ANNUAL REPORT
2019

Richelieu

CUSTOMER DRIVEN
INNOVATION
VALUE-ADDED SERVICE
GROWTH

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The annual general meeting of shareholders will be held on Thursday, April 9, 2020 at 10:30 a.m., at Marriott Courtyard, 7000 Place Robert-Joncas, Ville Saint-Laurent, Quebec.

A VALUE-ADDED CONCEPT
FOR AN OPTIMAL CUSTOMER EXPERIENCE

OUR OFFERING — The most complete and diversified offering including worldwide innovations available for our customers in order to support them while their design, quality and efficiency needs are evolving.

Specialty products for specialty markets.

OUR MULTI-ACCESS SERVICE — A proactive and personalized service based on logistics well adapted to customer needs and efficiently supported by robotization.

OUR RICHELIEU.COM SITE — The most comprehensive site in our market optimizing the management of orders, purchase history and customers' operational efficiency.

OUR SALES AND SERVICE TEAM — A well trained team in product knowledge and new trends to better serve our customers.



A LEADER IN NORTH AMERICA

AS **WORLD-CLASS** IMPORTER, MANUFACTURER AND DISTRIBUTOR OF SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS

Serving more than **80,000** active clients in North America, including **manufacturers** of kitchen and bathroom cabinets, storage solutions and closets, and home and office furniture – Residential and commercial woodworkers – as well as hardware **retailers** including renovation superstores.

A STRONG TEAM OF 2,200 EMPLOYEES

50 % of whom are dedicated to sales and service and bring **cutting-edge expertise** to customers. Through its **proactive approach**, Richelieu is a marketing specialist.

OVER 50% OF EMPLOYEES

are shareholders of the Corporation.

A NORTH AMERICAN NETWORK OF 77 CENTERS

most of which are equipped with modern and welcoming showrooms. The diversified range of products, the ***one-stop shop approach***, the efficient logistics and the multiple advantages of richelieu.com result into an optimal customer response rate.

A TRILINGUAL TRANSACTIONAL SITE UNMATCHED IN THE MARKET

richelieu.com

designed to optimize transactions, it is a complete information bank, offering technical specifications, photos and videos to facilitate the purchase decision. It informs every visitor about the most comprehensive and innovative product offering in North America. **richelieu.com** allows complete customer account management and gives the possibility to configure custom products.

DRIVER OF CHANGE

AT THE LEADING EDGE OF THE MARKET

OVER **110,000** PRODUCTS (SKUS) in a wide variety of categories, including decorative and functionnal hardware for furniture and buildings – lighting systems – finishing products – ergonomic workstations – kitchen and closet storage solutions – sliding door systems – decorative and functional panels – high-pressure laminates – floor protection products – door and window hardware - stair hardware and railings.

Private brands and/or exclusive products coupled with product lines from the world's leading suppliers.

Several products are manufactured according to Richelieu's specifications and those of its customers.

A GLOBAL NETWORK OF PARTNERS SUPPLIERS – World-leading partners renowned for their technological skills and creativity, with whom Richelieu has built **lasting relationships of trust**.

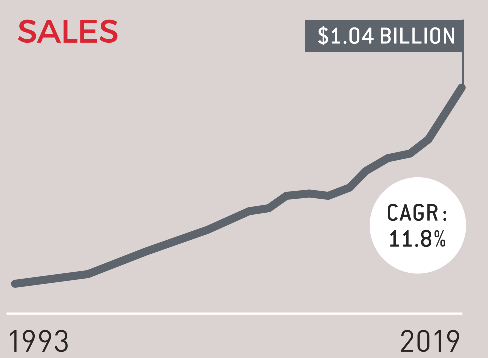
RICHELIEU IS A TRUE PARTNER IN ITS CUSTOMERS' DEVELOPMENT.

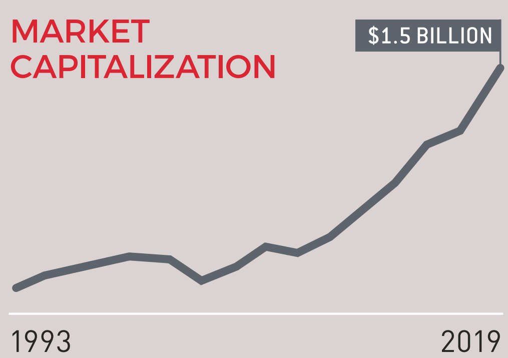
MANUFACTURING ACTIVITIES SPREAD OVER **2 PLANTS** :
Les Industries Cedan inc. and Menuiserie des Pins Ltée, which manufacture product lines offering distinctive features, including a variety of veneer sheets and edgebanding products, a wide selection of decorative mouldings, and components for the window and door industry.

MAIN GROWTH LEVERS: innovation and acquisition strategies adapted to the corporation's vision and markets.

66 SUCCESSFUL ACQUISITIONS

41 in Canada – **25** in the United States





FINANCIAL SOUNDNESS AND STABILITY

SALES
(in millions $)

2019	**1,041.6**
2018	1,004.4
2017	942.5
2016	844.5
2015	749.7

EQUITY ATTRIBUTABLE TO SHAREHOLDERS / DEBT
(in millions $)

	Equity	Debt
2019	**501.1**	5.7
2018	470.3	2.0
2017	434.1	4.3
2016	394.3	4.9
2015	362.9	3.6

NET EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS (DILUTED)
(in $)

2019	**1.18**
2018	1.17
2017	1.15
2016	1.07
2015	0.99

ADJUSTED CASH FLOWS FROM OPERATING ACTIVITIES *
(in millions $)

2019	**85.7**
2018	83.8
2017	80.0
2016	73.3
2015	68.1

* Adjusted cash flows from operating activities is a non-IFRS measure, as indicated on pages 26 and 27 of this report.

APPRECIATION IN SHARE PRICE (RCH) SINCE INITIAL STOCK LISTING

3,635%

TOTAL RETURN ON SHARE /10 YEARS

317%

AVERAGE ANNUAL RETURN ON SHARE /10 YEARS*

15.4%

* Including dividend reinvestment

FINANCIAL HIGHLIGHTS

YEARS ENDED NOVEMBER 30

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

	2019	2018	2017	2016	2015
Sales	**1,041,647**	1,004,400	942,545	844,473	749,646
EBITDA [1]	**109,513**	105,991	102,974	94,422	87,681
EBITDA margin (%)	***10.5***	*10.6*	*10.9*	*11.2*	*11.7*
Net earnings	**67,733**	67,964	67,932	63,013	58,878
Net earnings attributable to the shareholders of the Corporation	**67,534**	67,777	67,704	62,814	58,739
• basic per share ($)	**1.19**	1.18	1.17	1.08	1.00
• diluted per share ($)	**1.18**	1.17	1.15	1.07	0.99
Net margin attributable to the shareholders of the Corporation (%)	***6.5***	*6.7*	*7.2*	*7.4*	*7.8*
Adjusted cash flows from operating activities [2]	**85,739**	83.783	79,951	73,296	68,052
• diluted per share ($)	**1.50**	1.45	1.36	1.25	1.15
Dividends paid to shareholders of the Corporation	**14,424**	13,824	13,157	12,374	11,717
• per share ($)	**0,253**	0.240	0.227	0.213	0.200
Weighted average number of shares outstanding (diluted) (in thousands)	**57,192**	58,064	58,659	58,781	59,343
As at November 30					
Total assets	**607,542**	569,119	542,667	486,046	449,792
Working capital	**349,584**	329,343	300,116	280,747	260,579
Current ratio	***4.7***	*4.6*	*4.0*	*4.4*	*4.4*
Equity attributable to shareholders of the Corporation	**501,133**	470,278	434,092	394,268	362,885
Return on average equity (%)	**13.9**	15.0	16.3	16.6	17.5
Book value per share ($)	**8.91**	8.23	7.51	6.81	6.19
Total debt	**5,659**	2,023	4,294	4,864	3,580
Cash and cash equivalents	**24,701**	7,408	29,162	42,969	29,454

(1) EBITDA is a non-IFRS measure, as indicated on page 26 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 pages 26 and 27 of this report.

2015-2019: 13 ACQUISITIONS

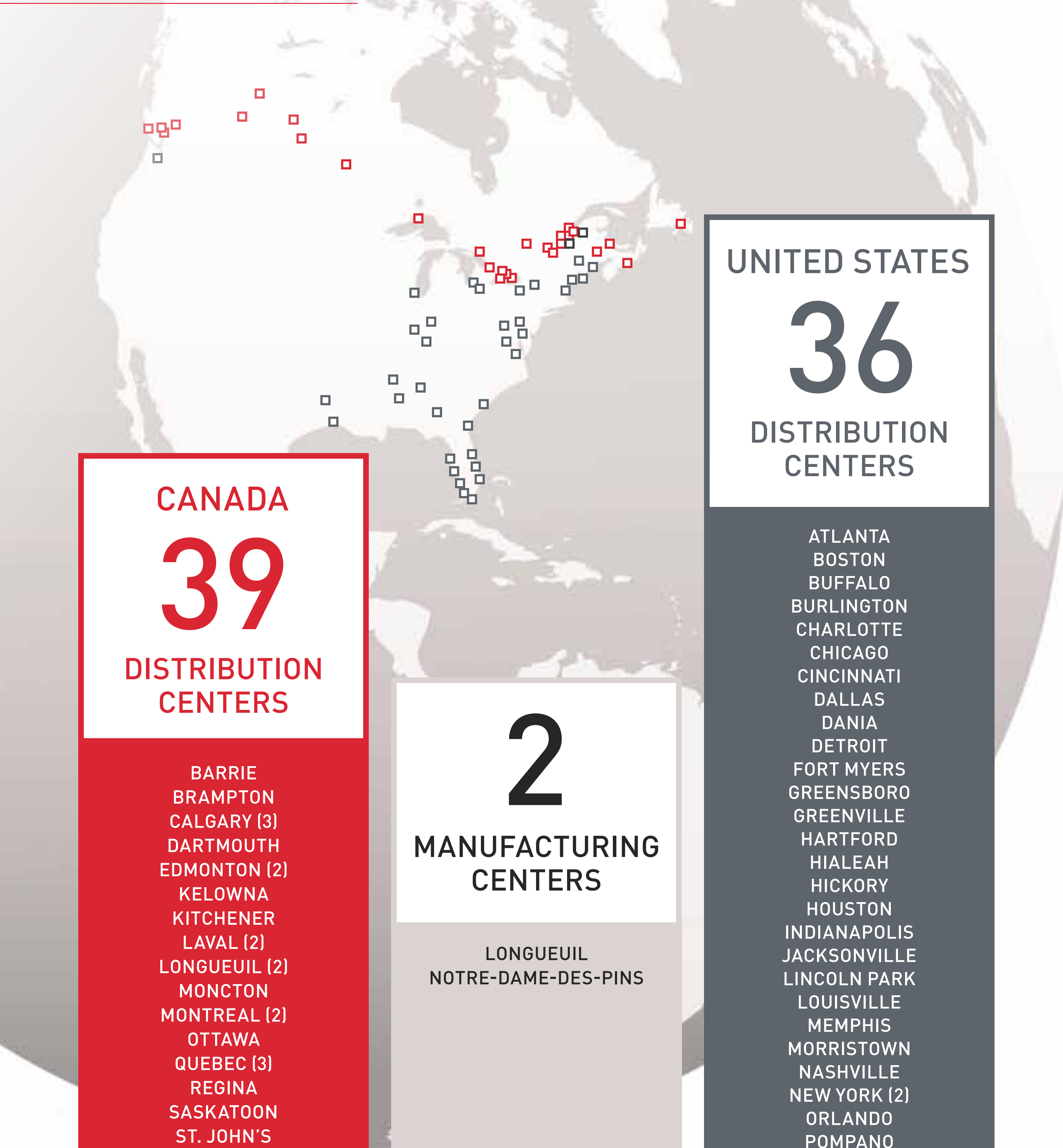
2019
- Lion Industries Inc. (Calgary, Alberta)
- Blackstone Building Products Inc. (Concord, Ontario)
- TruForm Building Products Inc. (Concord, Ontario – Calgary, Alberta)
- Euro Architectural Components Inc. (Toronto, Ontario – Montreal, Quebec)

2018
- Cabinet & Top Supply Inc. (Fort Myers, Florida)
- Chair City Supply, Inc. (North Carolina – Tennessee)

2017
- Tamarack Distributors Inc. (Cincinnati, Ohio)
- Weston Premium Woods Inc. (Brampton, Ontario)

2016
- Cabinetmakers Supply, Inc. (Houston, Texas)
- JFH Corporation (Memphis, Tennessee)
- Eveready Hardware Manufacturing Co, Inc. (Long Island City, New York)
- Neils Sorenson Hardware, Inc. (Portland, Maine)

2015
- BD Enterprises, Inc. (Single Source Cabinet Supplies) (Dallas, Texas)



CANADA

39

DISTRIBUTION CENTERS

BARRIE
BRAMPTON
CALGARY (3)
DARTMOUTH
EDMONTON (2)
KELOWNA
KITCHENER
LAVAL (2)
LONGUEUIL (2)
MONCTON
MONTREAL (2)
OTTAWA
QUEBEC (3)
REGINA
SASKATOON
ST. JOHN'S
SUDBURY
THUNDER BAY
TORONTO (5)
VANCOUVER (5)
VICTORIA (2)
WINNIPEG

2

MANUFACTURING CENTERS

LONGUEUIL
NOTRE-DAME-DES-PINS

UNITED STATES

36

DISTRIBUTION CENTERS

ATLANTA
BOSTON
BUFFALO
BURLINGTON
CHARLOTTE
CHICAGO
CINCINNATI
DALLAS
DANIA
DETROIT
FORT MYERS
GREENSBORO
GREENVILLE
HARTFORD
HIALEAH
HICKORY
HOUSTON
INDIANAPOLIS
JACKSONVILLE
LINCOLN PARK
LOUISVILLE
MEMPHIS
MORRISTOWN
NASHVILLE
NEW YORK (2)
ORLANDO
POMPANO
PORTLAND
RIVIERA BEACH
SARASOTA
SAVANNAH
SEATTLE
SYRACUSE
TAMPA BAY
THOMASVILLE

MESSAGE TO SHAREHOLDERS

RICHARD LORD
President and
Chief Executive Officer

The financial year ended November 30, 2019 was one of active expansion and developments with four new acquisitions in Canada and the closing of two others in December, the creation of another center in suburban Philadelphia, and the ongoing implementation of a state-of-the-art showroom in New York City to showcase our most innovative solutions to architects, designers, and manufacturers in this important design market. We also further invest in the improvement of operational efficiency and the optimization of the customer experience.

Driven by the passion to serve with quality and reliability our thousands of manufacturer and retailer customers — which are at the heart of our organization — we continued to focus on innovation, top-notch service, best practices in supply chain management and cost management. Our business model is designed to always be well suited to our customers' changing needs, making Richelieu a customer-and innovation-driven corporation, dedicated to value-added service. **Our goal is to support our customers in their evolving businesses and thus contribute to their growth and success.**

Financial performance in 2019 reflects the contribution of our recent acquisitions combined with the benefits of our innovation and development strategies.

Richelieu always had an entrepreneurial drive and a capacity for openness and quick adaptation to changes and circumstances. With our two main growth drivers — our innovation and acquisition strategies — and the scope of our North American network, we are seizing and creating opportunities that allow us to fuel growth and stay true to our vision for the future, even in less favorable market conditions.

In 2019, due mainly to the contribution of our recent acquisitions, we achieved solid growth in the manufacturers market, where total sales rose 5.5%, reflecting increases of 3.4% in Canada and 6.1% (US$) in the United States. On the other hand, the retailers market in Canada was more affected by the slowdown in the first half of the year, combined with the effects of the reorganization of a major customer, resulting in an 8.8% decline in sales, while sales in the United States rose 4.8% (US$). Throughout the year, we continued to exercise strict expense control and our gross margins and EBITDA remained stable.

We invested $31.3 million during the year, mainly in acquisitions, infrastructure, and technology. By increasing our operational agility and strengthening Richelieu's leadership, these strategic investments have both a short- and long-term impact. In addition, we repurchased shares (RCH) in the normal course of business for $25.2 million for investment purposes, and in 2019 shareholders received dividends totaling $14.4 million, up 4.3%. We ended the year with working capital of $349.6 million.

In line with previous years, with strong liquidity and a virtually debt-free balance sheet, Richelieu enjoys a sound and solid financial position to advance its business strategy.

Our acquisitions are part of our long-term growth strategy. Because they give us access to new niche market segments, new customers, new products, and new geographic markets, they are growth accelerators.

The four acquisitions we made in Canada during the year all meet our selection criteria and strengthen our activities in specialty markets — while more specifically representing a major addition of new specialty products this year — as was also the case with the two acquisitions we closed in December. With their expert teams, these six acquisitions are effectively being integrated into Richelieu's operations and will generate new sales synergies that will fuel future internal growth. They will add approximately $70 million to total sales annually.

Our acquisitions of **Lion Industries**, **Blackstone Building Products**, and **TruForm Building Products** concluded on January 1 and February 4, 2019, respectively, enable us to strengthen our presence in the specialty window and door hardware market in Ontario and Western Canada, where these three distributors serve a large customer base of manufacturers from their centers in Calgary, Alberta, and Concord, on the outskirts of Toronto.

With the acquisition of **Euro Architectural Components** on May 1, we acquired a distributor specializing in the architectural stair and railing hardware market, including stainless steel and glass hardware, a market segment in which we were already present and that we are strengthening with this acquisition. Founded 25 years ago, Euro Architectural is a leader in its field and serves a large customer base of manufacturers in North America from its centers in Toronto, Montreal, and Calgary.

We began fiscal 2020 with the closing of the acquisition of **Decotec** on December 2, a distributor specializing in high-end decorative panels and related products located in North York, Ontario. Then on December 9, we closed the acquisition of **Mibro**, a specialized distributor of power tool hardware and accessories. A leader in its field, Mibro has been serving a wide range of retailers in Canada and the United States for over 65 years from its centers in Toronto and Buffalo, NY. These product lines will complement our offering of well-known brands for retailers and renovation superstores.

Over the past five years, we have made thirteen acquisitions: five in Canada and eight in the United States. Some gave us access to new geographic markets, while others strengthened our presence in markets where we were already active. All of them have enabled us to add expertise, complementary products, and sales.

Richelieu's concept is a key differentiator based on knowledge of customer needs and the expertise and creativity of our team — to offer the most relevant solutions in terms of world-class products and innovations, service and optimal access to our offering.

At the service of our customers, we are proud to have developed over the years an important network of suppliers who are the most innovative in the world, renowned for their technological and design skills. They are leaders in their respective fields from which we source, while collaborating with them on a regular basis to offer the most appropriate solutions to our Canadian and American customers. In addition, by acquiring solid companies specializing in complementary product niches, we are adding to our offering many brands that have proven themselves in the market, as we have just done again in 2019. Our richelieu.com website also contributes to the expansion of our offering, particularly with its product configuration function according to customer specifications. In addition, our two plants add a selection of products that meet our customers' needs and the highest quality standards.

We support our clients in their objectives of efficiency and differentiation by investing each year in the diversification of our offering, including with world-class solutions that meet real market needs.

We provide customers with distinctive added value through our offering, which stand out in our market by its incomparable diversity.

Our offering stands out both for its basic and functional products as well in decorative hardware, where we have the most comprehensive and distinctive offering in North America — and for multiple solutions such as mechanisms for retractable furniture, lighting and storage systems for kitchen and closet, ergonomic and ecological products, among others, in line with the latest trends. Many of our products feature technical and/or technological advances that are unique in the market and highly sought-after by our customers.

We also bring a distinctive added value to our customers through our service that we want personalized, fast, reliable and precise — practicing continuous improvement.

On the lookout for the organizational innovations most appropriate to our supply chain, which is a strategic link in our service, we implemented the **AutoStore®** robotic system in 2018 at our Montreal warehouse. The results obtained are excellent in terms of cost optimization, order accuracy, delivery time and efficient use of space. This modular, expandable system offers great flexibility. In 2019, we launched a project to expand it in order to include more than 5,000 additional products.

Whether through our network or online at **richelieu.com**, easy access to our products is of the utmost importance to our customers. Our trilingual transactional site remains exceptional as the most comprehensive, informative and interactive in our market in North America. Our customers, architects and designers find all of our technical and design products, highlighted and documented, as well as fast interactive support and efficient custom product configurators that make the difference. In 2019, we continued to update our online offering and optimize richelieu.com's operational processes, further improving order processing, transportation and cost management and overall service quality. Our online sales are still growing and now account for more than one-third of our industrial sales.

With our diversified offering, streamlined logistics, interconnected centers with a *one-stop shop* approach — and richelieu.com — we are and strive to remain our customers' warehouse by providing them with efficient *just-in-time* solutions and the opportunity to minimize their inventories.

For efficient access to our many product lines, we opened a new distribution center in suburban Philadelphia (Pennsylvania), last December.

In order to better accommodate our customers, architects and designers active in the important New York market, we are implementing a new service center near Manhattan. This facility will also house a state-of-the-art and welcoming showroom that customers, architects, and designers will be able to attend for product information, research and work. We are confident that this strategic center, scheduled to open in spring 2020, will allow us to seize new opportunities in this buoyant market.

We have a strong sales, service and logistics infrastructure that we continually evaluate and optimize to support our goals of customer satisfaction and market share gains. We further strengthened our teams in 2019 and are integrating the teams of the specialty distributors we have acquired. We ensure that our employees' skills are always up to date through training programs designed specifically to support their market development initiatives, their advisory role to customers and their ability to provide optimal service.

To date, our innovation and acquisition strategies have largely fuelled growth and consolidated the foundations on which Richelieu will continue to prosper. We remain true to our vision as a leader in a specialty North American market — a corporation focused on improvement and results. We will continue to apply our growth strategies with the support of our expert and committed teams, more than 50% of whom are also Richelieu shareholders.

We thank all our team members, customers, suppliers, directors and shareholders, as well as our business partners, for their support and trust, and we are committed to stay on a course of sustained growth.

President and Chief Executive Officer

(Signed) Richard Lord

DIRECTORS

Jocelyn Proteau
Chairman of the Board
Richelieu Hardware Ltd.
Corporate Director

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Denyse Chicoyne [2]
Corporate Director

Robert Courteau [2]
President
CM Management Inc.

Pierre Pomerleau [1]
President and Chief Executive Officer
Pomerleau Group

Mathieu Gauvin [1]
Corporate Director

Marc Poulin [1]
Corporate Director

Sylvie Vachon [2]
President and Chief Executive Officer
Montreal Port Authority

[1] Member of the Audit Committee
[2] Member of the Human Resources and Corporate Governance Committee

OFFICERS

Richard Lord
President and
Chief Executive Officer

Antoine Auclair
Vice-President and
Chief Financial Officer

Guy Grenier
Vice-President, Sales and Marketing
— Industrial

Alain Charon
Vice-President
— Logistics and Supply Chain

Denis Gagnon
Vice-President
— Information Technology

Marjolaine Plante
Vice-President
— Human Resources

Jeff Crews
Vice-President, Business Development
— Retailers Market, Canada

Craig Ratchford
Vice-President, General Manager
— United States

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
— Central Canada

John Statton
General Manager
— Western Canada
and Western United States

Yannick Godeau
Legal Affairs and Corporate Secretary

OUR VALUES

CUSTOMER FOCUS

Understand the challenges and needs of our manufacturer and retailer customers. Support them in achieving their competitiveness objectives. Make their lives easier and exceed their expectations.

INNOVATION IN ALL ASPECTS OF THE ORGANIZATION

Remain on the lookout for the emerging trends most suitable for our customers' business. Be their partner in innovation.

QUALITY OF SERVICE

ACCESSIBILITY

PROXIMITY

Attitude, accessibility, proximity, and expertise: the watchwords of our professional sales and customer service team.

Provide personalized local service for our 80,000 customers. Every customer is unique. No compromise on the quality of our service.

ENTREPRENEURIAL DRIVE

AUTONOMY

PERFORMANCE

Maintain a work environment conducive to creating value for the Corporation's four pillars: our customers, employees, suppliers, and shareholders.

ETHICS

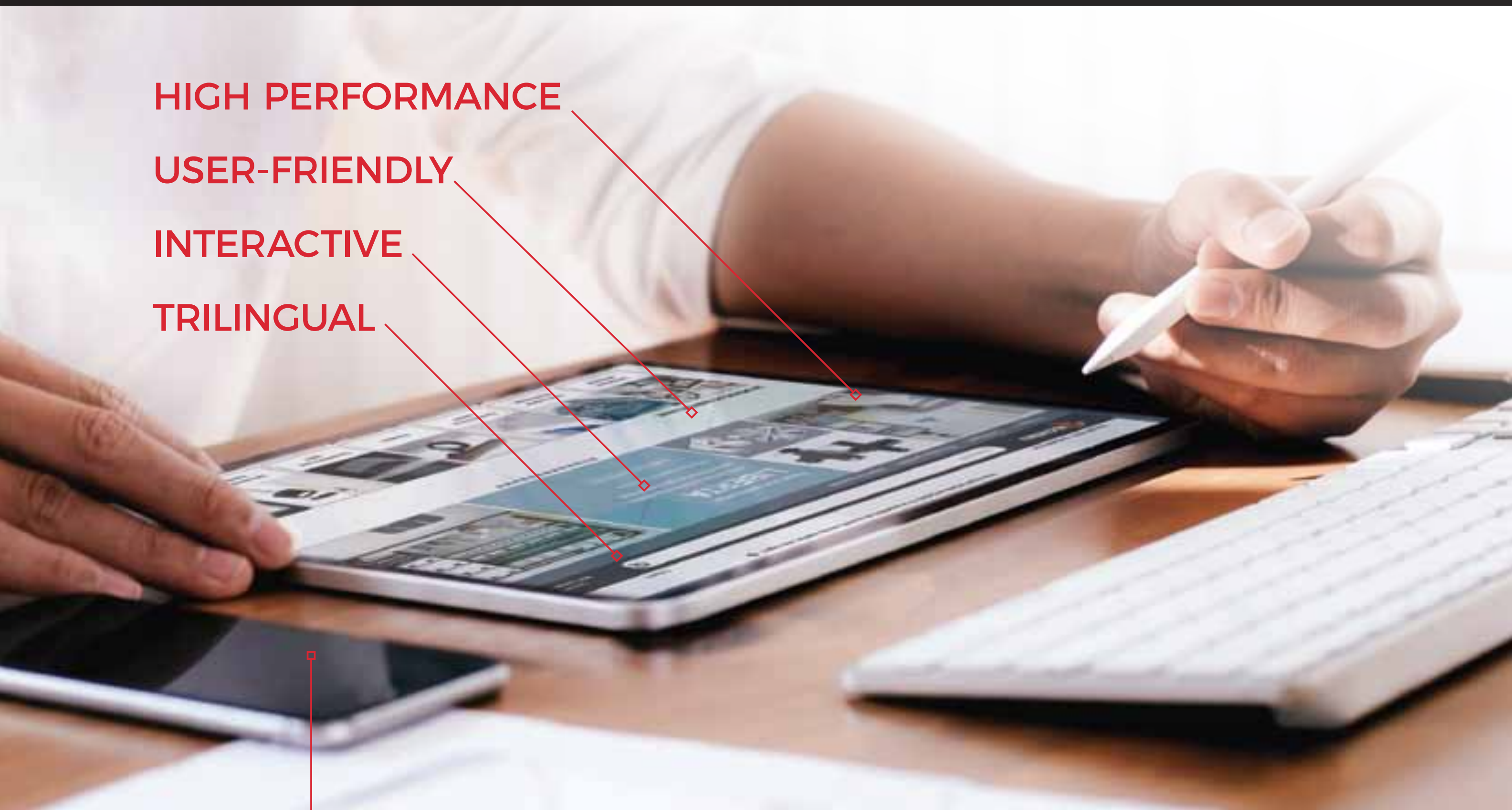
RESPECT

INTEGRITY

SUPPORT

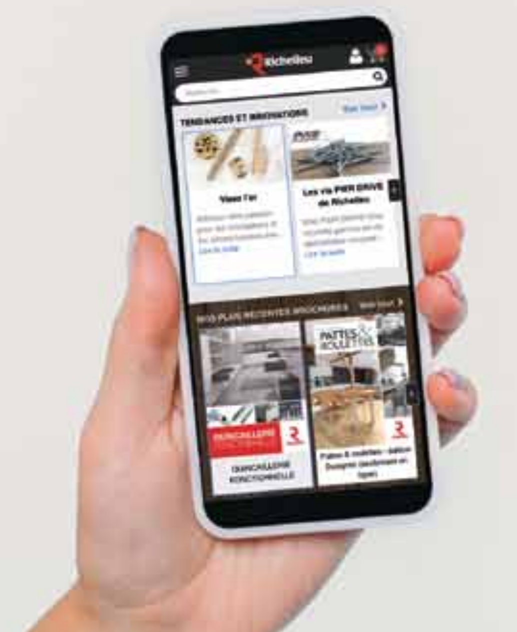
Values that guide us within the corporation and in our professional practices. They have earned us the trust of our partners and make us proud to be part of the great Richelieu team.

richelieu.com



ON HAND

OUR COMPREHENSIVE AND WELL-DOCUMENTED PRODUCT OFFERING



TO ENSURE THE BEST USER EXPERIENCE

With its order optimizer, distinctive visuals, outstanding navigational fluidity and many tips on how to use our products, richelieu.com helps optimize operational processes, the distribution network, and the quality of customer service.

Our site features many product configurators giving customers the possibility to create custom solutions, and obtain the exact list of required components, as well as cutting plans and visual assembly instructions, whether for drawers, cabinet doors, metal structures or other products.

These multiple functions make richelieu.com a unique transactional site in our North American market that is very valued by our Canadian and U.S. customers.

ARCHITECTS AND DESIGNERS

WE ARE THERE TO PROVIDE ARCHITECTS AND DESIGNERS WITH OUR EXPERTISE FOR THE IMPLEMENTATION OF THEIR DISTINCTIVE PROJECTS.

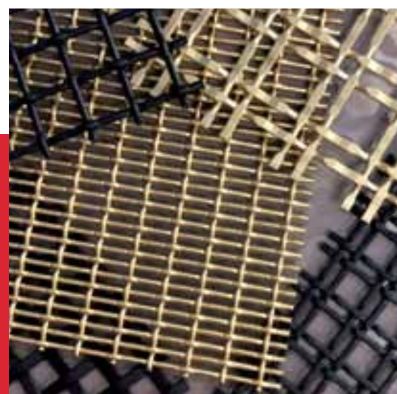
We have always considered architects and designers as partners in expertise and innovation. We communicate with them and keep them regularly informed of our evolving product offering. These creators must meet the specific needs of their customers when designing residential, commercial and institutional projects. By working with some of the world's most innovative suppliers, we can provide architects and designers with the most appropriate solutions for their distinctive projects.

DECORATIVE HARDWARE

OUR DECORATIVE HARDWARE COLLECTIONS are designed to bring quality and style to residential, commercial and institutional projects. Our customers seek out these stylish elements for their aesthetics and their durability in renovation projects or furniture making.

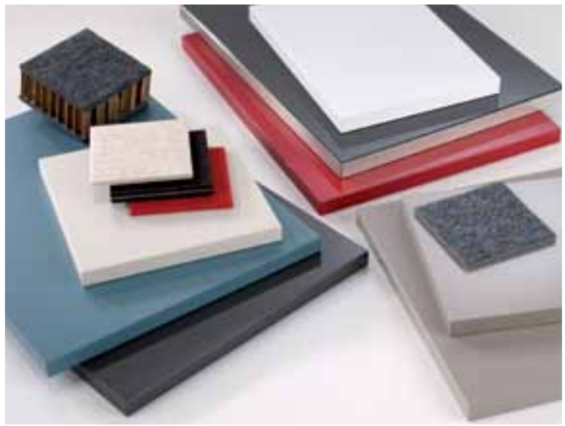
Constantly expanded and diversified, our collections of handles in traditional and avant-garde styles are made using distinctive materials and finishes with technologies that ensure unparalleled quality.

Our decorative grilles in industrial, classic or modern styles come in a wide variety of finishes and patterns for kitchen cabinets, room dividers and commercial settings.



SPECIALTY PRODUCTS FOR SPECIALITY MARKETS

THE WIDEST SELECTION OF PANELS



A WIDE VARIETY OF STYLES AND FUNCTIONALITIES TO CREATE PERSONALIZED SURFACES AND STRUCTURES

Richelieu offers its customers a selection of functional and decorative panels that is unique in North America. Our panels are meticulously manufactured using state-of-the-art technologies so they retain their integrity and brilliance for many years, and can be used in an infinite variety of residential, commercial, and institutional designs. These innovative and versatile panels — some of which are inspired by nature, come in a variety of textures and simple, elegant, and sophisticated styles. They are designed to complement any type of architecture and enhance the beauty of any space with their aesthetic, acoustic and ecological properties. We further expanded and diversified our offering by acquiring **DECOTEC**, which specializes in high-end decorative panels.

OPTIMIZING LIVING SPACES

OUR SLIDING MECHANISMS

come with multiple types of decorative rails. With their innovative design and cutting-edge technology, they free up space and give architects and designers more freedom in their renovation projects.

CLOSETS SOLUTIONS

Practical and versatile solutions to optimize storage and simplify life.

RETRACTABLE FURNITURE

transforms small spaces into functional and aesthetically pleasing living spaces.

THE KITCHEN, THE HEART OF THE HOME

More and more, the kitchen has become an open space and an important focal point of the home where people come together and share in their daily lives. It must be practical, modern and ergonomic so everyone feels comfortable. Our innovative storage systems, wide selection of decorative panels, custom components, sliding mechanisms, lighting systems and accessories make the kitchen more functional and aesthetically pleasing than ever, while enhancing comfort. They allow users to personalize and adapt the kitchen to their needs and make it an ideal living space.

EFFORTLESS
MOVEMENT,
FLUID AND
SILENT.

FUNCTIONAL HARDWARE

A wide range of hinges, drawer systems and storage accessories easy to fix and to adjust. Preferred solutions for residential, commercial and office cabinet and furniture manufacturers — thanks to their exceptional functionality and versatility.

Our functional hardware solutions combine innovation, rigorous quality control, performance and refinement. Some of them allow the smoothest closing of doors and drawers and thanks to their concealed mechanisms, they keep cabinets and furniture looking their best.

SPECIALTY PRODUCTS FOR SPECIALTY MARKETS

ARCHITECTURAL HARDWARE

FOR GLASS – STAINLESS STEEL STAIRS AND RAILINGS

Our customers have access to a wide range of architectural and decorative glass hardware products. With the acquisition of Euro Architectural Components in 2019, we further expanded and diversified our architectural hardware product offering, which includes staircases, balustrades, stainless steel railing systems and various decorative components.

FOR WINDOWS AND DOORS

After acquiring three specialty Canadian distributors in 2019, we expanded our selection of window and door hardware products with the addition of complementary products aimed specifically at window and door manufacturers.

LEADING PARTNER

FOR HARDWARE RETAILERS AND RENOVATION SUPERSTORES

Store displays provided by Richelieu

Richelieu
CEDAN
MADICO
SIMTAB NEOS GORDONPLY DIVISION Richelieu
NYSTROM
onward
ATTACHES RELIABLE FASTENERS
MIBRO

FOR OUR CUSTOMERS: A VARIETY OF HIGH QUALITY SALES TOOLS

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

At all levels of our organization, we are committed to the safe, efficient, and environmentally friendly use of resources. We have established environmental compliance programs in accordance with recognized best practices. Our green policies and methods have allowed us to reduce residual materials, particularly by minimizing product packaging, and make arrangements with our suppliers and distribution and manufacturing centers to optimize shipping.

We have implemented energy management programs to reduce our electricity consumption and greenhouse gas emissions all throughout our corporation and network.

Managing recyclable materials is very important to us and we conduct an analysis of each of our sites based on the types of recyclable materials and recovery methods.

We are also actively involved in various projects designed to enhance biodiversity within our operating areas. For example, we installed a white membrane on the roof of our Ville Saint-Laurent location, do our part to protect urban beehives, and participate in various long-term education, conservation, and community awareness initiatives, including reforestation efforts in various regions.

Each and every year, we are dedicated to supporting important causes in the communities where we operate and where our team members live. In particular, our support goes to community organizations and charities dedicated to education, culture and sports for young people, physical and mental health, and heritage conservation.

As a supplier of specialty products, for years we have been diversifying our offering with a multitude of products with eco-responsible labels for green renovation and construction projects. These thousands of certified products are available in all our centers and online at richelieu.com. Every year, we expand our eco-responsible offering with new products designed in accordance with the highest environmental standards.

MANAGEMENT'S REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

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HIGHLIGHTS OF THE YEAR ENDED NOVEMBER 30, 2019

The financial year was marked by four new acquisitions in Canada which joined Richelieu's activities in two major specialty markets: the window and door hardware products market in Western Canada and Ontario and the market for architectural hardware for stairs and railing including stainless steel products and glass in Ontario and Quebec. Combined with the benefits of the innovation and market development strategies that Richelieu applies continuously and intensively in North America, these recent acquisitions led to sales growth of 3.7% for 2019. In line with previous years, Richelieu ended 2019 with a sound and solid financial position, almost debt-free and with a healthy cash flow after investing in acquisitions, property, plant and equipment and intangible assets to ensure that the operational efficiency is maintained and improved, as well as in the repurchase of shares in the normal course of business. With its strengths and solid foundations, Richelieu continues to concentrate its efforts on creating synergies with its recent acquisitions, gaining market share, improving profitability, and seeking new North American acquisitions that meet its short and long term value creation criteria. Ongoing innovation in product offerings and customer service as well as business acquisitions remain Richelieu's two prime growth drivers.

- **Consolidated sales** totalled $1,042 million, up 3.7%, 0.1% from an internal growth and 3.6% from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)**[1] grew by 3.3% to $109.5 million. EBITDA margin stood at 10.5%.
- **Net earnings attributable to shareholders** amounted to $67.5 million. **Diluted net earnings per share** rose to $1.18, up by 0.9%.
- **Adjusted cash flows from operating activities**[1] (before net change in non-cash working capital balances) grew by 2.3% to $85.7 million.
- **Working capital** increased by 6.1% to $349.6 million, with a current ratio of 4.7:1.
- **Cash and cash equivalents** totalled $24.7 million.
- **Total debt** was $5.7 million.
- **Repurchase** of 987,479 common shares for $25.2 million and payment of $14.4 million in dividends to shareholders (representing 21.4% of net earnings attributable to shareholders for fiscal year 2019). Richelieu thus distributed $39.6 million to shareholders in 2019 while retaining the financial resources necessary for growth in 2020.

Four acquisitions during the year:

- January 1, 2019 – all outstanding common shares of Lion Industries Inc., a specialty hardware distributor operating a distribution centre in Calgary (Alberta).
- February 4, 2019 – all outstanding common shares of Blackstone Building Products Inc., a specialty hardware distributor operating a distribution centre in Concord (Ontario).
- February 4, 2019 – all outstanding common shares of Truform Building Products Inc., a specialty hardware distributor operating distribution centres in Concord (Ontario) and Calgary (Alberta).
- May 1, 2019 – all outstanding common shares of Euro Architectural Components Inc., a distributor operating distribution centres in Toronto (Ontario), Montreal (Quebec) and Calgary (Alberta).

(1) EBITDA and adjusted cash flows from operating activities are non-IFRS measures, as indicated on pages 26 and 27 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, 2019, in comparison with the year ended November 30, 2018, 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, 2019, appearing in the Corporation's Annual Report. 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, 2019, 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 occured prior to January 23, 2020, on which date the audited consolidated financial statements and annual 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 Richelieu's growth and to provide for its financing and investing activities, its growth outlook, its competitive position in its industry, its 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, 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, as well as other factors set forth in the Corporation's 2019 Annual Report (see the "Risk Factors" section on page 34 of the 2019 Annual Report available on SEDAR at www.sedar.com).

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

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 the 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.

GENERAL BUSINESS OVERVIEW as at November 30, 2019

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 **110,000 different items** targeting a base of **more than 80,000 customers** served by **77 centers across North America** with 39 distribution centers in Canada, 36 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 %)

Years ended November 30	**2019 $**	2018 $	2017 $	2016 $	2015 $
Sales	**1,041,647**	1,004,400	942,545	844,473	749,646
EBITDA(1)	**109,513**	105,991	102,974	94,422	87,681
EBITDA margin (%)	***10.5***	*10.6*	*10.9*	*11.2*	*11.7*
Net earnings	**67,733**	67,964	67,932	63,013	58,878
Net earnings attributable to shareholders of the Corporation	**67,534**	67,777	67,704	62,814	58,739
• per share - basic ($)	**1.19**	1.18	1.17	1.08	1.00
• per share - diluted ($)	**1.18**	1.17	1.15	1.07	0.99
Net margin attributable to the shareholders of the Corporation (%)	***6.5***	*6.7*	*7.2*	*7.4*	*7.8*
Adjusted cash flows from operating activities (2)	**85,739**	83,783	79,951	73,296	68,052
• per share - diluted ($)	**1.50**	1.45	1.36	1.25	1.15
Dividends paid to Shareholders of the Corporation	**14,424**	13,824	13,157	12,374	11,717
• per share ($)	**0.253**	0.240	0.227	0.213	0.200
Weighted average number of shares outstanding (diluted) (in thousands)	**57,192**	58,064	58 659	58,781	59,343
As at November 30					
Total assets	**607,542**	569,119	542,667	486,046	449,792
Working capital	**349,584**	329,343	300,116	280,747	260,579
Current ratio	**4.7**	4.6	4.0	4.4	4.4
Equity attributable to shareholders of the Corporation	**501,133**	470,278	434,092	394,268	362,885
Return on average equity (%)	***13.9***	*15.0*	*16.3*	*16.6*	*17.5*
Book value per share ($)	**8.91**	8.23	7.51	6.81	6.19
Total debt	**5,659**	2,023	4,294	4,864	3,580
Cash and cash equivalents	**24,701**	7,408	29,162	42,969	29,454

(1) EBITDA is a non-IFRS measure, as indicated on page 26 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 pages 26 and 27 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2019, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2018

Consolidated sales

(in thousands of $, except exchange rates)

	2019	2018	
Years ended November 30	**$**	$	Δ (%)
Canada	**685,681**	678,314	+1.1
United States (CA$)	**355,966**	326,086	+9.2
(US$)	**267,826**	252,738	+6.0
Average exchange rates	***1.3291***	*1.2902*	
Consolidated sales	**1,041,647**	1,004,400	+3.7

Consolidated sales reached $1,041.6 million, an increase of $37.3 million or 3.7% over 2018, of which 0.1% from an internal growth and 3.6% from acquisitions. At comparable exchange rates to 2018, the consolidated sales growth would have been 2.7% for the year ended November 30, 2019.

Sales to **manufacturers** grew to $897.8 million, compared with $851.1 million for 2018, an increase of $46.7 million or 5.5%, of which 1.2% from an internal growth and 4.3% from acquisitions. Sales to hardware retailers and renovation superstores were down by 6.1% or $9.4 million to total $143.8 million.

In Canada, Richelieu achieved sales of $685.7 million, compared with $678.3 million for 2018, up by $7.4 million or 1.1%, of which 3.2% resulted from acquisitions and 2.1% from an internal decrease. Sales to **manufacturers** rose to $568.0 million, up by $18.8 million or 3.4%, of which 3.9% from acquisitions and 0.5% of internal decrease . Sales to hardware **retailers** and renovation superstores reached $117.7 million, compared with $129.1 million, down by $11.4 million or 8.8% over 2018. The slowdown in this market, mainly in the first half, as well as the closure of several stores of a major customer, impacted sales downwards.

In the United States, the Corporation recorded sales of US$267.8 million, compared with US$252.7 million for 2018, an increase of US$15.1 million or 6.0%, of which 1.6% from an internal growth and 4.4% from acquisitions. Sales to **manufacturers** totalled US$248.1 million, compared with US$233.9 million, an increase of US$14.2 million or 6.1% over 2018, of which 1.4% from internal growth and 4.7% from acquisitions. As reported in previous quarters, the internal growth in the manufacturers market was affected in the first quarter of 2019 by the termination of a supply agreement with a major customer. At comparable sales levels, internal growth in the US manufacturers market would have been 3.2%. Sales to hardware **retailers** and renovation superstores were up by 4.8%. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $356.0 million, compared with $326.1 million for 2018, an increase of 9.2%. They accounted for 34.2% of consolidated sales in 2019, whereas they represented 32.5% of the year's consolidated sales in 2018.

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

	2019	2018
Years ended November 30	**$**	$
Sales	**1,041,647**	1,004,400
EBITDA	**109,513**	105,991
EBITDA margin (%)	***10.5***	*10.6*

Earnings before income taxes, interest and amortization (EBITDA) totalled $109.5 million, up by $3.5 million or 3.3% over 2018. The **gross margin** and **EBITDA margin** remained stable with 2018. **EBITDA margin** stood at 10.5%, compared with 10.6% for 2018.

Amortization expenses amounted to $15.5 million compared with $13.2 million for 2018, an increase of $2.3 million resulting mainly from investments made in property, plant and equipment and intangible assets. **Income taxes** amounted to $25.6 million, an increase of $0.9 million over 2018.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

	2019	2018
Years ended November 30	**$**	$
EBITDA	**109,513**	105,991
Amortization of property, plant and equipment and intangible assets	**15,473**	13,200
Financial costs, net	**665**	65
Income taxes	**25,642**	24,762
Net earnings	**67,733**	67,964
Net earnings attributable to shareholders of the Corporation	**67,534**	67,777
Net margin attributable to the shareholders of the Corporation (%)	***6.5***	*6.7*
Non-controlling interests	**199**	187
Net earnings	**67,733**	67,964

Net earnings remained stable. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $67.5 million, stable with 2018. **Net earnings per share** amounted to $1.19 basic and $1.18 diluted, compared with $1.18 basic and $1.17 diluted for 2018, an increase of 0.8% and 0.9% respectively.

Comprehensive income totalled $67.6 million, considering a negative adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States, compared with $71.7 million for 2018, considering a positive adjustment of $3.7 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
2019				
• Sales	**226,236**	**281,182**	**269,243**	**264,986**
• EBITDA	**17,434**	**30,735**	**30,177**	**31,167**
• Net earnings attributable to shareholders of the Corporation	**10,083**	**19,281**	**18,630**	**19,540**
basic per share	**0.18**	**0.34**	**0.33**	**0.34**
diluted per share	**0.18**	**0.34**	**0.33**	**0.34**
2018				
• Sales	221,893	263,268	260,461	258,778
• EBITDA	19,803	28,080	28,926	29,182
• 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
2017				
• Sales	195,909	243,269	253,190	250,177
• EBITDA	18,341	26,648	27,924	30,061
• Net earnings attributable to shareholders of the Corporation	11,998	17,587	18,135	19,984
basic per share	0.21	0.30	0.31	0.34
diluted per share	0.20	0.30	0.31	0.34

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 2019, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2019

Fourth-quarter consolidated sales amounted to $265.0 million, compared with $258.8 million for the corresponding quarter of 2018, an increase of $6.2 million or 2.4%, of which 3.0% resulting from acquisitions and 0.6% of internal decrease. At comparable exchange rates to the fourth quarter of 2018, the consolidated sales growth would have been 2.0% for the quarter ended November 30, 2019.

Richelieu achieved sales of $233.5 million in the **manufacturers** market, compared with $224.5 million for the fourth quarter of 2018, an increase of $9 million or 4.0%, of which 0.6% from an internal growth and 3.4% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $31.5 million, down by $2.8 million or 8.2% over the fourth quarter of 2018.

In Canada, Richelieu recorded sales of $179.0 million, an increase of $4.1 million over the fourth quarter of 2018. Sales to **manufacturers** amounted to $150.4 million, an increase of 4.0% mainly resulting from acquisitions. Sales to hardware **retailers** and renovation superstores reached $28.6 million, down by $1.7 million or 5.6%. The general slowdown felt in this market during the first three quarters of fiscal 2019 continued to have a downward effect on sales in the fourth quarter of 2019.

In the United States, sales totalled US$65.0 million, compared with US$64.1 million for the fourth quarter of 2018, an increase of US$0.9 million or 1.4%, resulting from an internal growth. Sales to **manufacturers** amounted to US$62.8 million, an increase of US$1.7 million or 2.8% over the fourth quarter of 2018. Sales to hardware **retailers** and renovation superstores were down by 26.7% from the corresponding quarter of 2018, mainly due to lower cyclical sales, but are up by 4.8% for fiscal 2019. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $86.0 million, an increase of 2.5%. They accounted for 32.4% of consolidated sales for the fourth quarter of 2019, whereas they had represented 32.4% of the period's consolidated sales for the fourth quarter of 2018.

Earnings before income taxes, interest and amortization (EBITDA) amounted to $31.2 million compared with $29.2 million in the fourth quarter of 2018. The **EBITDA margin** stood at 11.8%, compared with 11.3% for the fourth quarter of 2018, resulting from a slight improvement in gross margins and operating costs.

Amortization expenses amounted to $4.1 million compared with $3.5 million for the corresponding quarter of 2018, an increase of $0.6 million resulting mainly from investments made in property, plant and equipment. **Income taxes** amounted to $7.6 million, stable with 2018.

Net earnings was up by 5.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $19.5 million, up by 5.6% over the fourth quarter of 2018. **Net earnings per share** rose to $0.34 basic and diluted, compared with $0.32 basic and diluted for the fourth quarter of 2018, an increase of 6.3%.

Comprehensive income amounted to $19.4 million, considering a negative adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States, compared with $20.7 million for the fourth quarter of 2018, considering a positive adjustment of $2.2 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 $24.8 million or $0.43 per share, compared with $23.2 million or $0.40 per share for the fourth quarter of 2018, an increase of 6.9% resulting primarily from net earnings increase. Net change in non-cash working capital balances represented a cash inflow of $7.8 million, reflecting the change in inventory ($5.1 million), whereas the change in accounts receivable and payable and other items represented a cash inflow of $2.7 million. Consequently, operating activities provided cash flows of $32.6 million, compared with $25.5 million for the fourth quarter of 2018.

Financing activities used cash flows of $19.8 million, compared with $14.8 million for the fourth quarter of 2018. This change was primarily driven by common shares buyback of $15.8 million in the fourth quarter of 2019 compared with $12.4 million for the same quarter in 2018.

Investing activities represented a cash outflow of $2.9 million in the fourth quarter, mainly for equipment to improve operational efficiency and IT equipment.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2019

Change in cash and cash equivalents and capital resources

(in thousands of $, unless otherwise indicated)

Years ended November 30	**2019** $	2018 $
Cash flows provided by (used for):		
Operating activities	**88,167**	42,272
Financing activities	**(39,695)**	(42,284)
Investing activities	**(31,346)**	(21,373)
Effect of exchange rate fluctuations	**167**	(369)
Net change in cash and cash equivalents	**17,293**	(21,754)
Cash and cash equivalents, beginning of year	**7,408**	29,162
Cash and cash equivalents end of year	**24,701**	7,408

As at November 30	**2019**	2018
Working capital	**349,584**	329,343
Renewable line of credit (CA$)	**65,000**	50,000
Renewable line of credit (US$)	**6,000**	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $85.7 million or $1.50 diluted per share, compared with $83.8 million or $1.44 diluted per share for 2018, an increase of 2.3% stemming primarily from amortization. Net change in non-cash working capital balances represented a cash inflow of $2.4 million, primarily representing changes in inventory and accounts payable ($3.0 million) whereas accounts receivables and other items used cash flows of $0.6 million. Consequently, operating activities provided cash flows of $88.2 million compared with $42.3 million for 2018. In 2018, non-cash working capital items required liquidities of $ 41.5 million, mainly due to investment in inventory, particularly for the addition of new products.

Financing activities

Financing activities used cash flows of $39.7 million, compared with $42.3 million for 2018. During the year, Richelieu repurchased common shares for cancellation for $25.2 million, compared with $26.5 million in 2018. The Corporation paid dividends to shareholders of $14.4 million, up by 4.3% over 2018 and made a debt repayment in the amount of $1.1 million compared to $3.9 million for the 2018 fiscal year.

Investing activities

Investing activities represented a total cash outflow of $31.3 million, of which $20.8 million for business acquisitions and $10.6 million, mainly for equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at November 30, 2019, **cash and cash equivalents** amounted to $24.7 million, compared with $7.4 million as at November 30, 2018. The Corporation posted a **working capital** of $349.6 million for a current ratio of 4.7:1, compared with $329.3 million (4.6:1 ratio) as at November 30, 2018.

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 2020. 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 2020, 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, 2019

Summary of financial position

(in thousands of $, except exchange rates)

As at November 30	2019 $	2018 $
Current assets	**445,345**	419,844
Non-current assets	**162,197**	149,275
Total	**607,542**	569,119
Current liabilities	**95,799**	90,501
Non-current liabilities	**7,373**	5,132
Equity attributable to shareholders of the Corporation	**501,133**	470,278
Non-controlling interests	**3,237**	3,208
Total	**607,542**	569,119
Exchange rates on translation of a subsidiary in the United States	***1.329***	*1.330*

Assets

Total assets amounted to $607.5 million as at November 30, 2019, compared with $569.1 million as at November 30, 2018. **Current assets** increased by 6.1% or $25.5 million from November 30, 2018 owing mainly from business acquisitions made in fiscal 2019.

Cash position

(in thousands of $)

As at November 30	2019 $	2018 $
Current portion of long-term debt	**5,659**	2,023
Long-term debt	**—**	—
Total debt	**5,659**	2,023
Cash and cash equivalents	***24,701***	*7,408*

As at November 30, 2019, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $5.7 million representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $501.1 million as at November 30, 2019, compared with $470.3 million as at November 30, 2018, an increase of $30.9 million. That increase is mainly due to a rise of $28.6 million in retained earnings, which amounted to $434.1 million, and $2.4 million of share capital and contributed surplus, while accumulated other comprehensive income was down by $0.1 million. As at November 30, 2019, **the book value per share** was $8.91, up by 8.3% over November 30, 2018, and the return on average shareholders' equity was 13.9%.

As at November 30, 2019, the Corporation's **share capital** consisted of 56,240,030 common shares (57,114,234 shares as at November 30, 2018). In 2019, upon the exercise of stock options under the stock option plan, Richelieu issued 113,275 common shares at an average price of $10.92 (284,774 in 2018 at an average price of $8.11). In addition, 987,479 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of $25.2 million (966,143 common shares for a cash consideration of $26.5 million in 2018). The Corporation granted 232,000 stock options during the year (357,000 in 2018). Consequently, as at November 30, 2019, 1,770,700 stock options were outstanding (1,669,475 as at November 30, 2018).

SUBSEQUENT EVENTS

On December 2, 2019, the Corporation acquired all of the common shares of Decotec Inc., a distributor of decorative panels and related products that operates a distribution centre in North York, a suburb of Toronto, as well as, on December 9, 2019, the principal net assets of Mibro a distributor of hardware products and power tools accessories intended to the retailer's market. These acquisitions strengthen Richelieu's presence, team, product offering and customer base in these markets while adding sales of $40 million to its annual sales.

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2019

(in thousands of $)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	5,659	—	—	5,659
Operating leases	15,480	44,031	19,966	79,477
Total	21,139	44,031	19,966	85,136

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.

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 2020, 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 payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

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

In notes (1) and (12) of the audited consolidated financial statements for the year ended November 30, 2019, 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, 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 year ended November 30, 2019, 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, 2019, 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:

Valuation of inventory impairment, including loss and obsolescence. 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

Recently adopted

IFRS 9, Financial Instruments

Effective December 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*. IFRS 9 supersedes the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Corporation adopted IFRS 9 retrospectively in accordance with the transitional provisions thereof.

Classification and Measurement; IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. Adoption of IFRS 9 resulted in a reclassification of accounts receivable and other financial liabilities to financial assets and liabilities measured at amortized cost. However, this resulted in no material impact on the measurement of financial assets and liabilities.

Impairment IFRS 9; provides a new impairment model for financial assets based on expected credit losses, which replaces the incurred loss model under IAS 39. The expected credit losses model applies to financial assets measured at amortized cost. The Corporation applies the simplified approach to recognize expected credit losses.

The adoption of this standard had no significant impact on the Corporation's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

Effective December 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 supersedes the guidance in IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The Corporation adopted IFRS 15 retrospectively in accordance with the transitional provisions thereof.

IFRS 15 is based on a single model five-step principle to be applied when recognizing revenue from contracts with customers. Under this standard, revenue is recognized when the control of goods or services is transferred to the customer. The Corporation's revenues comprise goods sold that are recognized at a specific point in time. Merchandise sales reported in the Consolidated Statements of Earnings are recognized by the Corporation when control of goods is transferred to the customer, which is the moment when performance obligations are fulfilled as per contract terms. This occurs generally when the customer has taken delivery of the goods.

Adoption of this standard had no significant impact on the Corporation's consolidated financial statements, and no amount has been reclassified or restated.

Standards issued but not yet effective

IFRS 16, Leases

IFRS 16 *Leases* replaces IAS 17 *Leases and related interpretations*. 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. IFRS 16 is effective as of December 1, 2019.

As the Corporation has commitments under operating leases for warehouses and certain vehicles (note 10), adoption of IFRS 16 will result in a significant increase in assets and liabilities and changes in the timing of accounting for expenses associated with leases.

According to IFRS 16, the expenses related to leases will be recognized in the consolidated statements of earnings mainly as amortization expense of the asset related to the right of use, accompanied by an interest expense on the liability related to the lease obligation. Since the expenses related to operating leases are currently recognized in operating expenses when they are incurred, adoption of IFRS 16 will modify the moment when these will be recognized over lease term as well as the presentation of expenses in the consolidated statement of earnings.

IFRS 16 will apply to year ended November 30, 2020 using the full retrospective approach with restatement of comparative financial statements for the year ended November 30, 2019 as if IFRS 16 had always been applied. The Company has opted for all the simplification measures and intends to apply the exemption for short-term leases and contracts for which the value of the underlying assets is low.

Based on the information available as at January 23, 2020, the adoption of IFRS 16 will result in the recognition in the Consolidated Statement of Financial Position of a right-of-use asset estimated at $63.8 million and a liability corresponding to the present value of estimated future lease payments of $67.4 million. The difference, net of the deferred tax impact, is recorded in retained earnings. The actual impact of the initial application of IFRS 16 could vary from this estimate, as it involves judgment and the use of assumptions that are subject to change until the Corporation issues its consolidated interim financial statements for the quarter ended February 29, 2020.

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 34% 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 17% 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.

Crisis management, 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 our 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 employee 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.

SHARE INFORMATION AS AT JANUARY 23, 2020

Issued and outstanding common shares:	56,258,030
Outstanding stock options:	2,039,450

OUTLOOK

In 2020, as in the past, Richelieu will be customer-oriented, focusing 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.

(Signed) Richard Lord

President and Chief
Executive Officer

January 23, 2020

(Signed) Antoine Auclair

Vice-President and
Chief Financial Officer

MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Corporation") and other financial information included in this Annual Report are the responsibility of the Corporation's management. These consolidated financial statements have been prepared by management in accordance with IFRS and approved by the Board of Directors.

The Corporation maintains accounting and internal control systems which, in management's opinion, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Corporation's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This committee which meets periodically with the Corporation's managers and external auditors, has reviewed the consolidated financial statements of the Corporation and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Corporation's external auditors, Ernst & Young LLP, Chartered Professional Accountants.

Montreal, Canada, January 23, 2020

(Signed) Richard Lord

President and Chief Executive Officer

(Signed) Antoine Auclair

Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Richelieu Hardware Ltd.**

Opinion

We have audited the consolidated financial statements of **Richelieu Hardware Ltd.** and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other informations

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained management's discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Francis Guimond.

Ernst & Young LLP[1]

(Signed) Ernst & Young LLP
Montreal, Canada

January 23, 2020

[1] CPA auditor, CA, public accountancy permit no. A118111

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30
[In thousands of dollars]

	Notes	2019 $	2018 $
ACTIFS			
Current assets			
Cash and cash equivalents		**24,701**	7,408
Accounts receivable		**137,589**	138,767
Income taxes receivable		**1,336**	—
Inventories		**275,154**	270,275
Prepaid expenses		**6,565**	3,394
		445,345	419,844
Non-current assets			
Property, plant and equipment	4	**41,309**	41,725
Intangible assets	5	**35,383**	29,340
Goodwill	5	**80,164**	71,984
Deferred taxes	9	**5,341**	6,226
		607,542	569,119
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**90,140**	88,359
Income taxes payable		**—**	119
Current portion of long-term debt	7	**5,659**	2,023
		95,799	90,501
Non-current liabilities			
Deferred taxes	9	**5,553**	3,289
Other liabilities		**1,820**	1,843
		103,172	95,633
Equity			
Share capital	8	**42,190**	41,398
Contributed surplus	8	**5,700**	4,122
Retained earnings		**434,061**	405,445
Accumulated other comprehensive income	11	**19,182**	19,313
Equity attributable to shareholders of the Corporation		**501,133**	470,278
Non-controlling interests		**3,237**	3,208
		504,370	473,486
		607,542	569,119

Commitments and contingencies *[note 10]*

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors :

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30
[In thousands of dollars, except earnings per share]

	Notes	2019 $	2018 $
Sales		**1,041,647**	1,004,400
Operating expenses excluding amortization	8, 12	**932,134**	898,409
Earnings before amortization, financial costs and income taxes		**109,513**	105,991
Amortization of property, plant and equipment		**10,293**	9,203
Amortization of intangible assets		**5,180**	3,997
Financial costs, net		**665**	65
		16,138	13,265
Earnings before income taxes		**93,375**	92,726
Income taxes	9	**25,642**	24,762
Net earnings		**67,733**	67,964
Net earnings attributable to:			
Shareholders of the Corporation		**67,534**	67,777
Non-controlling interests		**199**	187
		67,733	67,964
Net earnings per share attributable to shareholders of the Corporation	8		
Basic		**1.19**	1.18
Diluted		**1.18**	1.17

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
[In thousands of dollars]

	Notes	2019 $	2018 $
Net earnings		**67,733**	67,964
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	**(131)**	3,731
Comprehensive income		**67,602**	71,695
Comprehensive income attributable to:			
Shareholders of the Corporation		**67,403**	71,508
Non-controlling interests		**199**	187
		67,602	71,695

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended November 30
[In thousands of dollars]

	Attributable to shareholders of the Corporation						
	Share capital	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income**	**Total**	**Non-controlling interests**	**Total equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Notes	8	8		11			
Balance as at November 30, 2017	39,230	2,358	376,922	15,582	434,092	4,112	438,204
Net earnings	—	—	67,777	—	67,777	187	67,964
Other comprehensive income	—	—	—	3,731	3,731	—	3,731
Comprehensive income	—	—	67,777	3,731	71,508	187	71,695
Shares repurchased	(675)	—	(25,856)	—	(26,531)		(26,531)
Stock options exercised	2,843	(534)	—	—	2,309	—	2,309
Share-based compensation expense	—	2,298	—	—	2,298	—	2,298
Dividends *[note 16]*	—	—	(13,824)	—	(13,824)	(311)	(14,135)
Other liabilities	—	—	—	—	—	38	38
Acquisition of non-controlling interests *[note 3]*	—	—	426	—	426	(818)	(392)
	2,168	1,764	(39,254)	—	(35,322)	(1,091)	(36,413)
Balance as at November 30, 2018	**41,398**	**4,122**	**405,445**	**19,313**	**470,278**	**3,208**	**473,486**
Net earnings	**—**	**—**	**67,534**	**—**	**67,534**	**199**	**67,733**
Other comprehensive loss	**—**	**—**	**—**	**(131)**	**(131)**	**—**	**(131)**
Comprehensive income	**—**	**—**	**67,534**	**(131)**	**67,403**	**199**	**67,602**
Shares repurchased	**(730)**	**—**	**(24,494)**	**—**	**(25,224)**	**—**	**(25,224)**
Stock options exercised	**1,522**	**(286)**	**—**	**—**	**1,236**	**—**	**1,236**
Share-based compensation expense	**—**	**1,864**	**—**	**—**	**1,864**	**—**	**1,864**
Dividends *[note 16]*	**—**	**—**	**(14,424)**	**—**	**(14,424)**	**(193)**	**(14,617)**
Other liabilities	**—**	**—**	**—**	**—**	**—**	**23**	**23**
	792	**1,578**	**(38,918)**	**—**	**(36,548)**	**(170)**	**(36,718)**
Balance as at November 30, 2019	**42,190**	**5,700**	**434,061**	**19,182**	**501,133**	**3,237**	**504,370**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
[In thousands of dollars]

	Notes	2019 $	2018 $
OPERATING ACTIVITIES			
Net earnings		**67,733**	67,964
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment	4	**10,293**	9,203
Amortization of intangible assets	5	**5,180**	3,997
Deferred taxes	9	**669**	321
Share-based compensation expense	8	**1,864**	2,298
		85,739	83,783
Net change in non-cash working capital balances		**2,428**	(41,511)
		88,167	42,272
FINANCING ACTIVITIES			
Repayment of long-term debt		**(1,090)**	(3,927)
Dividends paid to Shareholders of the Corporation	16	**(14,424)**	(13,824)
Other dividends paid		**(193)**	(311)
Common shares issued	8	**1,236**	2,309
Common shares repurchased for cancellation	8	**(25,224)**	(26,531)
		(39,695)	(42,284)
INVESTING ACTIVITIES			
Business acquisitions	3	**(20,788)**	(9,004)
Additions to property, plant and equipment and intangible assets	4, 5	**(10,558)**	(12,369)
		(31,346)	(21,373)
Effect of exchange rate changes on cash and cash equivalents		**167**	(369)
Net change in cash and cash equivalents		**17,293**	(21,754)
Cash and cash equivalents, beginning of year		**7,408**	29,162
Cash and cash equivalents, end of year		**24,701**	7,408
Supplementary information			
Income taxes paid		**26,443**	27,139
Interest paid, net		**665**	65

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2019 and 2018 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products target an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's consolidated financial statements, presented in Canadian dollars, 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 the valuation of inventory impairment, including loss and obsolescence and require 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 future periods affected by the revisions. Actual results could differ from those estimates.

The Corporation's consolidated financial statements have been properly prepared within the reasonable limits of materiality, in accordance with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries described in note 13. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with a term of three months or less. Cash and cash equivalents are measured at amortized cost.

Accounts receivable

Accounts receivable are carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost due to their short-term maturities. At each period-end, the Corporation estimates the expected credit losses. These expected losses are adjusted to reflect factors that are specific to the accounts receivable, general economic conditions as well as an assessment of both current and forecasted economic conditions prevailing at the reporting date. The evaluation is calculated using the simplified method. The net change in expected credit losses on accounts receivable is recognized in net earnings.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Corporation uses judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and losses. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight- line basis over their estimated useful lives. The main components have different useful lives and are amortized separately. The amortization method and useful life estimates are reviewed annually.

Buildings	20 years
Leasehold improvements	Lease terms, maximum 5 years
Machinery and equipment	5-10 years
Rolling stock	5 years
Furniture and fixtures	3-5 years
Computer equipment	3-5 years

Intangible assets

Intangible assets are acquired assets that lack physical substance and meet the specified criteria for recognition apart from property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, non-competition agreements, customer relationships, and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 8-20 years, respectively, while non-competition agreements are amortized over the terms of the agreements. Trademarks have an indefinite useful life and are therefore not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and corresponds to the development potential of the acquired businesses, combined with the Corporation's operations and from the expected synergies and expanding of the product offering and network. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Corporation determines whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite useful lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the tangible or intangible asset exceeds its recoverable amount, an impairment loss is recognized in net earnings in an amount equal to the excess.

The Corporation is required to test goodwill and intangible assets with indefinite useful lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ["CGU"] or group of CGUs as at November 30. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level. Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in net earnings, however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use. Other than for goodwill, if a reversal of an impairment loss occurs, it must be recognized immediately in net earnings. On reversal of an impairment loss, the increased recoverable amount of an asset must not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in respect of the asset in prior years. In impairment testing of goodwill and intangible assets with indefinite useful lives, value in use is estimated using a discounted future cash flow model. The application of this method is based on different assumptions such as estimated future cash flows as described in note 5.

Other financial liabilities

Accounts payable, accrued liabilities and long-term debt are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Corporation, this measurement is usually equivalent to cost. Options to purchase non-controlling interests that correspond to the definition of a financial liability are measured at fair value and presented under other liabilities.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, net of returns and discounts granted, and are recognized when control of the goods is transferred to the customer, which occurs when the Corporation satisfies its performance obligation, generally upon delivery of the goods to the customer.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they arise.

Deferred tax assets are recognized to the extent that it is probable that the Corporation will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the period for tax loss carrying forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

Leases

Leases are classified as finance leases if substantially all risks and rewards incidental to ownership are transferred to the lessee. At the moment of initial recognition, the lessee records the leased item as an asset at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability to the lessor is recorded in the consolidated statement of financial position as a finance lease obligation. In subsequent periods, the asset is depreciated on the shorter of straight-line basis over the term of the lease or the estimated useful life of the asset, and interest on the obligation is expensed through net earnings. Leases are classified as operating leases if substantially all risks and rewards incidental to ownership are not transferred to the lessee. The lease payments are recognized as an expense on a straight-line basis over the lease term.

Foreign currency translation

Monetary assets and liabilities of the Corporation are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Derivative financial instruments

The Corporation periodically enters into foreign exchange forward contracts with financial institutions to partially hedge the effects of fluctuations in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions.

The Corporation enters into equity swaps to reduce its exposure on net earnings related to the fluctuations in the Corporation's share price relating to its deferred share unit plan.

The Corporation does not use derivatives for speculative purposes. The Corporation uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to financial instruments are included in Accounts receivable or Accounts payable and accrued liabilities in the consolidated statements of financial position.

Fair value measurements hierarchy

Fair value measurements of assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are categorized in accordance with the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Share-based payment

The Corporation offers a stock option plan to its directors, officers and key employees. The subscription price of each share issuable under the plan is equal to the weighted average market price of the shares five (5) business days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date. The Corporation recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted with a corresponding increase recorded in contributed surplus. The Black & Scholes model is used to determine the grant date fair value of stock options. The application of this method is based on different assumptions such as risk-free interest rate, expected life, volatility and dividend yield as described in note 8.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred share unit plan

The Corporation offers a deferred share unit ["DSU"] plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The number of DSUs granted to a director equals the compensation amount to be converted in DSUs divided by the average closing price of the shares on the Toronto Stock Exchange for the five (5) business days immediately preceding the date of the payment. The DSU liability is measured at fair value at each closing date on the basis of the number of outstanding share units and the market price of the Corporation's common shares is included in *Accounts payable and accrued liabilities*. The Corporation has entered into equity swaps to reduce its exposure on net earnings related to the fluctuations of the Corporation's share price. The net effect of the equity swaps mostly offsets the impact of the change in the Corporation's share price and is included in the *Operating expenses excluding amortization*.

Net earnings per share

Net earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and take into account all the elements that have a dilutive effect.

2. CHANGES IN ACCOUNTING METHODS

Recently adopted

IFRS 9, Financial Instruments

Effective December 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*. IFRS 9 supersedes the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The Corporation adopted IFRS 9 retrospectively in accordance with the transitional provisions thereof.

Classification and Measurement; IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. Adoption of IFRS 9 resulted in a reclassification of accounts receivable and other financial liabilities to financial assets and liabilities measured at amortized cost. However, this resulted in no material impact on the measurement of financial assets and liabilities.

Impairment IFRS 9; provides a new impairment model for financial assets based on expected credit losses, which replaces the incurred loss model under IAS 39. The expected credit losses model applies to financial assets measured at amortized cost. The Corporation applies the simplified approach to recognize expected credit losses.

The adoption of this standard had no significant impact on the Corporation's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

Effective December 1, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 supersedes the guidance in IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The Corporation adopted IFRS 15 retrospectively in accordance with the transitional provisions thereof.

IFRS 15 is based on a single model five-step principle to be applied when recognizing revenue from contracts with customers. Under this standard, revenue is recognized when the control of goods or services is transferred to the customer. The Corporation's revenues comprise goods sold that are recognized at a specific point in time.

Merchandise sales reported in the Consolidated Statements of Earnings are recognized by the Corporation when control of goods is transferred to the customer, which is the moment when performance obligations are fulfilled as per contract terms. This occurs generally when the customer has taken delivery of the goods.

Adoption of this standard had no significant impact on the Corporation's consolidated financial statements, and no amount has been reclassified or restated.

Standards issued but not yet effective

IFRS 16, Leases

IFRS 16 *Leases* replaces IAS 17 *Leases and related interpretations*. 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. IFRS 16 is effective as of December 1, 2019.

As the Corporation has commitments under operating leases for warehouses and certain vehicles (note 10), adoption of IFRS 16 will result in a significant increase in assets and liabilities and changes in the timing of accounting for expenses associated with leases.

According to IFRS 16, the expenses related to leases will be recognized in the consolidated statements of earnings mainly as amortization expense of the asset related to the right of use, accompanied by an interest expense on the liability related to the lease obligation. Since the expenses related to operating leases are currently recognized in operating expenses when they are incurred, adoption of IFRS 16 will modify the moment when these will be recognized over lease term as well as the presentation of expenses in the consolidated statement of earnings.

IFRS 16 will apply to year ended November 30, 2020 using the full retrospective approach with restatement of comparative financial statements for the year ended November 30, 2019 as if IFRS 16 had always been applied. The Company has opted for all the simplification measures and intends to apply the exemption for short-term leases and contracts for which the value of the underlying assets is low.

Based on the information available as at January 23, 2020, the adoption of IFRS 16 will result in the recognition in the consolidated statement of financial position of a right-of-use asset estimated at $63.8 million and a liability corresponding to the present value of estimated future lease payments of $ 67.4 million. The difference, net of the deferred tax impact, is recorded in retained earnings. The actual impact of the initial application of IFRS 16 could vary from this estimate, as it involves judgment and the use of assumptions that are subject to change until the Corporation issues its consolidated interim financial statements for the quarter ended February 29, 2020.

NOVEMBER 30, 2019 AND 2018 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

3. BUSINESS ACQUISITIONS

2019

Effective January 1, 2019, the Corporation acquired all outstanding common shares of Lion Industries Inc., a specialty hardware distributor serving a clientele of door and window manufacturers in Western Canada, operating a distribution centre in Calgary, Alberta.

Effective February 4, 2019, the Corporation acquired all outstanding common shares of Blackstone Building Products Inc., a specialty hardware distributor serving a clientele of door and window manufacturers in Ontario, operating a distribution centre in Concord, Ontario.

Effective February 4, 2019, the Corporation acquired all outstanding common shares of Truform Building Products Inc., a specialty hardware distributor serving a clientele of door and window manufacturers, operating distribution centres in Concord, Ontario and Calgary, Alberta.

Effective May 1, 2019, the Corporation acquired all outstanding common shares of Euro Architectural Components Inc., a distributor operating two distribution centres (Toronto, Ontario and Montreal, Quebec) in the stair and railing components, stainless steel and architectural and glass hardware markets.

Sales of $21.7 million have been generated since their completion. Had those acquisitions been made on December 1, 2018, management believes that sales included in the consolidated statement of earnings would have totalled approximately $30 million.

2018

Effective February 26, 2018, the Corporation acquired the principal net assets of Cabinet & Top Supply Inc., a distributor of specialized products located in Fort Myers, Florida.

Effective September 4, 2018, the Corporation acquired the principal net assets of Chair City Supply, Inc. a distributor operating four distribution centres, three in North Carolina and one in Tennessee. Chair City Supply distributes a diverse range of specialty products targeted to an extensive customer base of furniture manufacturers.

Summary of acquisitions

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

	2019	2018
	$	$
Current assets acquired	**11,632**	5,760
Property, plant and equipment	**257**	870
Intangible assets	**10,302**	2,560
Goodwill	**8,193**	2,646
	30,384	11,836
Current liabilities assumed	**(1,373)**	(1,612)
Deferred taxes	**(2,589)**	—
Net assets acquired	**26,422**	10,224
Consideration		
Cash, net of cash acquired	**20,788**	8,612
Consideration payable	**5,634**	1,612
	26,422	10,224

Goodwill resulting from those acquisitions is not deductible for tax purposes.

On November 1, 2018, the Corporation acquired an additional 5% interest in the voting shares of Menuiserie des Pins Ltée, increasing its ownership interest to 80%, for a cash consideration of $392.

NOVEMBER 30, 2019 AND 2018 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	$	$	$	$	$	$	$	$
Cost	3,652	28,101	6,945	38,574	13,246	19,266	14,094	123,878
Accumulated amortization	—	(18,280)	(5,357)	(25,415)	(8,687)	(16,337)	(11,244)	(85,320)
Net carrying amount as at November 30, 2017	3,652	9,821	1,588	13,159	4,559	2,929	2,850	38,558
Acquisitions	—	1,484	1,006	3,555	2,455	1,528	1,286	11,314
Business acquisitions *[note 3]*	—	—	—	143	708	19	—	870
Amortization	—	(1,377)	(578)	(2,533)	(1,935)	(1,563)	(1,217)	(9,203)
Effect of changes in foreign exchange rates	—	—	19	47	90	22	8	186
Net carrying amount as at November 30, 2018	3,652	9,928	2,035	14,371	5,877	2,935	2,927	41,725
Cost	3,652	29,584	8,012	42,380	16,022	20,971	15,380	136,001
Accumulated amortization	—	(19,656)	(5,977)	(28,009)	(10,145)	(18,036)	(12,453)	(94,276)
Net carrying amount as at November 30, 2018	**3,652**	**9,928**	**2,035**	**14,371**	**5,877**	**2,935**	**2,927**	**41,725**
Acquisitions	**91**	**662**	**857**	**3,870**	**2,125**	**593**	**1,427**	**9,625**
Business acquisitions *[note 3]*	**—**	**—**	**—**	**109**	**81**	**25**	**42**	**257**
Amortization	**—**	**(1,379)**	**(750)**	**(3,157)**	**(2,223)**	**(1,430)**	**(1,354)**	**(10,293)**
Effect of changes in foreign exchange rates	**—**	**—**	**(1)**	**—**	**(3)**	**(1)**	**—**	**(5)**
Net carrying amount as at November 30, 2019	**3,743**	**9,211**	**2,141**	**15,193**	**5,857**	**2,122**	**3,042**	**41,309**
Cost	**3,743**	**30,246**	**8,861**	**45,494**	**17,894**	**21,400**	**16,454**	**144,092**
Accumulated amortization	**—**	**(21,035)**	**(6,720)**	**(30,301)**	**(12,037)**	**(19,278)**	**(13,412)**	**(102,783)**
Net carrying amount as at November 30, 2019	**3,743**	**9,211**	**2,141**	**15,193**	**5,857**	**2,122**	**3,042**	**41,309**

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	$	$	$	$	$	$
Cost	7,124	4,394	42,600	6,047	60,165	68,931
Accumulated amortization	(6,552)	(3,346)	(20,985)	—	(30,883)	—
Net carrying amount as at November 30, 2017	572	1,048	21,615	6,047	29,282	68,931
Acquisitions	1,055	—	—	—	1,055	—
Business acquisitions *[note 3]*	—	351	2,209	—	2,560	2,646
Amortization	(443)	(579)	(2,975)	—	(3,997)	—
Effect of changes in foreign exchange rates	3	10	345	82	440	407
Net carrying amount as at November 30, 2018	1,187	830	21,194	6,129	29,340	71,984
Cost	8,119	4,680	45,637	6,129	64,565	71,984
Accumulated amortization	(6,932)	(3,850)	(24,443)	—	(35,225)	—
Net carrying amount as at November 30, 2018	**1,187**	**830**	**21,194**	**6,129**	**29,340**	**71,984**
Acquisitions	**933**	**—**	**—**	**—**	**933**	**—**
Business acquisitions *[note 3]*	**8**	**717**	**9,161**	**416**	**10,302**	**8,193**
Amortization	**(678)**	**(807)**	**(3,695)**	**—**	**(5,180)**	**—**
Effect of changes in foreign exchange rates	**—**	**—**	**(12)**	**—**	**(12)**	**(13)**
Net carrying amount as at November 30, 2019	**1,450**	**740**	**26,648**	**6,545**	**35,383**	**80,164**
Cost	**9,008**	**5,396**	**54,788**	**6,545**	**75,737**	**80,164**
Accumulated amortization	**(7,558)**	**(4,656)**	**(28,140)**	**—**	**(40,354)**	**—**
Net carrying amount as at November 30, 2019	**1,450**	**740**	**26,648**	**6,545**	**35,383**	**80,164**

5. INTANGIBLE ASSETS AND GOODWILL (cont'd)

For impairment test purposes, the carrying amounts of goodwill and intangible assets have been allocated to CGUs or groups of CGUs. The carrying amounts of goodwill for the two groups of CGUs that are significant in comparison with the total carrying amount of goodwill are $63.7 million and $13.9 million, while $2.6 million is allocated to another CGU. The carrying amounts of intangible assets with indefinite useful lives are allocated across multiple CGUs or groups of CGUs and the amount allocated is not individually significant in comparison with the total carrying amount. The recoverable value of the CGUs or groups of CGUs was determined on the the higher of their value in use, which was calculated using forecasted cash flows before taxes over a period of five years, discount rates before taxes between 11.3% and 11.5% and a terminal value calculated at a perpetual rate of 2% and their fair value, less costs to sell, calculated by multiplying the earnings before amortization, financial costs and income taxes of the group of CGUs by the multiple of EBITDA from comparable companies and whose activities are similar. Main assumptions are based on historical data. No reasonably possible change to the main assumptions used for the impairment tests would result in a carrying amount higher than the recoverable amount.

6. BANK INDEBTEDNESS

As at November 30, 2019 and 2018, the Corporation has lines of credit with a Canadian banking institution with respective authorized amount of C$65 million and US$6 million, bearing interest at the bank's prime and base rates, which were respectively 3.95% and 5.25% as at November 30, 2019 [3.95% and 5.75% in 2018]. Those lines of credit are renewable annually. As at November 30, 2019 and 2018, both were undrawn.

7. LONG-TERM DEBT

	2019 **$**	2018 $
Not-interest bearing business acquisitions considerations payable [US $1,281 in 2018]	**5,659**	2,023
	5,659	2,023
Current portion of long-term debt	**5,659**	2,023
Long-term debt	**—**	—

8. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares, participating, entitling the holder to one vote per share.

Non-voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

	Number of shares *(in thousands)*	**$**
Outstanding, November 30, 2017	57,795	39,230
Issued	285	2,843
Repurchased	(966)	(675)
Outstanding, November 30, 2018	**57,114**	**41,398**
Issued	**113**	**1,522**
Repurchased	**(987)**	**(730)**
Outstanding, November 30, 2019	**56,240**	**42,190**

During fiscal 2019, the Corporation issued 113,275 common shares [284,774 in 2018] at a weighted average exercise price of $10.92 per share [$8.11 in 2018] pursuant to the exercise of stock options under the stock option plan. The weighted average share price on the market at the date of exercise was $25.03 [$28.02 in 2018]. In addition, during 2019, the Corporation, through a normal course issuer bid, repurchased 987,479 common shares for cancellation in consideration for $25,224 [966,143 common shares for a consideration of $26,531 in 2018], which resulted in a premium on the redemption in the amount for $24,494 recorded in retained earnings [premium of $25,856 in 2018].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options *(in thousands)*	**Weighted average share price** **$**
Outstanding, November 30, 2017	1,638	17.04
Granted	357	32.77
Exercised	(285)	8.11
Cancelled	(40)	27.00
Outstanding, November 30, 2018	**1,670**	**21.69**
Granted	**232**	**25.27**
Exercised	**(113)**	**10.92**
Cancelled	**(18)**	**26.27**
Outstanding, November 30, 2019	**1,771**	**22.80**

The table below summarizes information regarding the stock options outstanding as at November 30, 2019:

	Options outstanding			**Exercisable options**	
Range in exercise price (in dollars)	**Number of options** (in thousands)	**Weighted average remaining period** (years)	**Weighted average exercise price** (in dollars)	**Number of options** (in thousands)	**Weighted average exercise price** (in dollars)
7.78 - 11.20	**70**	**1.84**	**9.39**	**70**	**9.39**
11.21 - 16.00	**330**	**3.67**	**13.91**	**330**	**13.91**
16.01 - 23.00	**498**	**5.87**	**20.88**	**423**	**20.64**
23.01 - 32.77	**873**	**8.05**	**28.32**	**239**	**28.20**
	1,771	**6.38**	**22.80**	**1,062**	**19.52**

During fiscal 2019, the Corporation granted 232,000 options [357,000 in 2018] with an average exercise price of $25.27 per share [$32.77 in 2018] and an average fair value of $4.54 per option [$7.39 in 2018] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.1% [0.8% in 2018], a volatility of 20% [20% in 2018], a risk-free interest rate of 1.96% [2.25% in 2018] and an expected life of 7 years [7 years in 2018] and 17,500 options were cancelled [40,000 in 2018]. The compensation expense related to stock options amounted to $1,864 [$2,298 in 2018] and is recognized under *Operating expenses excluding amortization.*

8. SHARE CAPITAL (cont'd)

Deferred share unit plan

The financial liability resulting from the DSU plan of $7,296 [$6,426 in 2018] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2019, the fair value of the equity swaps amounted to an asset of $18 [a liability of $524 as at November 30, 2018] and is presented under *Accounts receivable*. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs in 2019 amounted to $690 [$673 in 2018] and is recognized under *Operating expenses excluding amortization*.

Number of DSUs	2019	2018
Outstanding, beginning of year	**252,026**	233,823
Granted	**22,168**	18,203
Outstanding, end of year	**274,194**	252,026

Share purchase plan

Compensation expense related to the share purchase plan amounted to $755 for 2019 [$764 in 2018] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

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

(in thousands)	2019	2018
Weighted average number of shares outstanding – Basic	**56,945**	57,597
Dilutive effect under stock option plan	**247**	467
Weighted average number of shares outstanding – Diluted	**57,192**	58,064

The computation of diluted net earnings per share excludes the weighted average of 873,375 outstanding options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect (2018 – 357,000).

9. INCOME TAXES

The main components of the income tax expense were as follows:

	2019 $	2018 $
Current	**24,973**	24,441
Deferred:		
Related to temporary differences	**673**	722
Deferred tax related to changes in tax rates	**(4)**	1,833
Deferred tax assets not previously recognized	**—**	(2,234)
	25,642	24,762

The effective income tax rate differs from the combined statutory rates for the following reasons:

	2019 $	2018 $
Combined statutory rates	**26.68%**	26.68%
Income taxes at combined statutory rates	**24,913**	24,740
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	**(53)**	(23)
Share-based compensation	**410**	612
Non-deductible expenses	**332**	116
Deferred tax assets not previously recognized	**—**	(2,234)
Changes related to tax laws and tax rates	**(4)**	1,833
Other	**44**	(282)
	25,642	24,762

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of deferred tax assets and liabilities of the Corporation were as follows:

	2019 $	2018 $
Deferred taxes		
Translation of foreign exchange currencies, reserve recognized for tax purposes only upon disbursement and other tax attributes	**7,711**	6,763
Excess (deficit) of the tax value of Property, plant and equipment over their net carrying value	**(228)**	924
Excess of the net carrying value of intangible assets and goodwill over their tax value	**(7,695)**	(4,750)
Net amount	**(212)**	2,937

The net deferred taxes included the following as at November 30:

	2019 $	2018 $
Deferred tax assets	**5,341**	6,226
Deferred tax liabilities	**(5,553)**	(3,289)
	(212)	2,937

Changes in deferred taxes for the years ended November 30 are detailed as follows:

	2019 $	2018 $
Balance at the beginning of the year, net	**2,937**	3,198
In net earnings	**(669)**	(321)
Business acquisitions *[note 3]*	**(2,589)**	—
Other	**109**	60
Balance at the end of the year, net	**(212)**	2,937

NOVEMBER 30, 2019 AND 2018 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

10. COMMITMENTS AND CONTINGENCIES

[a] Leases

The Corporation has commitments under operating leases for warehouse and office premises expiring on various dates up to 2031. The future minimum payments, excluding incidental costs for which the Corporation is responsible, are as follows:

	$
Less than a year	15,480
Between 1 and 5 years	44,031
More than 5 years	19,966
	79,477

[b] Foreign exchange forward contracts

As at November 30, 2019, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2019 and January 2020.

Type	Currency	Average exchange rate
Purchase	€4,000	1.47

[c] Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. Management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Corporation's financial position or consolidated net earnings.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated other comprehensive income, including the following items and their variances, were as follows:

	2019 **$**	2018 $
Balance at the beginning of the year	**19,313**	15,582
Exchange differences on translation of foreign operations	**(131)**	3,731
Balance at the end of the year	**19,182**	19,313

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair value

The carrying value of long-term debt approximates their fair value because of the short maturity on balance of sale payable. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

As at November 30, 2019, the fair value of the foreign exchange forward contracts amounted to a liability of $18 [a liability of $1 as at November 30, 2018] representing the amount the Corporation would pay on settlement of these contracts at spot rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market data.

Credit risk

The Corporation sells its products to numerous customers in Canada, and in a lesser proportion in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Corporation. The average days outstanding of accounts receivable, as at November 30, 2019 and 2018 are deemed acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The allowance for doubtful accounts for the years ended November 30 is as follows:

	2019 **$**	2018 $
Balance, beginning of year	**6,802**	6,486
Allowance for doubtful accounts	**1,396**	1,726
Write-offs	**(1,684)**	(1,498)
Exchange rate variations and other	**249**	88
Balance, end of year	**6,763**	6,802

The aging of the accounts receivable is as follows :

	2019 **$**	2018 $
Current	**102,834**	101,604
Past due 1-30 days	**29,214**	30,624
Past due more than 30 days	**12,304**	13,341
Allowance for doubtful accounts	**(6,763)**	(6,802)
	137,589	138,767

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totaled $813 [$1,894 in 2018]. As at November 30, 2019 and 2018, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and euros. Operating expenses included, for the year ended November 30, 2019, an exchange gain of $1,462 [gain of $2,478 in 2018].

The Corporation's policy is to maintain the purchase prices and selling prices of its commercial activities by mitigating its exposure through use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange risk management. The goal of this policy is to protect the Corporation's profits by reducing the exposure to exchange rate fluctuations. The Corporation's policy does not allow speculative trades.

As at November 30, 2019, a decrease of 5% of the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have increased consolidated net earnings by $206 [would have increased consolidated net earnings by $763 as at November 30, 2018] and would have increased the consolidated comprehensive income by $7,301 [$6,597 as at November 30, 2018]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at November 30, 2019.

NOVEMBER 30, 2019 AND 2018 (amounts are in thousands of dollars, except per-share amounts or otherwise indicated) 51

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (cont'd)

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, as required. During the previous years, the Corporation has financed its growth, business acquisitions, share repurchases and payout to shareholders using mainly the cash generated by the operating activities.

Operating expenses excluding amortization

	2019 $	2018 $
Inventories from the distribution, imports and manufacturing activities recognized as an expense	**760,693**	732,490
Salaries and related charges	**142,422**	134,998
Other charges	**29,019**	30,921
	932,134	898,409

An expense of $3,684 [$2,994 in 2018] for inventory obsolescence was included in Inventories from the distribution, imports and manufacturing activities.

13. RELATED PARTY INFORMATION

Scope of consolidation

Names	**Country of incorporation**	**Equity interest %**	**Voting rights %**
Richelieu America Ltd.	United States	100	100
Richelieu Finances Ltée [1]	Canada	100	100
Cedan industries Inc.	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	80	80

[1] Richelieu Finances Ltée is the owner of 100% of Richelieu Hardware Canada Ltd.

Executive officers' compensation

	2019 $	2018 $
Short-term employee benefits	**3,442**	3,319
Other long-term benefits	**368**	717
Share-based compensation	**585**	593
	4,395	4,629

Accounts payable and accrued liabilities included a retirement allowance amounting to $2,960 [$2,740 as at November 30, 2018] payable to an executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2019, nearly 66% of sales had been made in Canada [68% in 2018]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to C$355,966 [C$326,086 in 2018] and US$267,826 [US$252,738 in 2018].

As at November 30, 2019, out of the total amount in property, plant and equipment, $7,606 [$7,031 in 2018] is located in the United States. In addition, intangible assets located in the United States amounted to C$12,864 [C$14,713 in 2018] and goodwill to C$13,890 [C$13,870 in 2018] and to US$9,680 [US$11,062 in 2018] and goodwill to US$10,452 [US$10,428 in 2018].

15. CAPITAL MANAGEMENT

The Corporation's objectives are:

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

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. For the year ended November 30, 2019 the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.1% [0.4% in 2018] [Long-term debt/Equity]
- Return on average shareholder's equity of 13.9% over the last 12 months [15.0% as at November 30, 2018]

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

16. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the year ended November 30, 2019, the Corporation paid a quarterly dividend of $0.0633 per share to common shareholders [quarterly dividend of $0.06 per share in 2018] for a total amount of $14,424 [$13,824 in 2018]. On January 23, 2020, the Board of Directors approved the payment of a quarterly dividend of $0.0667 per common share for the first quarter of 2020.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2019 (including the comparative figures) were approved for issue by the Board of Directors on January 23, 2020.

18. SUBSEQUENT EVENTS

Effective December 2, 2019, the Corporation acquired all of the outstanding common shares of Decotec Inc, a distributor of decorative panels and related products operating one distribution centre in North York, Ontario.

Effective December 9, 2019, the Corporation acquired the principal net assets of Mibro, a distributor of hardware and accessories for power tools for the retailer's market in Canada and the United States. Mibro operates one distribution centre in Toronto, Ontario.

These two acquisitions together represent estimated annual sales of $40 million and an overall investment of approximately $23 million for the Corporation.

19. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2018, have been reclassified to conform to the presentation adopted in the year ended November 30, 2019.

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