growth would have been 7.9% for the year ended November 30, 2020.

Sales to **manufacturers** grew to \$938.2 million, compared with \$898.2 million for fiscal 2019, an increase of \$40.0 million or 4.5%, of which 5.4% from acquisitions and 0.9% from internal decrease resulting from the slow down in the second quarter due to the pandemic. Sales to hardware **retailers** and renovation superstores grew by 32.2% or \$46.2 million to total \$189.7 million, of which 10.2% from internal growth and 22.0% from acquisitions. This 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 achieved sales of \$730.0 million, compared with \$686.0 million for fiscal 2019, up by \$44.0 million or 6.4%, of which 5.0% resulted from acquisitions and 1.4% from internal growth. Sales to **manufacturers** rose to \$581.0 million, up by \$12.2 million or 2.1%, of which 4.1% from acquisitions and 2.0% from internal decrease. Sales to hardware **retailers** and renovation superstores reached \$149.0 million, compared with \$117.3 million, up by \$31.7 million or 27.0% over fiscal 2019, of which 18.1% from internal growth and 8.9% from acquisitions. This increase is the result of major growth in the renovation market in Canada.

In the **United States**, the Corporation recorded sales of US\$296.3 million, compared with US\$267.6 million for fiscal 2019, an increase of US\$28.8 million or 10.7%, of which 12.6% from acquisitions and 1.9% from an internal decrease. Sales to **manufacturers** totalled US\$265.9 million, compared with US\$247.7 million, an increase of US\$18.2 million or 7.3% over fiscal 2019, resulting entirely from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 53.5% compared to fiscal 2019, resulting mainly from acquisitions. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$397.9 million, compared with \$355.6 million for 2019, an increase of 11.9%. They accounted for 35.3% of consolidated sales in fiscal 2020, whereas they represented 34.1% of the year's consolidated sales in fiscal 2019.

Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2020 \$	2019 Restated \$
Sales	1,127,840	1,041,647
EBITDA	154,461	124,207
EBITDA margin (%)	13.7	11.9

Earnings before income taxes, interest and amortization (EBITDA) totalled \$154.5 million, up by \$30.3 million or 24.4% over 2019. The **gross margin** remained stable compared with 2019. As for the **EBITDA margin**, it stood at 13.7%, compared with 11.9% for 2019, resulting from increased sales as well as cost reduction measures and government grants.

Amortization expenses amounted to \$34.0 million compared with \$29.2 million for 2019, an increase of \$4.8 million resulting from the increase in the amortization of intangible assets and right-of-use assets mainly relating to business acquisitions made in 2019 and in 2020. **Income taxes** amounted to \$32.1 million, an increase of \$6.9 million over 2019.

Consolidated net earnings attributable to shareholders

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2020 \$	2019 Restated \$
EBITDA	154,461	124,207
Amortization of property, plant and equipment, intangible assets and right-of-use assets	34,022	29,186
Financial costs, net	2,682	3,060
Income taxes	32,146	25,290
Net earnings	85,611	66,671
Net earnings attributable to shareholders of the Corporation	85,222	66,471
Net margin attributable to the shareholders of the Corporation (%)	7.6	6.4
Non-controlling interests	389	200
Net earnings	85,611	66,671

Net earnings rose 28.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$85.2 million, an increase of 28.2% compared to 2019. **Net earnings per share** amounted to \$1.51 basic and \$1.50 diluted, compared with \$1.17 basic and \$1.16 diluted for 2019, an increase of 29.1% and 29.3% respectively.

Comprehensive income totalled \$81.9 million, reflecting a negative adjustment of \$3.7 million on translation of the financial statements of the subsidiary in the United States, compared with \$66.5 million for 2019, which reflected a negative adjustment of \$0.1 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS (unaudited)

(in thousands of \$, except per-share amounts)

Quarters	1	2	3	4
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				
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				
basic per share	0.17	0.33	0.32	0.34
diluted per share	0.17	0.33	0.32	0.34
2018				
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				
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 IFRS 16 on December 1, 2019. Refer to note 2 of the consolidated financial statements for the year ended November 30, 2020 for more details on the adoption of this new standard.

Quarterly variations in earnings - The first quarter closed 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 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 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.

Note: For further information about the Corporation's performance in the first, second and third quarters of 2020, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2020

Fourth-quarter consolidated sales amounted to \$319.0 million, compared with \$265.0 million for the corresponding quarter of 2019, an increase of \$54.0 million or 20.4%, of which 12.0% resulting of internal growth and 8.4% from acquisitions. At comparable exchange rates to the fourth quarter of 2019, the consolidated sales growth would have been 20.5% for the quarter ended November 30, 2020.

Richelieu achieved sales of \$270.2 million in the **manufacturers** market, compared with \$233.6 million for the fourth quarter of 2019, an increase of \$36.6 million or 15.7%, of which 9.8% from internal growth and 5.9% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$48.8 million, up by \$17.4 million or 55.4% over the fourth quarter of 2019, of which 28.5% resulting from internal growth and 26.9% from acquisitions.

In Canada, Richelieu recorded sales of \$215.0 million, an increase of \$35.9 million over the fourth quarter of 2019. Sales to **manufacturers** amounted to \$174.5 million, an increase of 15.8% of which 11.6% resulting from internal growth and 4.2% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$40.5 million, up by \$12.1 million or

42.6%. The favourable growth experienced in this market during the third quarter of fiscal 2020 continued to have a positive effect on sales in the fourth quarter of 2020.

In the United States, sales totalled US\$78.9 million, compared with US\$64.9 million for the fourth quarter of 2019, an increase of US\$14.0 million or 21.6%, of which 6.9% resulting from internal growth and 14.7% from acquisitions. Sales to **manufacturers** amounted to US\$72.6 million, an increase of US\$9.9 million or 15.8% over the fourth quarter of 2019. Sales to hardware **retailers** and renovation superstores were up by US\$4.1 million, or 186.4%, from the corresponding quarter of 2019, resulting mainly from growth through the acquisitions. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$104.0 million, an increase of 21.1%. They accounted for 32.6% of consolidated sales for the fourth quarter of 2020, whereas they had represented 32.4% of the period's consolidated sales for the fourth quarter of 2019.

Earnings before income taxes, interest and amortization (EBITDA) amounted to \$46.7 million compared with \$35.0 million in the fourth quarter of 2019, up 33.5%. The **EBITDA margin** stood at 14.6%, compared with 13.2% for the fourth quarter of 2019, resulting from increased sales together with cost reduction measures implemented.

Amortization expenses amounted to \$8.7 million compared with \$7.8 million for the corresponding quarter of 2019, an increase of \$0.9 million. **Income taxes** amounted to \$10.2 million compared with \$7.5 million for the fourth quarter of 2019.

Net earnings were up by 42.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$27.1 million, up by 41.5% over the fourth quarter of 2019. **Net earnings per share** rose to \$0.48 basic and diluted, compared with \$0.34 basic and diluted for the fourth quarter of 2019, an increase of 41.2%.

Comprehensive income amounted to \$26.4 million, reflecting a negative adjustment of \$0.9 million on translation of the financial statements of the subsidiary in the United States, compared with \$19.1 million for the fourth quarter of 2019, which reflected a negative adjustment of \$0.1 million on translation of the financial statements of the subsidiary in the United States.

Cash flows from operating activities (before net change in non-cash working capital balances) amounted to \$36.2 million or \$0.64 per share, compared with \$27.9 million or \$0.49 per share for the fourth quarter of 2019, an increase of 29.5% resulting primarily from net earnings increase. Net change in non-cash working capital balances used cash flows of \$2.7 million, reflecting the change in inventory of \$5.9 million, whereas the change in accounts receivable, accounts payable and other items represented a cash inflow of \$3.2 million. Consequently, operating activities provided cash flows of \$33.5 million, compared with \$35.8 million for the fourth quarter of 2019.

Financing activities used cash flows of \$31.0 million, compared with \$22.9 million for the fourth quarter of 2019. This change was primarily driven by common shares repurchases of \$25.0 million in the fourth quarter of 2020 compared with \$15.8 million for the same quarter in 2019.

Investing activities used cash flows of \$3.2 million in the fourth quarter, mainly for equipment to maintain and improve operational efficiency.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2020

Change in cash and cash equivalents and capital resources

(in thousands of \$, unless otherwise indicated)

	2020	2019
Years ended November 30	\$	Restated \$
Cash flows provided by (used in):		
Operating activities	145,707	100,466
Financing activities	(50,836)	(51,995)
Investing activities	(45,515)	(31,346)
Effect of exchange rate fluctuations	(129)	167
Net change in cash and cash equivalents	49,227	17,293
Cash and cash equivalents, beginning of year	24,701	7,408
Cash and cash equivalents end of year	73,928	24,701
As at November 30	2020	2019
Working capital	377,408	335,467
Renewable line of credit (CA\$)	65,000	65,000
Renewable line of credit (US\$)	6,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached \$121.1 million or \$2.14 diluted per share, compared with \$98.0 million or \$1.71 diluted per share for 2019, an increase of 23.5% stemming primarily from net earnings increase. Net change in non-cash working capital balances represented a cash inflow of \$24.6 million, primarily representing changes in inventory and accounts payable of \$27.7 million whereas accounts receivables and other items used cash flows of \$3.1 million. Consequently, operating activities provided cash flows of \$145.7 million compared with \$100.5 million for 2019.

Financing activities

Financing activities used cash flows of \$50.8 million, compared with \$52.0 million for 2019. During the year, Richelieu repurchased common shares for cancellation for \$25.0 million, compared with \$25.2 million in 2019. The Corporation paid dividends to shareholders of \$11.3 million, down by 21.8% over 2019 and made a debt repayment in the amount of \$5.2 million compared to \$1.1 million for the 2019. The Corporation also issued shares for \$5.6 million compared to \$1.2 million in fiscal 2019.

Investing activities

Investing activities used cash flows of \$45.5 million, of which \$33.1 million for business acquisitions and \$12.4 million, mainly for equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at November 30, 2020, **cash and cash equivalents** amounted to \$73.9 million, compared with \$24.7 million as at November 30, 2019. The Corporation had a **working capital** of \$377.4 million for a current ratio of 3.6 : 1, compared with \$335.5 million (4.1 : 1 ratio) as at November 30, 2019.

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 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 access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2021, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

Analysis of financial position as at November 30, 2020

Summary of financial position

(in thousands of \$, except exchange rates)

	2020	2019
As at November 30	\$	Restated \$
Current assets	522,702	445,345
Non-current assets	248,354	226,801
Total	771,056	672,146
Current liabilities	145,294	109,878
Non-current liabilities	71,307	60,647
Equity attributable to shareholders of the Corporation	551,094	498,384
Non-controlling interests	3,361	3,237
Total	771,056	672,146
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.297	1.330

Assets

Total assets amounted to \$771.1 million as at November 30, 2020, compared with \$672.1 million as at November 30, 2019. **Current assets** increased by 17.4% or \$77.4 million from November 30, 2019 owing mainly to the business acquisitions made in fiscal 2020.

Cash position

<i>(in thousands of \$)</i>	2020	2019
As at November 30	\$	Restated \$
Current portion of long-term debt	3,592	5,659
Long-term debt	2,200	—
Total debt	5,792	5,659
Cash and cash equivalents	73,928	24,701

As at November 30, 2020, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$5.8 million, representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$551.1 million as at November 30, 2020, compared with \$498.4 million as at November 30, 2019, an increase of \$52.7 million. That increase is mainly due to a rise of \$49.5 million in retained earnings, which amounted to \$480.8 million, and of \$6.9 million in share capital and contributed surplus, while accumulated other comprehensive income was down by \$3.7 million. As at November 30, 2020, **the book value per share** was \$9.86, up by 11.3% over November 30, 2019, and the return on average shareholders' equity was 16.2%.

As at November 30, 2020, the Corporation's **share capital** consisted of 55,893,568 common shares (56,240,030 shares as at November 30, 2019). In 2020, upon the exercise of stock options under the stock option plan, Richelieu issued 331,900 common shares at an average price of \$16.92 (113,275 in 2019 at an average price of \$10.92). In addition, 678,362 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$25.0 million in 2020 (987,479 common shares for a cash consideration of \$25.2 million in 2019). The Corporation granted 300,500 stock options in fiscal 2020 (232,000 in 2019). Consequently, as at November 30, 2020, 1,697,925 stock options were outstanding (1,770,700 as at November 30, 2019).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2020

(in thousands of \$)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	3,592	2,200	—	5,792
Operating leases	17,793	50,201	18,609	86,603
Total	21,385	52,401	18,609	92,395

For 2021 and for the foreseeable future, the Corporation expects that cash flows from operating activities and other sources of financing will be sufficient to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2021, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under the "Risk Factors" section.

FINANCIAL INSTRUMENTS

Richelieu periodically enters into foreign exchange forward contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated liabilities 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.

In notes 1 and 12 of the audited consolidated financial statements for the year ended November 30, 2020, the Corporation presents the information on the classification and fair value of its financial instruments, as well as on their value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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 year ended November 30, 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 AND ESTIMATES

The Corporation's audited consolidated financial statements for the year ended November 30, 2020, have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the 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.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period are summarized as follows:

Impairment of inventory, including inventory losses and obsolescence, requires the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

NEW ACCOUNTING METHODS

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, but had 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 consolidated financial statements for the year ended November 30, 2020, for more details on the adoption of this new standard.

RISK FACTORS

Richelieu is exposed to different risks that can have a material adverse effect on its profitability. To offset such risks, the Corporation has adopted various strategies adapted to the major risk factors below:

Economic conditions

The Corporation's business and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn could lead to a decline in sales and have an adverse impact on the Corporation's financial performance.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a diversified product offering in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market shares and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Corporation's products are regularly sourced from abroad. Thus, any increase in foreign currencies (primarily the U.S. dollar and euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuations related risks are mitigated by the Corporation's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins although significant volatility in foreign currencies may have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for approximately 35% of Richelieu's total sales. Any volatility in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Corporation uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and euros. There can be no assurance that the Corporation will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, Richelieu must maintain solid relationships with suppliers respecting its

supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Corporation's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories meeting their needs, failing which its financial performance could be adversely affected.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Corporation will maintain its strict acquisition criteria and pay particular attention to the integration of its acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Corporation will be able to make acquisitions at the same pace as in the past. However, the fact that the U.S. market remains highly fragmented and that acquisitions are generally of limited size reduces the inherent financial and operational risks.

Credit

The Corporation is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Corporation sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers reasonably safeguards the Corporation against a concentration of its credit risk. No customer of the Corporation accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Corporation's financial performance. Close to 18% of Richelieu's workforce is unionized. The Corporation's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Corporation's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Corporation adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that more than 50% of its employees, including senior officers, are Richelieu shareholders.

Product liability

In the normal course of business, Richelieu is exposed to various product liability claims that could result in major costs and affect the Corporation's financial position. Richelieu has agreements containing the usual limits with insurance companies to cover the risks of claims associated with its operations.

IT contingency plan and data security

The IT structure implemented by Richelieu enables it to support its operations and contributes to ensure their efficiency. As the occurrence of a disaster, including a major interruption of its computer systems, could affect its operations and financial performance, the Corporation has implemented a crisis management and IT contingency plan to reduce the extent of such a risk. This plan provides among others for an alternate physical location in the

event of a disaster, generators in the event of power outages and a relief computer as powerful as the central computer.

A breach of the Corporation's IT security, loss of customer data or system disruption could adversely affect its business and reputation.

Richelieu's business is dependent on its payroll, transaction, financial, accounting and other data processing systems. The Corporation relies on these systems to process, on a daily basis, a large number of transactions. Any security breach in its business processes and/or systems has the potential to impact its customer information, which could result in the potential loss of business. If any of these systems fail to operate properly or become disabled, the Corporation could potentially lose control of customer data and suffer financial loss, a disruption of its businesses, liability to customers, regulatory intervention or damage to its reputation.

In addition, any issue of data privacy as it relates to unauthorized access to, or loss of, customers and/or employees information could result in the potential loss of business, damage to Richelieu's market reputation, litigation and regulatory investigation and penalties.

To reduce its risk, the Corporation continuously invests in the security of its IT systems, business processes improvements and enhancements to its culture of information security.

Natural disasters, terrorist acts, civil unrest, pandemics and other disruptions and dislocations, such as the recent COVID-19 (coronavirus), may adversely affect the Corporation

Upon the occurrence of a natural disaster, or upon an incident of war, riot or civil unrest, the impacted country, province, state or region may not efficiently and quickly recover from such event, which could have a materially adverse effect on the Corporation, its customers, and/or either of their businesses or operations. Terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses including, most recently, the COVID-19 outbreak, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, natural disasters, national emergencies, acts of war, technological attacks and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Corporation, its customers, and/or either of their businesses or operations, which may have a material adverse effect on the Corporation's reputation, business, financial conditions or operating results.

SHARE INFORMATION AS AT JANUARY 21, 2021

Issued and outstanding common shares :	1,973,925
Outstanding stock options :	55,901,068

OUTLOOK

In 2021, Richelieu will continue to be customer oriented and focus on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.



Richard Lord
President and Chief Executive
Officer

January 21, 2021



Antoine Auclair
Vice-President and Chief
Financial Officer