



A DYNAMIC
OF TEAM WORK
AND SERVICE



Our know-how



Specialty distribution

We see distribution as a suite of complementary services designed to meet our customers' various residential, institutional and commercial project needs.

We focus our efforts on delivering **outstanding multiaccess service** based on **Richelieu's culture of innovation, 24/7 product accessibility, logistics expertise** and **operational efficiency**.

That is what makes us a North American leader.

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Value-added multiaccess service

To provide a first-class customer experience

At Richelieu, the customer is everyone's business.

Each customer is unique.

LISTENING TO THE CUSTOMER

- Understanding and anticipating needs

MULTIACCESS SERVICE

- Proximity
- Customized service
- richelieu.com

SALES TOOLS for customers

- Complete set of brochures and technical catalogs
- Display systems for manufacturers and retailers
- Website

CONTINUOUS INNOVATION

- Catalyst for global innovation
- Market Influencer

DISTINCTIVE SHOWROOMS

- Showrooms adjacent to the distribution centers

LOGISTICS EXPERTISE

- Interconnected distribution centers
- *One-Stop-Shop* centers
- *Just-in-time* delivery

A LEADER IN NORTH AMERICA



A WORLD-CLASS
IMPORTER
MANUFACTURER
AND DISTRIBUTOR

OF SPECIALTY HARDWARE AND COMPLEMENTARY PRODUCTS

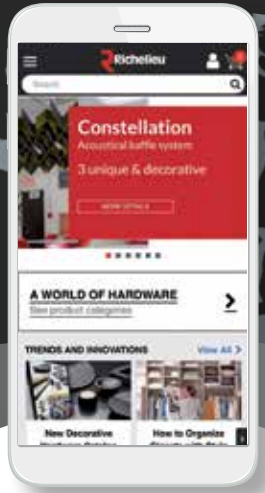
WE SERVE
OVER
100,000
ACTIVE CLIENTS
IN NORTH AMERICA
IN A BROAD RANGE
OF MARKET SECTORS

WITH A STRONG AND
COMMITTED TEAM
OF OVER
2,700 EMPLOYEES

WITH AN OFFERING
OF OVER
130,000 PRODUCTS
(SKUS)
IN AN UNEQUALLED VARIETY
OF CATEGORIES

50% dedicated to sales,
marketing and
customer service

Nearly **50%**
are shareholders
of Richelieu



richelieu.com

● COVERAGE BY REPRESENTATIVES



A ROBUST NETWORK OF

106
INTERCONNECTED
CENTERS*

OPERATED WITH
AN ENTREPRENEURIAL SPIRIT,
AN "ONE-STOP-SHOP" APPROACH
AND A "JUST-IN-TIME"
SERVICE MODE



47

DISTRIBUTION
CENTERS
IN CANADA



57

DISTRIBUTION
CENTERS
IN UNITED STATES

2

MANUFACTURING
CENTERS

Les Industries Cedan inc.

Veneer sheets and edgbanding

Menuiserie des Pins Ltée

Decorative mouldings and
components for the window
and door industry.

* December 2021

Diversified market segments

The manufacturers



We serve tens of thousands of manufacturers and woodworkers in Canada and the United States. An asset, a strength and a challenge that we take on with responsibility and pride.

As entrepreneurs, we support our customers and meet their needs for in-plant efficiency, manufacturing quality and design, whether they are manufacturers of kitchen and bathroom cabinets – storage – closets – residential and office furniture – windows and doors – or woodworking contractors involved in residential and commercial projects.

The segmentation of our clientele allows us to target the needs to provide the most appropriate service to the customer.



The retailers

OF HARDWARE AND MATERIALS AND THE RENOVATION SUPERSTORES



We pay the utmost attention to the quality and efficiency of the service we provide to the thousands of retailers who number among our key partners: renovation superstores, renovation centers and countless independent retailers operating under different banners and buying groups.

Richelieu

onward

**ATTACHES
RELIABLE
FASTENERS**



NYSTROM

CEDAN

MADICO

GORDONPLY

MIBRO

TASK

Architects and designers



Architects and designers are there to optimize the functionality of their clients' homes, providing inspiration and know-how to instill them with harmony and elegance.

Our role is to tell them about the latest innovations and discuss their specific needs with a view to providing the best products and solutions for their residential, institutional and commercial projects.

With Richelieu, they enjoy access to solid expertise and a comprehensive array of functional and decorative hardware solutions and decorative panels, to optimize and customize the living spaces entrusted to their care. Together, we are helping transform the market.

VALUES UNDERLYING OUR CORPORATE CULTURE

Customer focus

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



Innovation

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



Quality of service Accessibility Proximity

Attitude, accessibility, proximity and expertise: the keywords for the professional behavior of our sales and customer service team. Local and customized service at the reach of our 100,000 customers with our multiaccess strategy. No compromise on service quality.

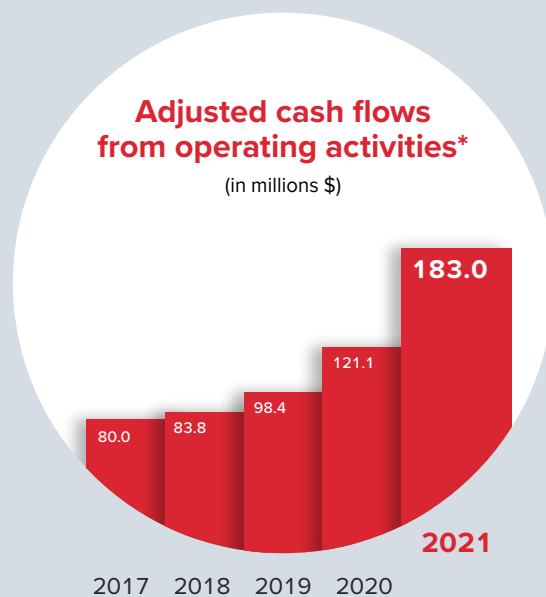
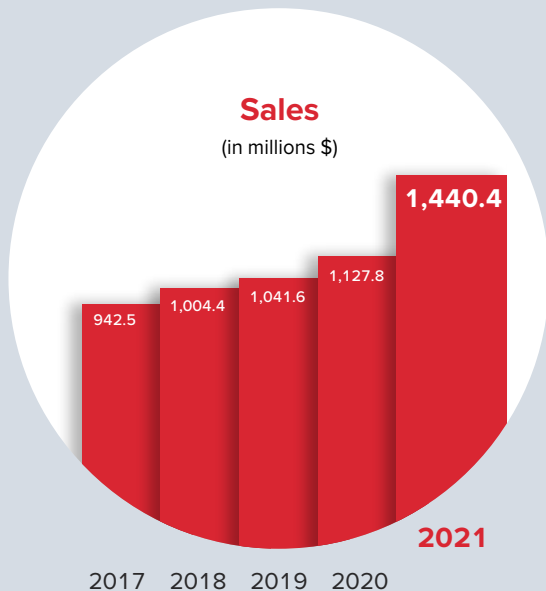
Performance Responsibility Collaboration Entrepreneurial drive

Entrepreneurial spirit of the team, commitment and constant concern for performance. Maintaining a work climate that is conducive to creating value for the four pillars of the Corporation: our customers, our employees, our suppliers and our shareholders.

Ethical behavior Respect Integrity

Values that guide us within the company 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.

Strong track record of growth



* Adjusted cash flows from operating activities is a non-IFRS measure, as indicated on page 32 of this report.

FINANCIAL HIGHLIGHTS

Years ended November 30

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

	2021	2020	2019 ⁽³⁾	2018	2017
Sales	1,440,416	1,127,840	1,041,647	1,004,400	942,545
EBITDA ⁽¹⁾	234,389	154,461	124,207	105,991	102,974
EBITDA Margin (%)	16.3	13.7	11.9	10.6	10.9
Net earnings	142,331	85,611	66,671	67,964	67,932
Net earnings attributable to the Shareholders of the Corporation	141,764	85,222	66,471	67,777	67,704
basic per share (\$)	2.54	1.51	1.17	1.18	1.17
diluted per share (\$)	2.51	1.50	1.16	1.17	1.15
Net margin attributable to the Shareholders of the Corporation (%)	9.8	7.6	6.4	6.7	7.2
Adjusted cash flows from operating activities ⁽²⁾	182,991	121,125	98,390	83,783	79,951
diluted per share (\$)	3.24	2.14	1.72	1.45	1.36
Dividends paid to shareholders of the Corporation	19,374	11,284	14,424	13,824	13,157
per share (\$)	0.280	0.200	0.253	0.240	0.227
Weighted average number of shares outstanding (diluted) (in thousands)	56,466	56,646	57,192	58,064	58,659
<i>As at November 30</i>					
Total assets	964,180	771,056	672,146	569,119	542,667
Working capital	456,376	377,408	335,467	329,343	300,116
Current ratio	3.3	3.6	4.1	4.6	4.0
Equity attributable to the Shareholders of the Corporation	666,442	551,094	498,384	470,278	434,092
Return on average equity (%)	23.3	16.2	13.7	15.0	16.3
Book value per share (\$)	11.93	9.86	8.86	8.23	7.51
Total debt	6,439	5,792	5,659	2,023	4,294
Cash and cash equivalents	58,707	73,928	24,701	7,408	29,162

(1) EBITDA is a non-IFRS measure, as indicated on page 32 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 32 of this report.

(3) Those figures have been restated following the adoption of IFRS 16 on December 1, 2019.

DYNAMIC EXPANSION IN NORTH AMERICA

79 successful acquisitions



49

IN CANADA



30

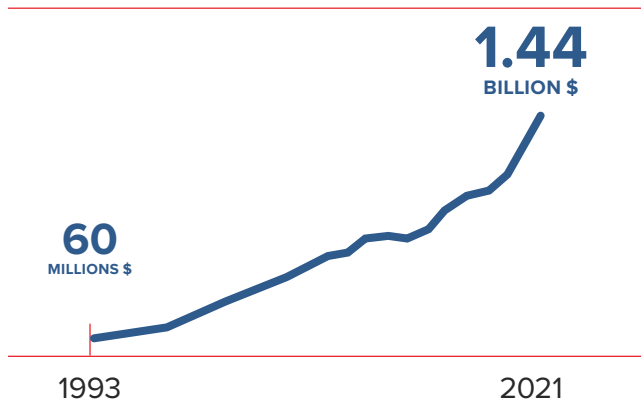
IN UNITED STATES

AND STILL A SIGNIFICANT POTENTIAL FOR EXPANSION TO BE SEIZED IN NORTH AMERICA.

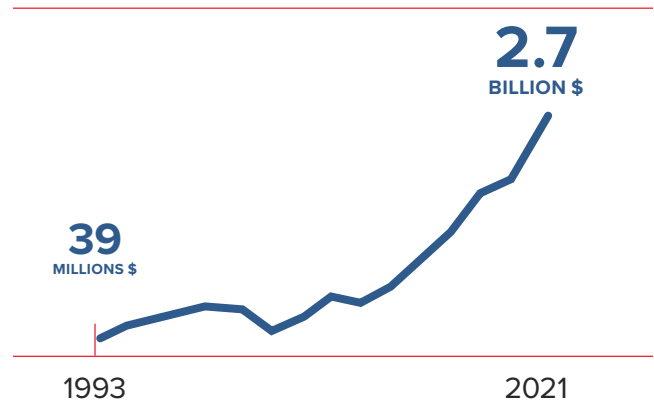
Since 1988, we have based our acquisition strategy on the same criteria: quality, complementarity, cultural compatibility, short and long-term value creation and a fair acquisition price.

The businesses we have acquired over the years have provided us with solid service centers for diversifying our market segments, expanding and consolidating our presence across Canada and the United States, incorporating teams with close knowledge of their respective markets and driving profitable growth.

SALES



MARKET CAPITALIZATION



APPRECIATION IN SHARE PRICE (RCH): 5,841%
SINCE INITIAL STOCK LISTING

TOTAL RETURN ON SHARE/10 YEARS*: 404%

AVERAGE ANNUAL RETURN ON SHARE/10 YEARS*: 17.6%
*INCLUDING DIVIDEND REINVESTMENT

MESSAGE TO SHAREHOLDERS

Richard Lord

President and Chief Executive Officer



Richelieu posted the best financial performance in its history, with sales of \$1.44 billion, a strong increase in results, and an impeccable financial position as at November 30, 2021. The fiscal year was also marked by five new acquisitions in North America and a further three in December, making 2021 for a very active year of expansion. Our innovation and acquisition strategies remain our two main growth drivers, working in synergy, as shown by the healthy and dynamic progression of our financial track record.

Robotic distribution center
Ville St-Laurent, Quebec

To take advantage of the thriving renovation market in 2021, our expert and talented team has leveraged our core strengths: our value-added multiaccess service with our capacity for innovation, our "one-stop-shop" approach, our "just-in-time" service mode, our website richelieu.com, and the diversification of our market segments.

All our markets contributed to the year's record growth, driving sales to 27.7%, with 22.8% stemming from internal growth and 4.9% from acquisitions. The manufacturers market was most active, as our sales reached \$1.2 billion, up 30.9%, including increases of 32.5% in Canada and 37.3% (in U.S. dollars) in the United States. In the retailers market, sales amounted to \$236.8 million, up 13.7%, or 17.6% in Canada and 11.0% (in US dollars) in the United States. We met our profitability targets with EBITDA growth of 51.8% and diluted net earnings per share of \$2.51, up 67.3%.

We pursued our strategic investments, injecting \$66.5 million into business acquisitions, infrastructure and technology for the short and long term. In addition, we invested \$13.1 million in the repurchase of Corporation shares (RCH) in the normal course of business, and our shareholders received \$19.4 million in dividends. Fiscal 2021 has allowed us to strengthen our financial foundation and our ability to make new advances in the coming periods.

The fragmented market Richelieu operates in is conducive to business acquisitions, especially in the current economic context. Every acquisition that complements our business increases our North American coverage, adds expertise and contributes to growth.

We follow our selection criteria closely, to ensure successful integration of the acquired companies. We pursue an acquisition strategy that is win-win for both the vendor and for Richelieu, its customers and shareholders. We do not wait for opportunities to come to us; we are proactively alert. Our priorities are twofold: to bolster our position in specialty markets to serve our customers with an even more diverse and comprehensive offering and to move into new markets. The five acquisitions completed during the fiscal year met our criteria for quality and complementarity by adding new customers, distribution centers solidly established in their respective markets and annual sales of over \$80 million.

We have expanded our **retail** offering through the acquisition of two well-established distributors with over 50 years in the business: **Task Tools**, which has two distribution centers in British Columbia and Ontario, and **Uscan Industrial Fasteners**, based in Quebec. Task Tools, a specialist in hand tools, power tool accessories and related products, serves the Canadian and U.S. markets, while Uscan provides a range of screws, bolts and fasteners to the Canadian market.

Our other three acquisitions strengthen and diversify our position on the **manufacturers** market: **Inter-Co**, a distributor of Division 10 products for the construction industry in Canada and the United States that operates two centers in Ontario and three in Arizona, Ohio and Texas; **Cook Fasteners**, a specialized distributor of screws and bolts based in Mississauga, Ontario; and **Industrial Plywood**, a distributor of panels and related products in Pennsylvania with centers in Reading and Lewistown.

To meet growth requirements in the United States, we expanded our distribution centers in Boston, Dallas, Detroit and Orlando. Other expansion projects are now underway. We also opened our fifth center in New York State in Rochester, as well as a new specialty hardware distribution center in Reading, Pennsylvania.

In addition, we are very pleased with the three new acquisitions in the U.S. we completed in December: **Compi Distributors**, which operates four distribution centers, three in Missouri and one in Illinois; **HGH Hardware Supply**, also with four distribution centers, including one in Birmingham, Alabama; one in Nashville, Tennessee, and two in the Atlanta, Georgia area; and **National Builders Hardware**, which runs a distribution center in Portland, Oregon.

The eight companies that joined us in 2021 are well positioned in their respective markets and share similar values to those of Richelieu, particularly in regard to customer service. They have allowed us to make promising gains into new markets and consolidate our position in regions where we already had an active presence, while adding \$180 million in annual sales. These acquisitions and center openings have expanded our North American network to 106 strategically located distribution centers, including 57 in the United States.

Our innovation strategy is a core component of our value-added service. It keeps Richelieu on the cusp of emerging trends, and as a trendsetter, enabling us to anticipate our customers' needs and provide them with the best functional and decorative solutions the world has to offer.

By teaming up with the top global manufacturers renowned for their product and innovative designs featuring the latest technology, we maintain the most diversified, innovative and comprehensive offering in our market in North America. Over the years, we have built strong and reliable relationships with these manufacturers. They have become our partners in innovation, sharing expertise and helping guarantee access to products with consistent consumer appeal. Our interactions with our customers and suppliers help shape the market and are crucial to quality personalized service.

In the past few years, we have introduced a number of new specialty product categories to meet changing needs in the field of residential and commercial renovation, either through investments in innovation or through our acquisitions. Examples include glass hardware and our lines of high-end decorative panels. In 2021, we launched the world's leading decorative hardware program and further expanded our product lines with new additions designed to improve workplace ergonomics, meet demand for green solutions, enhance the functionality and aesthetics of small spaces in response to the growing trend in tiny living and provide do-it-yourselfers and construction and renovation professionals with efficiency-enhancing tools.

Our two manufacturing plants are also allies in performance and innovation. We are proud to supply our manufacturing and retail customers with products designed to the highest brand standards, providing them with world-class solutions that meet their needs for efficiency and competitiveness.

Logistics play a central strategic and differentiating role at Richelieu and are a core component of our value-added service concept. We rely on an expert logistics team and on technology solutions tailored to our business and the needs of our customers.

In 2021, we continued to invest in technology solutions that create value for us and our customers so as to maximize upstream supply chain efficiency and resource and asset use.

Customer knowledge, predictive analytics, 24/7 accessibility, and operational efficiency are of the utmost importance to us. We are also introducing automation to optimize warehouse workflows, quality control and storage space use.

With our inventory levels, "one-stop-shop" service approach and "just in time" operation model, we readily meet the daily needs of thousands of customers. Efficient logistics are also a major selling point for richelieu.com as online sales are growing strongly.

We have pioneered multiaccess service in our market through digital innovation. This access to our product offerings helps ensure personalized local service for an optimal customer experience – another essential component of our value-added service.

We prioritize all processes that optimize business communications with our customers and suppliers. Every year we invest in our multi-access service. Nearly half of our team, about 1,000 persons, are dedicated to sales, marketing and customer service, providing customers with frontline support and advice – including on-site service – to ensure they find the best products for their project requirements. Our customers can reach us on their mobile devices anytime, anywhere in North America, visit us in person at our distribution centers and showrooms or contact our customer service team by phone.

With **richelieu.com**, a key driver of efficient service and differentiation, we cover the entire North American market, meeting demand even in regions where we don't yet have a physical presence. Customers can browse our entire catalog at their own pace and access more than 130,000 products, complete with technical specifications and assembly documents and videos. They appreciate the convenience of quick and easy product selection, complete order fulfillment and access to updates and promotions, as well as the ability to modify preconfigured products to suit their needs.

In 2022, innovation, collaboration, ongoing improvement and leadership are the watchwords guiding us to profitable growth for the benefit of our customers, employees, suppliers and shareholders.

We will integrate our 2021 acquisitions to generate synergies consistent with our value creation objectives and continue to deepen existing markets and develop new ones in conjunction with our development team in Canada and the United States.

We will pursue our innovation strategy, building on our collaborative approach to innovation with customers and suppliers so we can deliver novel solutions while staying in tune with market requirements.

The North American market still offers ample opportunities for expansion, especially in the United States. Richelieu's solid financials and business integration expertise put us in a good position to forge ahead with our acquisition strategy. To accelerate growth and consolidate our North American leadership in 2022, we will be looking for new opportunities consistent with our vision and criteria.

Subsequent to the acquisitions completed in 2021, we are proud to have welcomed several outstanding teams to the Corporation. We thank them for the expertise and market knowledge they bring to the table, and for sharing in Richelieu's corporate culture. We also wish to thank our team, customers, suppliers, directors and shareholders, as well as all our business partners. Richelieu remains focused on its customers, innovation and results.



President and Chief Executive Officer

Richard Lord

DIRECTORS AND OFFICERS

Directors

Sylvie Vachon⁽¹⁾
Corporate Director

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Lucie Chabot⁽²⁾
Corporate Director

Robert Courteau⁽³⁾
President
Courteau Mainville Management Inc.

Marie Lemay⁽²⁾
President
Royal Canadian Mint

Luc Martin⁽²⁾
Corporate Director

Pierre Pomerleau⁽³⁾
President and Chief Executive Officer
Pomerleau Inc.

Marc Poulin⁽³⁾
Corporate Director

(1) Chairman of the Board

(2) Member of the Audit Committee

(3) 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 Charron
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

Larry Lucyshyn
Vice-President, Sales to US Retailers

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
– Central Canada Division

John Statton
General Manager
– Western Canada Division

Yannick Godeau
Legal Affairs and Corporate Secretary

richelieu.com

A key part of our value-added service



richelieu.com is a set of portals unique in our North American market for its:

- **Scope;**
- **Trilingual platform: English, French, Spanish;**
- **Ergonomic design;**
- **Level of user interactivity for employees, customers and suppliers;**
- **Documentation available in real time, including photos, technical drawings, installation guidelines and product demo videos;**
- **Transactional features enabling customers to efficiently complete all their purchases;**
- **Possibility of configuring some products based on specific needs.**

As an efficiency tool, **richelieu.com** facilitates business management and communications for our North American customers and serves as a Richelieu product showcase that any Internet user can access. Information about our products and inventory is synched with our network of interconnected centers to ensure a consistent sales strategy across our channels.

Designed to optimize service, richelieu.com allows us to better inform our customers and provide web-friendly content to serve them more efficiently.

INNOVATION AS A FORCE FOR DIFFERENTIATION AND VALUE ADDED

At Richelieu, we are resolutely innovation-oriented.

As attentive observers of evolutions in lifestyle, we keep a close eye on the design and technology trends and innovations driving change in residential, commercial and institutional environments. This is how we deliver original and effective solutions that combine durability, looks, eco-design, comfort and convenience, and meet our customers' quest for uniqueness and efficiency.

Whether they are private label solutions and/or proprietary products, combined with product lines sources from top global manufacturers, including local ones – our world-class products are a testament to the kind of know-how that really makes a difference.

Our vast selection of complementary decorative and functional solutions is unique for its diversity and scope and highly valued by the manufacturers, retailers, decorators, designers and architects we do business with.





Innovation Kitchen

**The kitchen, both a place
of intimacy, creativity and conviviality**

To suit every taste and style, the solutions are endless to make the kitchen contemporary, functional, cozy and inviting.

Innovative storage systems, visible or concealed lighting, convenient and attractive worktops.





Innovative mechanisms for furniture and kitchens, allowing, among others, the design of **pantries with sliding shelves** for easy, space-saving, ergonomic storage.



Perfect combination of design and functionality. The latest innovations in **corner cabinet solutions**.



A host of storage and organization solutions for **drawers**.

Market Influencer

Functionality and design Understanding of daily life



Multi-purpose shelf rails with concealed lighting.
Functional storage solutions with **pull-out systems** and swivel shelves
in various materials and colors.

A new easily accessible **retractable shelf**,
a convenient addition to the kitchen countertop that saves space.





The broadest selection of decorative hardware

Innovation, tradition and trends – A vast collection of **decorative handles** to enhance furniture, cabinets and doors, as well as the widest selection of finishes, materials and designs. Product lines that combine innovative design and cutting-edge technology, from the expertise of worldwide leading designers.



A complete range of specialty components, selected for their functionality and aesthetics, to meet the changing and evolving needs and trends for any type of residential or commercial setting.





Versatility and convenience – a wide variety of **decorative panels** for multiple uses, for complete or partial coverage, in an endless array of materials, finishes and colors, that enhance the beauty and comfort of residential, institutional and commercial settings.

Decorative surface products that inspire functional, durable and stylish residential and commercial designs.



Market Influencer

Storage Lighting systems



A comprehensive range of hardware products for customizing **closets** to fit spaces and needs. Storage solutions that are both attractive and functional for the largest and smallest closets.

A vast choice of ambient, directional and task **lighting systems**, adapted to the needs of each piece of furniture, room and layout.





Extensive product lines and hardware systems for **wall bed** designs of all sizes and styles.



Retractable table mechanisms to maximize space.

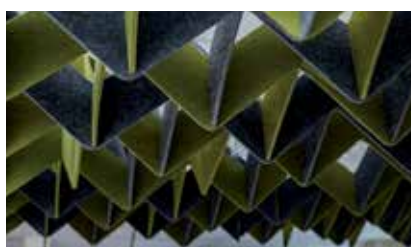


A multitude of complete and reliable **sliding system** solutions to optimize space and add character to living areas in a wide variety of folding, retractable, sliding, side-opening or vertical options.



Several lines of functional hardware are exclusive to Richelieu.

A range of functional supports in elegant and distinctive designs, in line with contemporary styling trends, designed for shelves and wall installations.



Distinctive functional products

A wide variety of products designed to meet specific needs such as facilities for people with reduced mobility and for small spaces, raised ceilings, soundproofing for open spaces, ergonomic solutions for work at home, and much more.





Transparency and safety of glass railings

A complete range of hardware products used to build balustrades with a clean, uncluttered look - a must for staircases, patios and decks for indoor and outdoor spaces in private homes, commercial centers and public areas.



Components for any type of doors and windows

For their residential, institutional and commercial projects, glaziers and window and door manufacturers find at Richelieu all the required components for the manufacturing of doors and windows.





Showrooms Sales tools

The North American network includes modern and inviting showrooms adjacent to the distribution centers. They are visited daily by thousands of visitors throughout the network, who find expert advice and solutions for their projects.

Richelieu provides its customers with a complete range of quality brochures presenting the products and their references, and exclusive displays.



SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

At all levels of our organization, we are committed to the safe, efficient and environmentally-responsible use of resources. By adopting environmentally-friendly policies and procedures, constantly striving to increase and promote our environmentally-responsible product offering, partnering with our major suppliers and carriers as well as implementing efficient and effective energy and waste management programs, we will ultimately be able to significantly reduce the carbon footprint of our network.

Fully aware of the major current trends in environmental, social and governance (ESG) disclosure, and taking into account the opportunities offered by sustainable development with regard to its corporate culture, risk management and strategic thinking, Richelieu recently embarked on a process aimed at increasing the transparency of its past and current ESG efforts, the impact of these efforts on its business activities, and the way in which these same efforts could contribute to its future financial results.

And lastly, Richelieu is also involved in various projects designed to maintain the biodiversity of the areas where it operates. For example, we have equipped our head office with a white roof, we are ensuring the protection of urban beehives, and we regularly participate in various educational, conservation and environmental awareness initiatives, in addition to actively supporting numerous civic initiatives in the communities where we operate and where our team members live and go. These forms of support include community and charitable organizations dedicated to education, culture and sports for youth, physical and mental health, in addition to heritage conservation.

As a supplier of specialty products, we offer a multitude of products with eco-friendly labels for green renovation and construction projects. These thousands of certified products are available in all our centers and online at richelieu.com.



Antibacterial knobs and surfaces



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, 2021

Fiscal 2021 stands out in Richelieu's financial history as the best performing year in terms of results and financial position, and one of the most dynamic in terms of strategic expansion.

Through innovation and acquisition strategies, its distinctive value-added service concept, the diversification of its market segments and its team's expertise, Richelieu continued to benefit from a favorable context throughout 2021. The sharp increase in its results shows that, with its strengths and assets, the Corporation was able to take advantage of the rise in demand in the renovation market as well as business acquisition opportunities. Both Canadian and U.S. markets made strong contributions to our annual growth, including in the fourth quarter ended November 30.

In addition to the five acquisitions concluded during the fiscal year, three acquisitions were completed after November 30, 2021. Together, these eight acquisitions will enable the Corporation to strengthen its presence in markets where it was already active, enter new strategic territories, integrate new teams with solid market knowledge and add over \$180 million in annual sales. These three latest acquisitions are U.S. distributors of specialty hardware and complementary products serving manufacturer customers: **Compi Distributors**, which operates four distribution centres, three of which are in Missouri and one in Illinois; **HGH Hardware Supply**, which also operates four distribution centres, located in Birmingham, Alabama, Nashville, Tennessee, and two in Atlanta, Georgia; and **National Builders Hardware**, which operates a distribution centre in Portland, Oregon. The Corporation also opened two U.S. distribution centres in Rochester, New York, and Reading, Pennsylvania, and expanded several other U.S. centres, notably those located in Detroit, Boston, Dallas, and Orlando. As a result of these developments and recent acquisitions, our North American network now consists of 106 strategically located distribution centres, including 57 in the United States.

With the support and expertise of its Canadian and U.S. teams, Richelieu intends to continue building on its solid foundation and successful strategies to further develop markets and create synergies. With its impeccable financial situation and strong cash position, the Corporation also intends to pursue its strategic expansion by seizing new acquisition opportunities that meet its short- and long-term value creation criteria.

Considering the growth achieved in 2021, an 85.7% increase in dividend was approved by the Corporation's Board of Director on January 20, 2022 thereby raising our quarterly dividend to \$0.13 per share.

- **Consolidated sales** totalled \$1,440 million, up 27.7%, of which 22.8% came from internal growth and 4.9% from acquisitions.
- **Earnings before income taxes, interest and amortization (EBITDA)⁽¹⁾** grew 51.8% to \$234.4 million, compared to \$154.5 million last year. EBITDA margin stood at 16.3%, compared to 13.7% in fiscal 2020.
- **Diluted net earnings per share** rose to \$2.51, up 67.3% compared to \$1.50 in the previous year and **net earnings attributable to shareholders** amounted to \$141.8 million compared to \$85.2 million last year, up 66.3%.
- **Adjusted cash flows from operating activities⁽¹⁾** grew by 47.7% to \$183.0 million compared to \$123.9 million for fiscal 2020.

- **Working capital** increased by 20.9% to \$456.4 million, for a current ratio of 3.3:1.
- **Cash and cash equivalents** totalled \$58.7 million compared to \$73.9 million as at November 30, 2020 and total debt was \$6.4 million.
- **Average return on equity** increased to 23.3% from 16.2% in fiscal 2020.
- **Repurchase** of 316,374 common shares for \$13.1 million and payment of \$19.4 million in dividends to shareholders. Richelieu thus distributed \$32.5 million to shareholders in 2021 while maintaining the financial resources necessary for growth in 2022.

Five acquisitions completed in North America in fiscal 2021:

- April 5, 2021: Acquisition of all issued and outstanding shares of **Task Tools**, a distributor of tools, power tools accessories and related products serving the retailer market in Canada and the United States from two centres in British Columbia and Ontario.
- June 1, 2021: Acquisition of all issued and outstanding shares of **Uscan Industrial Fasteners**, a distributor of screws, bolts, and fasteners serving the retailer market in Canada, operating a distribution centre in Quebec.
- July 5, 2021: Acquisition, through a newly incorporated subsidiary, of 100% of the issued and outstanding shares of **Inter-Co**, in partial consideration of which a participation equivalent to 25% has been granted to the sellers. Inter-Co is a distributor of Division 10 products to the construction industry in Canada (Ontario) and in the U.S. (Arizona, Ohio and Texas).
- September 1, 2021: Acquisition of all shares of **Cook Fasteners**, a specialized distributor of fasteners for the manufacturer market, operating a distribution centre in Mississauga, Ontario.
- September 20, 2021: Acquisition of all net assets of **Industrial Plywood**, a distributor of panels and related products operating from two centres in Pennsylvania (Reading and Lewistown).

(1) EBITDA and adjusted cash flows from operating activities are non-IFRS measures, as indicated on page 32 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, 2021, in comparison with the year ended November 30, 2020, 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, 2021 appearing in the Corporation's 2021 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, 2021, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

The information contained in this MD&A accounts for any major event that occurred prior to January 20, 2022, on which date the audited consolidated financial statements and MD&A were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including amounts shown in tables, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this MD&A, including statements relating to the expected adequacy of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, or ability to weather current economic conditions, access other external financing, close new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including on the assumption that economic conditions and exchange rates will not significantly deteriorate, that supplies will be sufficient to fulfil Richelieu's needs, the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they were prepared, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability as well as other factors set forth in the Corporation's 2021 Annual Report (see the "Risk Factors" section on page 40 of the 2021 Annual Report available on SEDAR).

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

NON-IFRS MEASURES

Richelieu uses earnings before income taxes, interest and amortization ("EBITDA") as we believe this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted performance indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or net earnings attributable to shareholders of the Corporation, as an indicator of financial performance or cash flows, or as a measure of liquidity. Since EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to 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, intangible and right-of-use assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not consider the net change in non-cash working capital items in order to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, adjusted cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies.

GENERAL BUSINESS OVERVIEW as at November 30, 2021

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

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

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Corporation's product selection consists of over **130,000 different items targeting a base of more than 100,000 active customers** served by **97 centres across North America** of which 47 distribution centres in Canada, 48 distribution centres in the United States and 2 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, railings and balusters, floor protection products as well as accessories for power tools. This offering is completed by the Corporation's two manufacturing subsidiaries, Les Industries Cedan Inc. and Menuiserie des Pins Ltée, which manufacture a variety of veneer sheets and edge banding products as well as a broad selection of decorative mouldings and components for the window and door industry. Many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,500 people throughout its network, close to half of whom work in marketing, sales and customer service. Nearly 50% of the Corporation's employees are Richelieu shareholders.

MISSION AND STRATEGY

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

To sustain its growth and remain the leader in its specialty market, the Corporation continues to implement the strategy that has proved beneficial to date, with a particular focus on:

- strengthening its product selection by continuously introducing each year diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service, and
- pursuing its North America expansion by opening new distribution 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 proven organization, highly diversified product selection and long-term relationships with leading suppliers worldwide allows the Corporation to compete effectively in a fragmented market consisting mainly of a host of regional distributors offering a limited range of products.

FINANCIAL HIGHLIGHTS

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

Years ended November 30	2021 \$	2020 \$	2019 ⁽³⁾ \$	2018 \$	2017 \$
Sales	1,440,416	1,127,840	1,041,647	1,004,400	942,545
EBITDA ⁽¹⁾	234,398	154,461	124,207	105,991	102,974
EBITDA margin (%)	16.3	13.7	11.9	10.6	10.9
Net earnings	142,331	85,611	66,671	67,964	67,932
Net earnings attributable to shareholders of the Corporation	141,764	85,222	66,471	67,777	67,704
• per share - basic (\$)	2.54	1.51	1.17	1.18	1.17
• per share - diluted (\$)	2.51	1.50	1.16	1.17	1.15
Net margin attributable to shareholders of the Corporation (%)	9.8	7.6	6.4	6.7	7.2
Adjusted cash flows from operating activities ⁽²⁾	182,991	121,125	98,390	83,783	79,951
• per share - diluted (\$)	3.24	2.14	1.72	1.45	1.36
Dividends paid to shareholders of the Corporation	19,374	11,284	14,424	13,824	13,157
• per share (\$)	0.280	0.200	0.253	0.240	0.227
Weighted average number of shares outstanding (diluted) (in thousands)	56,466	56,646	57,192	58,064	58,659
As at November 30					
Total assets	964,180	771,056	672,146	569,119	542,667
Working capital	456,376	377,408	335,467	329,343	300,116
Current ratio	3.3	3.6	4.1	4.6	4.0
Equity attributable to shareholders of the Corporation	666,442	551,094	498,384	470,278	434,092
Return on average shareholders' equity (%)	23.3	16.2	13.7	15.0	16.3
Book value per share (\$)	11.93	9.86	8.86	8.23	7.51
Total debt	6,439	5,792	5,659	2,023	4,294
Cash and cash equivalents	58,707	73,928	24,701	7,408	29,162

(1) EBITDA is a non-IFRS measure, as indicated on page 32 of this report.

(2) Adjusted cash flows from operating activities and adjusted cash flows from operating activities per share are non-IFRS measures, as indicated on page 32 of this report.

(3) Those figures have been restated following the adoption of IFRS 16 on December 1, 2019.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2021, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2020

Consolidated sales

(in thousands of \$, except exchange rates)

Years ended November 30	2021	2020	
	\$	\$	Δ (%)
Canada	944,836	729,957	+29.4
United States (CA\$)	495,580	397,883	+24.6
(US\$)	395,605	296,329	+33.5
Average exchange rates	1.2527	1.3427	
Consolidated sales	1,440,416	1,127,840	+27.7

Consolidated sales reached \$1,440.4 million, an increase of \$312.6 million or 27.7% over 2020, of which 22.8% from internal growth and 4.9% from acquisitions. At comparable exchange rates to 2020, the consolidated sales growth would have been 30.9% for the year ended November 30, 2021.

Sales to **manufacturers** grew to \$1,203.6 million, compared with \$919.5 million for fiscal 2020, an increase of \$284.1 million or 30.9%, of which 26.9% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 13.7% or \$28.5 million to total \$236.8 million, of which 4.9% from internal growth and 8.8% from acquisitions.

In Canada, Richelieu achieved sales of \$944.8 million, compared with \$730.0 million for fiscal 2020, up by \$214.8 million or 29.4%, of which 24.5% from internal growth and 4.9% from acquisitions. Sales to **manufacturers** rose to \$767.5 million, up by \$188.4 million or 32.5%, of which 29.3% from internal growth and 3.2% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$177.3 million, compared with \$150.8 million, up by \$26.5 million or 17.6% over fiscal 2020, of which 6.4% from internal growth and 11.2% from acquisitions. These increases are the result of increased demand in the renovation market in Canada as well as higher selling prices.

In the United States, the Corporation recorded sales of US\$395.6 million, compared with US\$296.3 million for fiscal 2020, an increase of US\$99.3 million or 33.5%, of which 28.1% from internal growth and 5.4% from acquisitions. Sales to **manufacturers** totalled US\$348.1 million, compared with US\$253.5 million, an increase of US\$94.6 million or 37.3% over fiscal 2020, of which 31.5% from internal growth and 5.8% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 11.0% compared to fiscal 2020, of which 8.2% from an internal growth and 2.8% from acquisitions. As in Canada, these increases can be explained by a higher demand in the renovation market as well as the increase of selling prices. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$495.6 million, compared with \$397.9 million for 2020, an increase of 24.6%. They accounted for 34.4% of consolidated sales in fiscal 2021, whereas they represented 35.3% of the year's consolidated sales in fiscal 2020.

Consolidated EBITDA and EBITDA margin

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2021	2020
	\$	\$
Sales	1,440,416	1,127,840
EBITDA	234,398	154,461
EBITDA margin (%)	16.3	13.7

Earnings before income taxes, interest and amortization (EBITDA) totalled \$234.4 million, up by \$79.9 million or 51.8% over 2020. As for the **EBITDA margin**, it stood at 16.3%, compared with 13.7% for 2020, resulting from improved gross margin, increased sales and cost control.

Amortization expenses amounted to \$37.0 million compared with \$34.0 million for 2020, an increase of \$3.0 million resulting from the increase in the amortization of intangible assets and right-of-use assets mainly relating to business acquisitions as well as lease renewals and expansions made during the year. **Income taxes** amounted to \$52.4 million, an increase of \$20.3 million over 2020.

Consolidated net earnings attributable to shareholders

(in thousands of \$, unless otherwise indicated)

Years ended November 30	2021	2020
	\$	\$
EBITDA	234,398	154,461
Amortization of property, plant and equipment, intangible assets and right-of-use assets	36,957	34,022
Financial costs, net	2,700	2,682
Income taxes	52,410	32,146
Net earnings	142,331	85,611
Net earnings attributable to shareholders of the Corporation	141,764	85,222
Net margin attributable to the shareholders of the Corporation (%)	9.8	7.6
Non-controlling interests	567	389
Net earnings	142,331	85,611

Net earnings rose 66.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$141.8 million, an increase of 66.3% compared to 2020. **Net earnings per share** amounted to \$2.54 basic and \$2.51 diluted, compared with \$1.51 basic and \$1.50 diluted for 2020, an increase of 68.2% and 67.3% respectively.

Comprehensive income totalled \$141.1 million, reflecting a negative adjustment of \$1.2 million on translation of the financial statements of the subsidiary in the United States, compared with \$81.9 million for 2020, which reflected a negative 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
2021				
• Sales	297,581	371,384	373,298	398,153
• EBITDA	38,162	60,954	63,937	71,345
• Net earnings attributable to shareholders of the Corporation	20,984	37,425	38,749	44,606
basic per share	0.38	0.67	0.69	0.80
diluted per share	0.37	0.66	0.69	0.79
2020				
• Sales	249,401	248,253	311,171	319,015
• EBITDA	24,883	33,770	49,083	46,725
• Net earnings attributable to shareholders of the Corporation	11,772	17,707	28,651	27,092
basic per share	0.21	0.31	0.51	0.48
diluted per share	0.21	0.31	0.50	0.48
2019⁽¹⁾				
• Sales	226,351	281,067	269,243	264,986
• EBITDA	20,936	34,371	33,890	35,010
• Net earnings attributable to shareholders of the Corporation	9,943	19,090	18,291	19,147
basic per share	0.17	0.33	0.32	0.34
diluted per share	0.17	0.33	0.32	0.34

(1) These figures have been restated following the adoption of IFRS 16 on December 1, 2019.

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 2021, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2021

Fourth-quarter consolidated sales amounted to \$398.2 million, compared with \$319.0 million for the corresponding quarter of 2020, an increase of \$79.2 million or 24.8%, of which 17.1% resulting of internal growth and 7.7% from acquisitions. At comparable exchange rates to the fourth quarter of 2020, the consolidated sales growth would have been 26.9% for the quarter ended November 30, 2021.

Richelieu achieved sales of \$338.7 million in the **manufacturers** market, compared with \$265.1 million for the fourth quarter of 2020, an increase of \$73.6 million or 27.8%, of which 21.2% from internal growth and 6.6% from acquisitions. These increases come from increased demand in the renovation market as well as higher selling prices. Sales to hardware **retailers** and renovation superstores stood at \$59.5 million, up by \$5.6 million or 10.4% over the fourth quarter of 2020, of which 13.1% resulting from acquisitions and 2.7% from internal decrease, thus reducing the volume of business to a pre-pandemic level. It should be noted that in the second half of 2020, the Corporation benefited from the favorable fallout of strong demand in the renovation market in the context of the pandemic.

In Canada, Richelieu recorded sales of \$260.1 million, an increase of \$45.1 million, or 21.0%, over the fourth quarter of 2020. Sales to **manufacturers** amounted to \$215.0 million, an increase of 23.6% of which 18.9% resulting from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$45.1 million, up by \$4.1 million or 10.0%.

In the United States, sales totalled US\$109.9 million, compared with US\$78.9 million for the fourth quarter of 2020, an increase of US\$31.0 million or 39.3%, of which 30.5% resulting from internal growth and 8.8% from acquisitions. Sales to **manufacturers** amounted to US\$98.4 million, an increase of US\$29.3 million or 42.4% over the fourth quarter of 2020. Sales to hardware **retailers** and renovation superstores were up by US\$1.7 million, or 17.3%, from the corresponding quarter of 2020. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$138.1 million, an increase of 32.8%. They accounted for 34.7% of consolidated sales for the fourth quarter of 2021, whereas they had represented 32.6% of the period's consolidated sales for the fourth quarter of 2020.

Earnings before income taxes, interest and amortization (EBITDA) amounted to \$71.3 million compared with \$46.7 million in the fourth quarter of 2020, up 52.7%. EBITDA margin stood at 17.9%, compared with 14.6% for the fourth quarter of 2020, resulting from improved gross margin, increased sales and continued cost control.

Amortization expenses amounted to \$10.6 million compared with \$8.7 million for the corresponding quarter of 2020, an increase of \$1.9 million. Income taxes amounted to \$15.1 million compared with \$10.2 million for the fourth quarter of 2020.

Net earnings were up by 64.7%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$44.6 million, up by 64.6% over the fourth quarter of 2020. **Net earnings per share** rose to \$0.80 basic and \$0.79 diluted, compared with \$0.48 basic and diluted for the fourth quarter of 2020, an increase of 66.7% and 64.6% respectively.

Comprehensive income amounted to \$47.2 million, reflecting a positive adjustment of \$2.4 million on translation of the financial statements of the subsidiary in the United States, compared with \$26.4 million for the fourth quarter of 2020, which reflected a negative adjustment of \$0.9 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 \$55.0 million or \$0.97 per share, compared with \$36.2 million or \$0.64 per share for the fourth quarter of 2020, an increase of 51.8% resulting primarily from net earnings increase. Net change in non-cash working capital balances used cash flows of \$41.6 million, reflecting the change in inventory and accounts receivable of \$41.7 million, whereas the change in accounts payable and other items represented a cash inflow of \$0.1 million. Consequently, operating activities provided cash flows of \$13.3 million, compared with \$33.5 million for the fourth quarter of 2020.

Financing activities used cash flows of \$11.2 million, compared with \$31.0 million for the fourth quarter of 2020. This change was primarily driven by common shares repurchases of \$25.0 million for the fourth quarter of 2020 while no share repurchases were made in the fourth quarter of 2021.

Investing activities used cash flows of \$10.2 million in the fourth quarter, of which \$5.2 million for business acquisitions and \$5.0 million mainly for equipment to maintain and improve operational efficiency.

FINANCIAL POSITION

Analysis of significant cash flows for the year ended November 30, 2021

Change in cash and cash equivalents and capital resources

(in thousands of \$, unless otherwise indicated)

	2021	2020
Years ended November 30	\$	\$
Cash flows provided by (used in):		
Operating activities	104,406	148,513
Financing activities	(53,691)	(53,642)
Investing activities	(66,490)	(45,515)
Effect of exchange rate fluctuations	554	(129)
Net change in cash and cash equivalents	(15,221)	49,227
Cash and cash equivalents, beginning of year	73,928	24,701
Cash and cash equivalents end of year	58,707	73,928
As at November 30	2021	2020
Working capital	456,376	377,408
Renewable line of credit (CA\$)	65,000	65,000
Renewable line of credit (US\$)	6,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached \$183.0 million or \$3.24 diluted per share, compared with \$123.9 million or \$2.19 diluted per share for 2020, an increase of 47.7% stemming primarily from an increase in net earnings. Net change in non-cash working capital balances used cash flows of \$78.6 million, primarily representing changes in inventory and accounts receivable of \$117.5 million whereas accounts payable and other items represented a cash inflow of \$38.9 million. Consequently, operating activities provided cash flows of \$104.4 million compared with \$148.5 million for 2020.

Financing activities

Financing activities used cash flows of \$53.7 million, compared with \$53.6 million for 2020. During the year, Richelieu repaid long-term debt of \$6.4 million, paid lease obligations of \$19.4 million and issued shares for \$5.2 million, compared to a long-term debt repayment of \$5.2 million, lease obligations payments of \$17.5 million and a \$5.6 million share issue in 2020. Dividends paid to shareholders of the Corporation amounted to \$19.4 million compared to \$11.3 million up by 71.7% over 2020.

Note that the Corporation paid a special dividend of \$0.0667 per share in addition to a dividend of \$0.07 per share in the first quarter of 2021. The Corporation also repurchased common shares for an amount of \$13.1 million compared with \$25.0 million in 2020.

Investing activities

Investing activities used cash flows of \$66.5 million, of which \$49.4 million for business acquisitions and \$17.1 million, mainly for equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at November 30, 2021, **cash and cash equivalents** amounted to \$58.7 million, compared with \$73.9 million as at November 30, 2020. The Corporation had a working capital of \$456.4 million for a current ratio of 3.3:1, compared with \$377.4 million (3.6:1 ratio) as at November 30, 2020.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities between now and the end of 2022. 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 2022, 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, 2021

Summary of financial position

(in thousands of \$, except exchange rates)

	2021	2020
As at November 30	\$	\$
Current assets	659,179	522,702
Non-current assets	305,001	248,354
Total	964,180	771,056
Current liabilities	202,803	145,294
Non-current liabilities	92,440	71,319
Equity attributable to shareholders of the Corporation	666,442	551,094
Non-controlling interests	2,495	3,349
Total	964,180	771,056
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.279	1.297

Assets

Total assets amounted to \$964.2 million as at November 30, 2021, compared with \$771.1 million as at November 30, 2020.

Current assets increased by 26.1% or \$136.5 million from November 30, 2020. This increase stems from the addition of current assets following the business acquisitions made during the year, from internal growth of the business and, to a lesser extent, to increase of inventory supply costs.

Non-current assets increased by 22.8% mainly due to the addition of intangible assets and goodwill related to business acquisitions.

Cash position and long-term debt

(in thousands of \$)

	2021	2020
As at November 30	\$	\$
Current portion of long-term debt	5,339	3,592
Long-term debt	1,100	2,200
Total debt	6,439	5,792
<i>Cash and cash equivalents</i>	58,707	73,928

As at November 30, 2021, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was \$6.4 million, representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$666.4 million as at November 30, 2021, compared with \$551.1 million as at November 30, 2020, an increase of \$115.3 million. This increase is mainly due to a rise of \$109.7 million in retained earnings, which amounted to \$590.5 million, and of \$6.9 million in share capital and contributed surplus, while accumulated other comprehensive income was down by \$1.2 million. As at November 30, 2021, **the book value per share** was \$11.93, up by 21.0% over November 30, 2020, and the return on average shareholders' equity was 23.3%.

As at November 30, 2021, the Corporation's **share capital** consisted of 55,841,119 common shares (55,893,568 shares as at November 30, 2020). In 2021, upon the exercise of stock options under the stock option plan, Richelieu issued 263,925 common shares at an average price of \$19.54 (331,900 in 2020 at an average price of \$16.92). In addition, 316,374 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$13.1 million in 2021 (678,362 common shares for a cash consideration of \$25.0 million in 2020). The Corporation granted 289,000 stock options in fiscal 2021 (300,500 in 2020) and cancelled 31,875 (41,375 in 2020). Consequently, as at November 30, 2021, 1,691,125 stock options were outstanding (1,697,925 as at November 30, 2020).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2021

(in thousands of \$)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	5,339	1,100	—	6,439
Operating leases	20,753	56,883	25,899	103,535
Total	26,092	57,983	25,899	109,974

For 2022 and for the foreseeable future, the Corporation expects that cash flows from operating activities and other sources of financing will be sufficient to meet its ongoing contractual commitments

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2022, and no unusual events will entail additional capital expenditures. This expectation also remains subject to disclosed "Risk Factors".

FINANCIAL INSTRUMENTS

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

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

In notes 1 and 12 of the audited consolidated financial statements for the year ended November 30, 2021, 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, 2021. 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, 2021, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Corporation's audited consolidated financial statements for the year ended November 30, 2021, have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable.

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

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

SUBSEQUENT EVENTS

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centres in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL., HGH Hardware Supply, a distributor of specialized hardware operating four distribution centres in Birmingham, AL, Nashville, TN and two in Atlanta, GA and National Builders Hardware, a distributor of specialized hardware operating one distribution centre in Portland, OR, for a cash consideration of \$46 million, subject to certain conditions. Together these transactions will generate sales estimated at \$100 million annually.

NEW ACCOUNTING METHODS

At the date of approval of the financial statements, no new applicable standards or interpretation of existing standards or new amendments that have been published need to be adopted by the Corporation.

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 15% 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 close to 50% of its employees, including senior officers, are Richelieu shareholders.

Product liability

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

IT contingency plan and data security

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

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

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

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

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

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

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

SHARE INFORMATION AS AT JANUARY 20, 2022

Issued and outstanding common shares:	55,848,619
Outstanding stock options:	1,956,875

OUTLOOK

In 2022, Richelieu will continue to be customer oriented and focus on quality of service and innovation. Its two major sources of growth will remain innovation and business acquisition strategies in its sector. The Corporation will pursue its current market development in North America and its efforts to penetrate new territories, especially in the United States. It remains on the lookout for strategic acquisitions to further strengthen its positioning and create additional sales and operational synergies, while giving priority to operational efficiency and sound financial management.

SUPPLEMENTARY INFORMATION

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



(Signed) Richard Lord
President and
Chief Executive Officer



(Signed) Antoine Auclair
Vice-President and
Chief Financial Officer

January 20, 2022

MANAGEMENT'S REPORT

Related to the consolidated financial statements

The consolidated financial statements of **Richelieu Hardware Ltd.** (the "Corporation") 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, 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 20, 2022



(Signed) Richard Lord
President and
Chief Executive Officer



(Signed) Antoine Auclair
Vice-President and
Chief Financial Officer

INDEPENDANT 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, 2021 and 2020, 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, 2021 and 2020, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Valuation of customer relationships acquired through business acquisitions

During the year, the Group made business acquisitions for an aggregate consideration of \$56.2 million. As part of these business acquisitions, the Group recognized customer relationship intangible assets with a combined fair value of \$16.8 million. The purchase price allocation related to these business acquisitions is disclosed in Note 3 to the consolidated financial statements.

We identified the valuation of the acquisition-date fair value of the customer relationship intangible assets acquired in the business acquisitions as a key audit matter. The fair value of customer relationship intangible assets acquired is determined in reference to valuation inputs including estimates related to forecasted cash flows, such as revenue growth and earnings before interest, taxes, depreciation, and amortization ["EBITDA"] margins, as well as customer attrition and discount rates. These valuation inputs utilized in establishing the fair value of customer relationship intangible assets acquired require significant auditor judgement as well as the involvement of valuation specialists due to the sensitivity of the fair value conclusion to these significant assumptions.

How our audit addressed the key audit matter

Nos procédures d'audit ont compris, entre autres :

- Inspecting the share and asset purchase agreements to obtain an understanding of the transactions and the key terms;
- Involving our valuation specialists to assist in evaluating the valuation methodology selected by management and its application to determine the fair value of the customer relationships acquired;
- Involving our valuation specialists to assist in evaluating the reasonableness of the significant valuation assumptions including, forecasted cash flows, such as revenue growth and EBITDA margins, as well as customer attrition and discount rates, by reviewing historical financial data of the targets, and benchmarking against other acquisitions made by the Group; and
- Performing sensitivity analyses to test the sensitivity of the fair value conclusions to changes in significant assumptions such as revenue growth, customer attrition and discount rates

Other information

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

- Management's discussion and analysis; and
- 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.

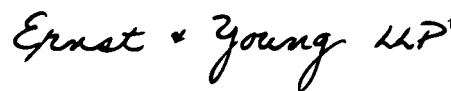
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



(Signed) Ernst & Young LLP

Montreal, Canada

January 20, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30
[In thousands of dollars]

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents		58,707	73,928
Accounts receivable		199,585	156,908
Inventories		395,464	287,344
Prepaid expenses		5,423	4,522
		659,179	522,702
Non-current assets			
Property, plant and equipment	4	46,239	40,920
Intangible assets	5	53,910	42,243
Right-of-use assets	10	87,013	73,076
Goodwill	5	110,776	85,197
Deferred taxes	9	7,063	6,918
		964,180	771,056
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	155,009	120,193
Income taxes payable	9	21,281	4,031
Current portion of long-term debt	7	5,339	3,592
Current portion of lease obligations	10	21,174	17,478
		202,803	145,294
Non-current liabilities			
Long-term debt	7	1,100	2,200
Lease obligations	10	71,880	60,457
Deferred taxes	9	9,868	6,842
Other liabilities		9,592	1,820
		295,243	216,613
Equity			
Share capital	8	54,610	48,522
Contributed surplus	8	7,046	6,280
Retained earnings		590,522	480,808
Accumulated other comprehensive income	11	14,264	15,484
Equity attributable to shareholders of the Corporation		666,442	551,094
Non-controlling interests		2,495	3,349
		668,937	554,443
		964,180	771,056

*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) Luc Martin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

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

	Notes	2021 \$	2020 \$
Sales		1,440,416	1,127,840
Operating expenses excluding amortization	8, 12	1,206,018	973,379
Earnings before amortization, financial costs and income taxes		234,398	154,461
Amortization of property, plant and equipment and right-of-use assets	4, 10	29,059	27,261
Amortization of intangible assets	5	7,898	6,761
Financial costs, net		2,700	2,682
		39,657	36,704
Earnings before income taxes		194,741	117,757
Income taxes	9	52,410	32,146
Net earnings		142,331	85,611
Net earnings attributable to:			
Shareholders of the Corporation		141,764	85,222
Non-controlling interests		567	389
		142,331	85,611
Net earnings per share attributable to shareholders of the Corporation			
	8		
Basic		2.54	1.51
Diluted		2.51	1.50

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
[In thousands of dollars]

	Notes	2021 \$	2020 \$
Net earnings		142,331	85,611
Other comprehensive loss that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	(1,220)	(3,697)
Comprehensive income		141,111	81,914
Comprehensive income attributable to:			
Shareholders of the Corporation		140,544	81,525
Non-controlling interests		567	389
		141,111	81,914

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 (loss)	Total	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
Notes	8	8		11			
Balance as at November 30, 2019	42,190	5,700	431,313	19,181	498,384	3,237	501,621
Net earnings	—	—	85,222	—	85,222	389	85,611
Other comprehensive loss	—	—	—	(3,697)	(3,697)	—	(3,697)
Comprehensive income (loss)	—	—	85,222	(3,697)	81,525	389	81,914
Shares repurchased	(587)	—	(24,443)	—	(25,030)	—	(25,030)
Stock options exercised	6,919	(1,305)	—	—	5,614	—	5,614
Share-based compensation expense	—	1,885	—	—	1,885	—	1,885
Dividends (note 16)	—	—	(11,284)	—	(11,284)	(277)	(11,561)
Other liabilities	—	—	—	—	—	—	—
	6,332	580	(35,727)	—	(28,815)	(277)	(29,092)
Balance as at November 30, 2020	48,522	6,280	480,808	15,484	551,094	3,349	554,443
Net earnings	—	—	141,764	—	141,764	567	142,331
Other comprehensive loss	—	—	—	(1,220)	(1,220)	—	(1,220)
Comprehensive income (loss)	—	—	141,764	(1,220)	140,544	567	141,111
Shares repurchased	(295)	—	(12,799)	—	(13,094)	—	(13,094)
Stock options exercised	6,383	(1,225)	—	—	5,158	—	5,158
Share-based compensation expense	—	1,991	—	—	1,991	—	1,991
Dividends (note 16)	—	—	(19,374)	—	(19,374)	(511)	(19,885)
Other liabilities	—	—	—	—	—	(185)	(185)
Acquisition of non-controlling interests (note 3)	—	—	123	—	123	(725)	(602)
	6,088	766	(32,050)	—	(25,196)	(1,421)	(26,617)
Balance as at November 30, 2021	54,610	7,046	590,522	14,264	666,442	2,495	668,937

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
[In thousands of dollars]

	Notes	2021 \$	2020 \$
OPERATING ACTIVITIES			
Net earnings		142 331	85 611
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment and right-of-use assets	4, 10	29 059	27 261
Amortization of intangible assets	5	7 898	6 761
Deferred taxes	9	(1 216)	(393)
Share-based compensation expense	8	1 991	1 885
Financial costs		2 928	2 806
		182 991	123 931
Net change in non-cash working capital balances		(78 585)	24 582
		104 406	148 513
FINANCING ACTIVITIES			
Repayment of long-term debt		(6 424)	(5 173)
Dividends paid to Shareholders of the Corporation	16	(19 374)	(11 284)
Payment of lease obligations		(19 446)	(17 492)
Other dividends paid		(511)	(277)
Common shares issued	8	5 158	5 614
Common shares repurchased for cancellation	8	(13 094)	(25 030)
		(53 691)	(53 642)
INVESTING ACTIVITIES			
Business acquisitions	3	(49 436)	(33 074)
Additions to property, plant and equipment and intangible assets	4, 5	(17 054)	(12 441)
		(66 490)	(45 515)
Effect of exchange rate changes on cash and cash equivalents		554	(129)
Net change in cash and cash equivalents		(15 221)	49 227
Cash and cash equivalents, beginning of year		73 928	24 701
Cash and cash equivalents, end of year		58 707	73 928
Supplementary information			
Income taxes paid		36 703	27 062
Interest paid, net		2 700	2 682

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and 2020

(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 an importer, manufacturer and distributor of specialty hardware and complementary products. Its products target an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture manufacturers, 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 Corporation’s accounting policies have been applied consistently to all fiscal years presented in these consolidated financial statements.

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 relate to impairment of inventory, including inventory losses 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

Lease

i) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (i.e., the date the underlying asset is available for use) and are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of the lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which is currently between 2 and 15 years.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ii) Lease obligations

At the commencement date of the lease, the lease obligation is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if applicable. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

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 which is currently between 2 and 5 years. 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. 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. As part of goodwill impairment tests, the Corporation generally uses fair value less costs to sell to estimate the recoverable amount, which is calculated by multiplying earnings before depreciation, amortization, financial charges and taxes ["EBITDA"] of the CGU or group of CGUs by the multiple of the EBITDA from comparable companies whose activities are similar to those of the Corporation. As part of the impairment tests on intangible assets with indefinite useful lives, the Corporation also uses the fair value less costs to sell in order to estimate the recoverable amount, which is calculated according to the relief-from-royalty method. This method involves estimating the fair value of trademarks by reference to royalty levels payable for the use of comparable assets.

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. Gains or losses resulting from revaluation at the end of each period may be recorded in net earnings or in retained earnings. The Company has chosen to record them in retained earnings. The Company has classified the measurement of this fair value as level 3, as it is based on data which are not observable in the market.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 an hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to derivative 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 financial asset 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 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 for the 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.

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 and 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

At the date of approval of the financial statements, no new applicable standards or interpretation of existing standards or new amendments that have been published need to be adopted by the Corporation.

3. BUSINESS ACQUISITIONS

2021

Effective March 29, 2021, the Corporation acquired the principal net assets of Ontario Building Supply, a decorative panel and related products distributor operating a distribution centre in Rochester, New York.

Effective April 5, 2021, the Corporation acquired all issued and outstanding shares of Caplan Industries Inc. doing business as Task Tools, a distributor of power tool accessories and related products serving retailers in Canada and the U.S. from two centres in British Columbia and Ontario.

Effective as of June 1, 2021, the Corporation acquired all of the issued and outstanding shares of Uscan Industrial Fasteners Ltd, a distributor of industrial screws, bolts and industrial fasteners for the retailer's market in Canada, which operates one distribution centres located in Quebec.

Effective as of July 5, 2021, the Corporation acquired, through a newly incorporated subsidiary ("Newco"), 100% of the issued and outstanding shares of Inter-Co Inc., in partial consideration of which a participation equivalent to 25% of the share capital of Newco has been issued in the name of the sellers. Inter-Co Inc. is a distributor of Division 10 products intended for the construction industry operating five distribution centres, three in the United States (Arizona, Ohio and Texas) and two in Canada (Ontario).

3. BUSINESS ACQUISITIONS (cont'd)

Effective September 1, 2021, the Corporation acquired all of the issued and outstanding shares of Cook Fasteners Inc., an industrial fastener distributor operating a distribution centre in Mississauga, Ontario.

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

Sales of \$39.5 million have been generated by these acquisitions since their completion. Had these acquisitions been made on December 1, 2020, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$80 million.

2020

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

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

Effective February 3, 2020, the Corporation acquired the principal net assets of Omaha Hardwood Lumber Company ("O'Harco"), a distributor of specialized hardware operating three distributions centres in Omaha, NB, Des Moines, IA and Sioux Falls, SD.

Effective June 29, 2020, the Corporation acquired the principal net assets of Central Wholesale Supply, a distributor of specialized hardware operating a distribution centre in Richmond, VA.

Effective August 4, 2020, the Corporation acquired the principal net assets of Lion Hardware, a specialty hardware distributor serving a clientele of door and window manufacturers in Eastern Canada, operating a distribution centre in Saint-Jacques, New Brunswick.

Summary of acquisitions

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

	2021	2020
	\$	\$
Current assets acquired	34,508	27,324
Property, plant and equipment and right-of-use assets	6,702	4,758
Intangible assets [Note 5]	18,653	11,849
Goodwill [Note 5]	25,751	6,187
	85,614	50,118
Current liabilities assumed	(13,174)	(5,455)
Non current liabilities assumed	(4,269)	(3,935)
Deferred taxes	(4,400)	(955)
Non controlling interests	(7,589)	—
Net assets acquired	56,182	39,773
Consideration		
Cash, net of cash acquired	48,834	33,074
<i>Consideration payable [Note 7]</i>	7,348	6,699
	56,182	39,773

Goodwill deductible for tax purposes with regard to these acquisitions amounts to 648 \$ [\$3,629 in 2020]. On March 1, 2021, the Corporation acquired from a minority shareholder an additional 5% interest in the voting shares of Menuiserie des Pins Ltée, increasing its ownership interest to 85%, for a cash consideration of \$602.

Preliminary purchase price allocations are subject to fair value adjustments to assets, liabilities and goodwill until the estimation process is complete. The final allocation of the purchase price should be completed as soon as management has gathered all the information available and deemed necessary to finalize the calculation, in particular for intangible assets, no later than 12 months after the acquisition date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2021 and 2020 (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	3,743	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
Acquisitions	17	323	728	4,866	2,497	735	1,181	10,347
Business acquisitions [note 3]	—	—	—	410	353	59	—	822
Amortization	—	(1,377)	(855)	(3,775)	(2,485)	(1,322)	(1,556)	(11,370)
Effect of changes in foreign exchange rates	—	—	(22)	(69)	(77)	(15)	(5)	(188)
Net carrying amount as at November 30, 2020	3,760	8,157	1,992	16,625	6,145	1,579	2,662	40,920
Cost	3,760	30,568	8,555	49,505	19,694	17,604	16,728	146,414
Accumulated amortization	—	(22,411)	(6,563)	(32,880)	(13,549)	(16,025)	(14,066)	(105,494)
Net carrying amount as at November 30, 2020	3,760	8,157	1,992	16,625	6,145	1,579	2,662	40,920
Acquisitions	—	829	1,155	6,078	3,492	762	3,643	15,959
Business acquisitions [note 3]	—	—	—	127	182	437	69	815
Amortization	—	(1,130)	(793)	(4,122)	(2,601)	(941)	(1,778)	(11,365)
Effect of changes in foreign exchange rates	—	—	(7)	(25)	(47)	(8)	(3)	(90)
Net carrying amount as at November 30, 2021	3,760	7,856	2,347	18,683	7,171	1,829	4,593	46,239
Cost	3,760	31,378	9,476	54,949	22,706	17,970	20,021	160,260
Accumulated amortization	—	(23,522)	(7,129)	(36,266)	(15,535)	(16,141)	(15,428)	(114,021)
Net carrying amount as at November 30, 2021	3,760	7,856	2,347	18,683	7,171	1,829	4,593	46,239

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	\$	\$	\$	\$	\$	\$
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
Acquisitions	2,094	—	—	—	2,094	—
Business acquisitions [note 3]	—	501	11,186	162	11,849	6,187
Amortization	(981)	(852)	(4,839)	(89)	(6,761)	—
Effect of changes in foreign exchange rates	—	(1)	(212)	(109)	(322)	(1,154)
Net carrying amount as at November 30, 2020	2,563	388	32,783	6,509	42,243	85,197
Cost	11,100	5,791	64,956	6,509	88,356	85,197
Accumulated amortization	(8,537)	(5,403)	(32,173)	—	(46,113)	—
Net carrying amount as at November 30, 2020	2,563	388	32,783	6,509	42,243	85,197
Acquisitions	1,095	—	—	—	1,095	—
Business acquisitions [note 3]	—	1,247	16,836	570	18,653	25,751
Amortization	(944)	(399)	(6,555)	—	(7,898)	—
Effect of changes in foreign exchange rates	(10)	(2)	(137)	(34)	(183)	(172)
Net carrying amount as at November 30, 2021	2,704	1,234	42,927	7,045	53,910	110,776
Cost	12,186	7,002	81,424	7,045	107,657	110,776
Accumulated amortization	(9,482)	(5,768)	(38,497)	—	(53,747)	—
Net carrying amount as at November 30, 2021	2,704	1,234	42,927	7,045	53,910	110,776

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 \$93.8 million and \$14.9 million, while \$2.1 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.

6. BANK INDEBTEDNESS

As at November 30, 2021 and 2020, 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 2.45% and 3.75% as at November 30, 2021 [2.45% and 3.75% as at November 30, 2020]. These lines of credit are renewable annually. As at November 30, 2021 and 2020, both were undrawn.

7. LONG-TERM DEBT

	2021	2020
	\$	\$
Non-interest bearing business acquisition considerations payable, including US\$1,805	6,439	5,792
Current portion of long-term debt	5,339	3,592
Long-term debt	1,100	2,200

The long-term portion of the debt is payable in full in January 2023.

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, 2019	56,240	42,190
Issued	332	6,919
Repurchased	(678)	(587)
Outstanding, November 30, 2020	55,894	48,522
Issued	264	6,383
Repurchased	(316)	(295)
Outstanding, November 30, 2021	55,842	54,610

During fiscal 2021, the Corporation issued 263,925 common shares [331,900 in 2020] at a weighted average exercise price of \$19.54 per share [\$16.92 in 2020] 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 \$41.74 [\$33.03 in 2020]. In addition, during fiscal 2021, the Corporation, through a normal course issuer bid, repurchased 316,374 common shares for cancellation in consideration of \$13,094 [678,362 common shares for a consideration of \$25,030 in 2020], which resulted in a premium on the redemption in the amount of \$12,799 recognized as a reduction of retained earnings [premium of \$24,443 in 2020].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average share price \$
Outstanding, November 30, 2019	1,771	22.80
Granted	301	28.48
Exercised	(332)	16.92
Cancelled	(41)	28.70
Outstanding, November 30, 2020	1,699	24.81
Granted	289	34.84
Exercised	(264)	19.54
Cancelled	(33)	30.25
Outstanding, November 30, 2021	1,691	27.14

The table below summarizes information regarding the stock options outstanding as at November 30, 2021:

Range in exercise price (in dollars)	Options outstanding			Exercisable options	
	Number of options (in thousands)	Weighted average remaining period (in years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
9.14 - 12.75	34	0.96	11.98	34	11.98
12.76 - 17.75	36	2.15	14.50	36	14.50
17.76 - 24.75	375	3.87	20.87	375	20.87
24.76 - 34.84	1,246	7.24	29.81	595	28.30
	1,691	6.26	27.14	1,040	24.62

During fiscal 2021, the Corporation granted 289,000 options [300,500 in 2020] with an average exercise price of \$34.84 per share [\$28.48 in 2020] and an average fair value of \$9.04 per option [\$6.43 in 2020] as determined using the Black & Scholes option pricing model using an expected dividend yield of 0.8% [0.9% in 2020], a volatility of 22.9% [21.6% in 2020], a risk-free interest rate of 0.80% [1.70% in 2020] and an expected life of 7 years [7 years in 2020] and 31,875 options were cancelled [41,375 in 2020]. For the year ended November 30, 2021, compensation expense related to stock options amounted to \$1,991 [\$1,885 in 2020] and is recognized under *Operating expenses excluding amortization*.

Deferred share unit plan

The financial liability resulting from the DSU plan of \$8,949 [\$7,316 as at November 30, 2020] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2021, the fair value of the equity swaps amounted to a liability of \$164 [a liability of \$314 as at November 30, 2020] and is presented under *Accounts payable and accrued liabilities*. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data. The compensation expense for the DSUs for the year ended November 30, 2021 amounted to \$819 [\$738 in 2020] and is recognized under *Operating expenses excluding amortization*.

8. SHARE CAPITAL (cont'd)

Number of DSUs	2021	2020
Outstanding, beginning of year	193,445	274,194
Paid	—	(88,907)
Granted	17,964	8,158
Outstanding, end of year	211,409	193,445

Share purchase plan

Compensation expense related to the share purchase plan amounted to \$813 for the year ended November 30, 2021 [\$713 in 2020] and is recognized under *Operating expenses excluding amortization*.

Net earnings per share

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

(in thousands)	2021	2020
Weighted average number of shares outstanding - Basic	55,896	56,315
Dilutive effect under stock option plan	570	331
Weighted average number of shares outstanding - Diluted	56,466	56,646

The computation of diluted net earnings per share includes all outstanding options [in 2020 did not take into account the weighted average of 306,000 stock options since their exercise price being higher than the average price of the shares for the period would have had an anti-dilutive effect].

9. INCOME TAXES

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

	2021	2020
	\$	\$
Current	53,626	32,539
Deferred:		
Related to temporary differences	(1,169)	(386)
Deferred tax related to changes in tax rates	(47)	(7)
	52,410	32,146

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

	2021	2020
	\$	\$
Combined statutory rates	26.60%	26.59%
Income taxes at combined statutory rates	51,801	31,312
Increase (decrease) resulting from:		
Impact of statutory rates differences for the subsidiary outside Canada	(422)	(181)
Share-based compensation	420	415
Non-deductible expenses and other	658	607
Changes related to tax laws and tax rates	(47)	(7)
	52,410	32,146

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:

	2021	2020
	\$	\$
Deferred taxes		
Reserve for tax purposes only upon disbursement and other tax attributes	11,542	8,567
Excess of the net carrying value of property, plant and equipment over their tax value	(2,638)	(838)
Excess of the net carrying value of intangible assets and goodwill over their tax value	(13,310)	(8,914)
Right-of-use assets and lease obligations	1,601	1,261
Net amount	(2,805)	76

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

	2021	2020
	\$	\$
Deferred tax assets	7,063	6,918
Deferred tax liabilities	(9,868)	(6,842)
	(2,805)	76

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

	2021	2020
	\$	\$
Balance at the beginning of the year, net	76	750
In net earnings	1,216	393
Business acquisitions [note 3]	(4,400)	(955)
Other	303	(112)
Balance at the end of the year, net	(2,805)	76

As at November 30, 2021, the Corporation had \$25,080 of taxable temporary differences related to investments in subsidiaries [nil in 2020]. Deferred tax liabilities were not recognized in respect of such taxable temporary differences as the Corporation controls the decisions affecting the realization of such liabilities and does not expect these temporary differences to reverse in the foreseeable future.

10. COMMITMENTS AND CONTINGENCIES

Foreign exchange forward contracts

As at November 30, 2021, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2021 and January 2022.

Type	Currency	Average exchange rate
Purchase	€6,333	1.44

Lease obligations

As at November 30, 2021	\$
Less than one year	20,753
Between 1 and 5 years	56,883
More than 5 years	25,899
	103,535

During fiscal 2021, right-of-use assets additions amounted to \$32,089 [\$26,076 in 2020]. Depreciation of right-of-use assets of \$17,694 [\$15,891 in 2020] and Interest on lease liabilities of \$2,922 [\$2,806 in 2020] are included in the consolidated statement of earnings.

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:

	2021 \$	2020 \$
Balance, beginning of year	15,484	19,181
Exchange differences on translation of foreign operations	(1,220)	(3,697)
Balance, end of year	14,264	15,484

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 classified the fair value measurement in Level 2, as it is derived from observable market data.

As at November 30, 2021, the fair value of the foreign exchange forward contracts amounted to an asset of \$59 [a liability of \$15 as at November 30, 2020], 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, 2021 and 2020 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:

	2021 \$	2020 \$
Balance, beginning of year	6,613	6,763
Allowance for doubtful accounts	860	1,242
Write-offs	(1,375)	(1,753)
Exchange rate variations and other	73	361
Balance, end of year	6,171	6,613

The aging of the accounts receivable is as follows :

	2021 \$	2020 \$
Current	142,779	120,215
Past due 1-30 days	41,824	35,915
Past due more than 30 days	21,153	7,391
Allowance for doubtful accounts	(6,171)	(6,613)
	199,585	156,908

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totaled \$1,067 [\$1,070 in 2020]. As at November 30, 2021 and 2020, 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, 2021, an exchange gain of \$3,244 [gain of \$2,880 in 2020].

The Corporation's policy is to maintain purchase prices and selling prices of its commercial activities by mitigating its exposure through the use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange rate risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange rate 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, 2021, 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 \$685 [\$392 as at November 30, 2020] and would have increased comprehensive income by \$7,019 [\$7,123 as at November 30, 2020]. 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, 2021.

Liquidity risk

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

Operating expenses excluding amortization

	2021 \$	2020 \$
Inventories from the distribution, imports and manufacturing activities recognized as an expense	1,030,869	825,552
Salaries and related charges	166,269	140,969
Other charges	8,880	6,858
	1,206,018	973,379

An expense of \$6,486 [\$4,054 in 2020] for inventory obsolescence was included in Inventories from the distribution, imports and manufacturing activities.

Government grant

During fiscal 2020, the Corporation recognized an amount of \$6,904 as a reduction of Salaries and related charges, included under *Operating expenses excluding amortization*, in connection with the Canada Emergency Wage Subsidy (“CEWS”) program. No amount has been recorded for in 2021.

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
Les industries Cedan Inc.	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	85	85
Interco division 10 Inc.	Canada	75	75

(1) Richelieu Finances Ltée is the owner of 100% of Richelieu Hardware Canada Ltd.

Executive officers' compensation

	2021 \$	2020 \$
Short-term employee benefits	4,266	4,213
Other long-term benefits	633	514
Share-based compensation	687	692
	5,586	5,419

Accounts payable and accrued liabilities included a retirement allowance amounting to \$3,920 [\$3,440 as at November 30, 2020] payable to an executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2021, nearly 66% of sales had been made in Canada [65% in 2020]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to C\$495,580 [C\$397,883 in 2020] and US\$395,605 [US\$296,329 in 2020].

As at November 30, 2021, out of the total amount in property, plant and equipment, \$9,582 [\$7,677 in 2020] is located in the United States. In addition, intangible assets located in the United States amounted to C\$13,514 [C\$14,145 in 2020] and goodwill to C\$14,954 [C\$14,479 in 2020] and to US\$10,565 [US\$10,910 in 2020] and goodwill to US\$11,690 [US\$11,168 in 2020]. Of the total amount of right-of-use assets, \$45,993 [November 30, 2020 - \$31,408] was located in the United States.

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. As at November 30, 2021 and for the year then ended, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 1.0% [1.1% as at November 30, 2020] [Long-term debt/Equity]
- Return on average shareholder's equity of 23.3% over the last 12 months [16.2% for the year ended November 30, 2020]

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, 2021, the Corporation paid four quarterly dividends of \$0.07 per common share and one special dividend of \$0.0667 to common shareholders [three quarterly dividends of \$0.0667 per common share in 2020] for a total amount of \$19,374 [\$11,284 in 2020]. On January 20, 2022, the Board of Directors approved the payment of a quarterly dividend of \$0.13 per common share for the first quarter of 2022.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2021 (including comparative figures) were approved for issue by the Board of Directors on January 20, 2022.

18. SUBSEQUENT EVENTS

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centres in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL, HGH Hardware Supply, a distributor of specialized hardware operating four distribution centres in Birmingham, AL, Nashville, TN and two in Atlanta, GA and National Builders Hardware, a distributor of specialized hardware operating one distribution centre in Portland, OR, for a cash consideration of \$46 million, subject to certain conditions. Together these transactions will generate sales estimated at \$100 million annually.

19. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2020, have been reclassified to conform to the presentation adopted for the year ended November 30, 2021.



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