

The background of the top half of the page is a dark, wood-grain textured surface. Two large, dark grey, semi-circular shapes are positioned on either side of a central red circle. The red circle is the focal point, containing the main headline in white, bold, uppercase letters.

**A WORLD
OF INNOVATIONS
WITHIN YOUR REACH**

Annual Report **2022**



TABLE OF CONTENTS

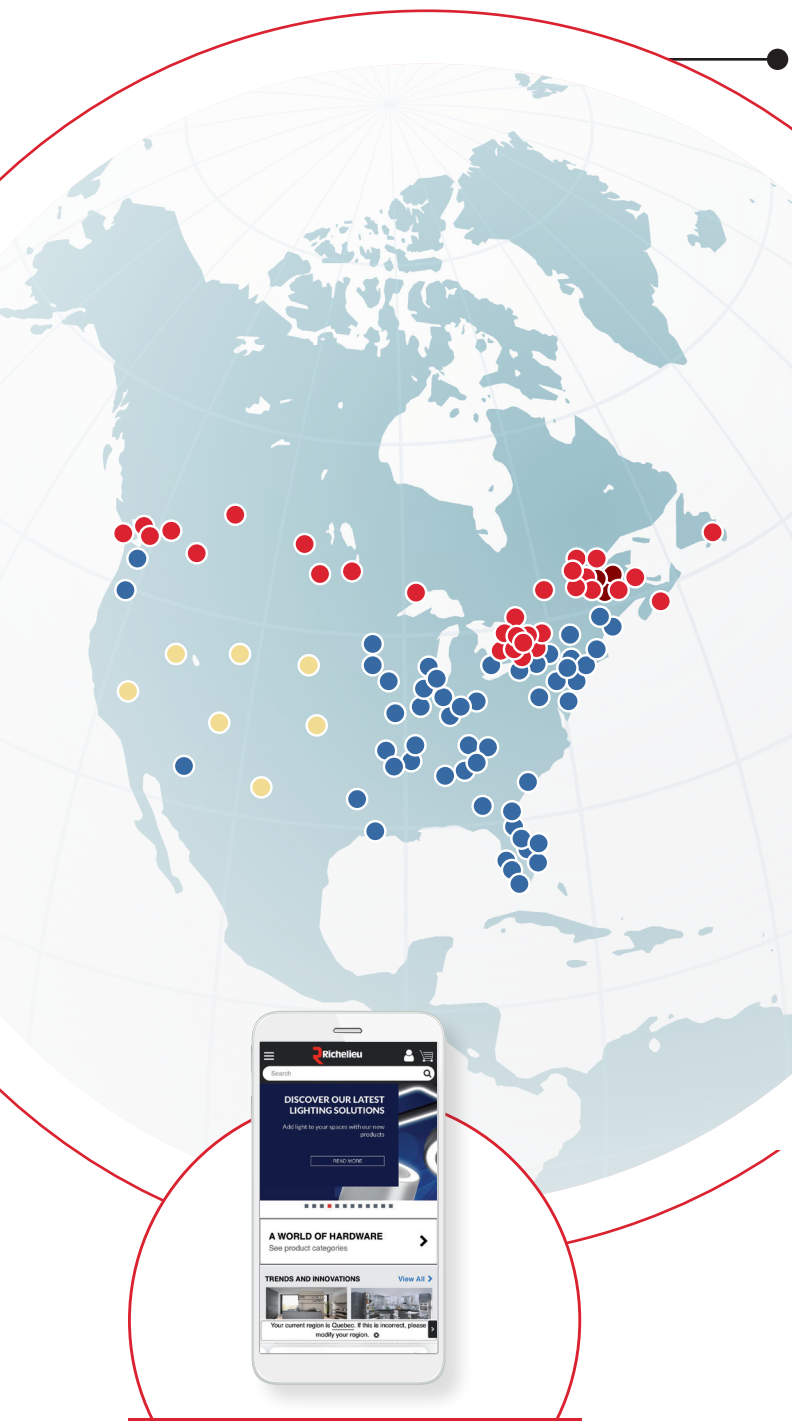
2-3	Profile
4-5	Financial Highlights
6	Core values
7	Acquisitions
8	Message to Shareholders
13	Directors and Officers
17	richelieu.com
18	Innovations – Products
23	Social and Environmental Responsibility
24	Management’s Report
37	Management’s Report and Independent Auditor’s Report
39	Consolidated Statements of Financial Position
40	Consolidated Statements of Earnings
40	Consolidated Statements of Comprehensive Income
41	Consolidated Statements of Changes in Equity
42	Consolidated Statements of Cash Flows
43	Notes to Consolidated Financial Statements



TRUST BUILT ON THE
EXPERTISE, RIGOR AND
CREATIVITY OF OUR **TEAM**,
ON STRENGTHS OF LISTENING,
DEDICATED SERVICE AND
INNOVATION.



112 INTERCONNECTED CENTERS*



● ONE-STOP-SHOP

● JUST-IN-TIME SERVICE MODE

● ONLINE PRESENCE

50 DISTRIBUTION CENTERS IN CANADA

Anjou	Delta	Montreal (3)	Sudbury
Barrie	Edmonton	North York	Terrebonne
Brampton	Kelowna	Ottawa	Thunder Bay
Brantford	Kitchener	Quebec (3)	Toronto (5)
Burlington	Laval (2)	Regina	Vancouver (5)
Calgary (4)	Longueuil (2)	Saskatoon	Victoria (2)
Concord	Mississauga	St-Jacques	Winnipeg
Dartmouth (2)	Moncton	St. John's	

59 DISTRIBUTION CENTERS IN UNITED STATES

Atlanta (3)	Detroit	Louisville	Reading (2)
Birmingham	Fort Myers	Memphis	Richmond
Boston	Greensboro	Morristown	Riviera Beach
Buffalo	Greenville	Nashville (2)	Rochester
Burlington	Hartford	New York (2)	Sarasota
Carlstadt	Hialeah	Omaha	Savannah
Charlotte	Hickory	Orlando	Seattle
Chicago (2)	Houston (2)	Ozark	Sioux Falls
Cincinnati	Indianapolis	Philadelphie	Springfield IL
Columbus	Jacksonville	Phoenix	St. Louis
Dallas	Kansas City	Pompano	Syracuse
Dania	Lewiston	Portland ME	Tampa Bay
Des Moines	Lincoln Park	Portland OR	Thomasville

3 MANUFACTURING PLANTS

Les Industries Cedan inc.
Longueuil
Veneers and edgebanding

Usimm/Unigrav
Drummondville
Machining, 3D digitization, unique products

Menuiserie des Pins Ltée
Notre-Dame-des-Pins
Decorative mouldings and components for the window and door industry

● COVERAGE BY REPRESENTATIVES

RICHELIEU.COM

* After the acquisitions completed in January 2023.

- **IMPORTER**
- **MANUFACTURER**
- **WORLD-CLASS DISTRIBUTOR**

of specialty hardware
and complementary products

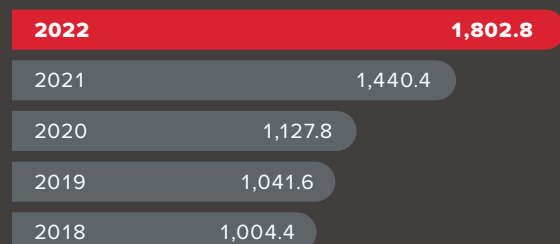
NORTH AMERICAN LEADER

Serving a diversified clientele of over **110,000 customers** – who have access to more than **130,000 products** (SKUs) including worldwide innovations in a multitude of functional and decorative categories, plus specialty products from three manufacturing plants – available on **richelieu.com** and at **112 centers** across Canada and the United States – thanks to the know-how of a team of nearly **3,000 employees**, some **50%** of them dedicated to sales, marketing, and customer service, and close to **50%** are also shareholders of Richelieu.

SUSTAINED GROWTH ON SOLID FOUNDATIONS

SALES

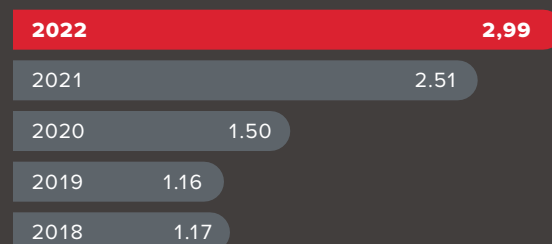
(in millions \$)



NET EARNINGS PER SHARE

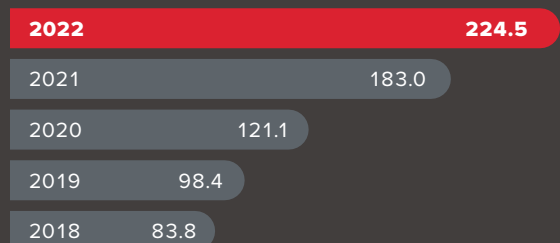
ATTRIBUTABLE TO SHAREHOLDERS (DILUTED)

(in \$)



ADJUSTED CASH FLOWS FROM OPERATING ACTIVITIES⁽¹⁾

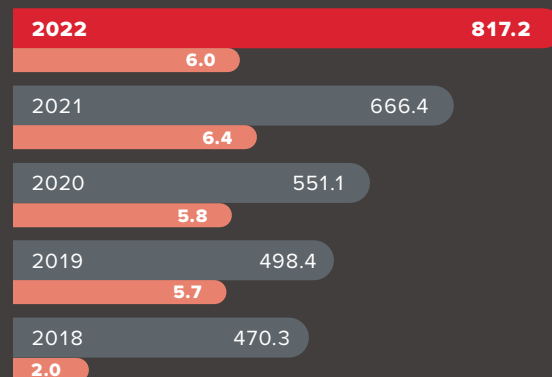
(in millions \$)



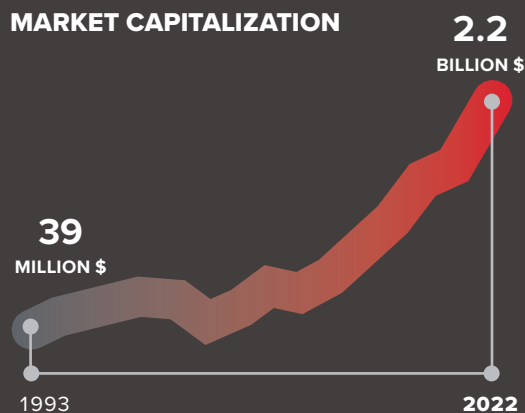
(1) Adjusted cash flows from operating activities are non-IFRS measures, as indicated on page 26 of this report.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS / DEBT

(in millions \$)



MARKET CAPITALIZATION



APPRECIATION IN SHARE PRICE (RCH): **5,375%**
SINCE INITIAL STOCK LISTING

TOTAL RETURN ON SHARE/10 YEARS*: **276%**

AVERAGE ANNUAL RETURN ON SHARE/10 YEARS*: **14.2%**

* Including dividend reinvestment

FINANCIAL HIGHLIGHTS

Years ended November 30

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

	2022	2021	2020	2019 ⁽³⁾	2018
Sales	1,802,787	1,440,416	1,127,840	1,041,647	1,004,400
EBITDA ⁽¹⁾	287,442	234,398	154,461	124,207	105,991
EBITDA margin (%)	15.9	16.3	13.7	11.9	10.6
Net earnings	169,949	142,331	85,611	66,671	67,964
Net earnings attributable to the Shareholders of the Corporation	168,390	141,764	85,222	66,471	67,777
• basic per share (\$)	3.01	2.54	1.51	1.17	1.18
• diluted per share (\$)	2.99	2.51	1.50	1.16	1.17
Net margin attributable to the Shareholders of the Corporation (%)	9.3	9.8	7.6	6.4	6.7
Adjusted cash flows from operating activities ⁽²⁾	224,483	182,991	121,125	98,390	83,783
• diluted per share (\$)	3.98	3.24	2.14	1.72	1.44
Dividends paid to shareholders of the Corporation	29,083	19,374	11,284	14,424	13,824
• per share (\$) ⁽⁴⁾	0.520	0.280	0.200	0.253	0.240
Weighted average number of shares outstanding (diluted) (in thousands)	56,345	56,466	56,646	57,192	58,064
As at November 30					
Total assets	1,283,865	964,180	771,056	672,146	569,119
Working capital	562,548	456,376	377,408	335,467	329,343
Current ratio	2.6	3.3	3.6	4.1	4.6
Equity attributable to the Shareholders of the Corporation	817,157	666,442	551,094	498,384	470,278
Return on average equity (%)	22.7	23.3	16.2	13.7	15.0
Book value per share (\$)	14.65	11.93	9.86	8.86	8.23
Long-term debt	6,067	6,439	5,792	5,659	2,023
Cash and cash equivalents (bank overdraft)	(111,988)	58,707	73,928	24,701	7,408

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

(2) Adjusted cash flows from operating activities and adjusted cash flows from operating activities per share are non-IFRS measures, as indicated on page 26 of this report.

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

(4) The amount per share presented for 2021 excludes a special dividend paid of \$0.0667 per share.

OUR CORE VALUES



CUSTOMER FOCUS

Understand the challenges and needs of our manufacturer and retailer customers. Support them in their competitiveness objectives by responding efficiently and reliably to their needs and exceeding their expectations.

INNOVATION • CREATIVITY

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

QUALITY OF SERVICE • ACCESSIBILITY • PROXIMITY

Attitude, accessibility, proximity and expertise: the keywords for the professional behavior of our sales and customer service team. Local and customized service at the reach of our 110,000 customers with our multi-channel strategy.

PERFORMANCE • RESPONSIBILITY • COLLABORATION • ENTREPRENEURIAL DRIVE

Entrepreneurial spirit of the team, commitment and 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 • SOCIAL AND ENVIRONMENTAL AWARENESS

Cooperation, respect, fairness, integrity: values that guide us within the Corporation and in our professional practices. They have earned us the trust of our partners and make us proud to be part of the great Richelieu team.

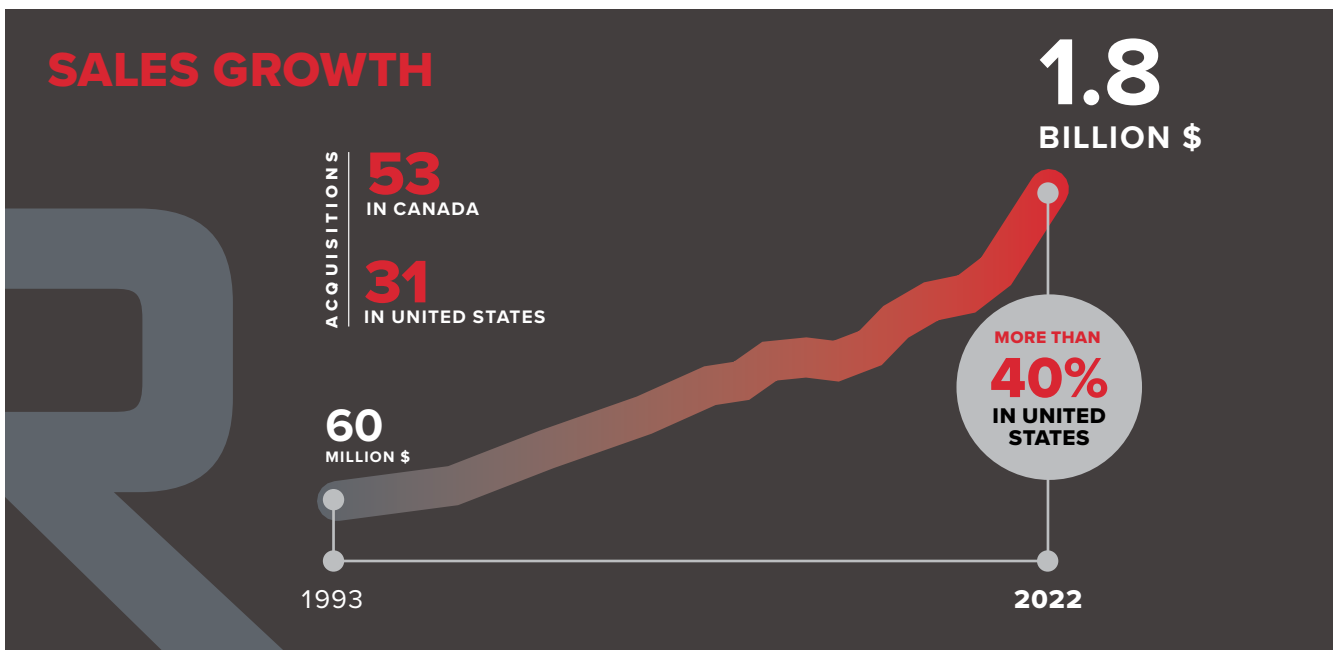
GROWTH

FUELED BY TARGETED, COMPLEMENTARY ACQUISITIONS

Over the past three decades, Richelieu has successfully completed **84 acquisitions**, all of which contributed to raising sales from about **\$60 million** in 1993 to **\$1.8 billion** in 2022.

Eighteen were completed in the last three financial years, including four in 2022, and four more were closed in early 2023. These recent acquisitions gave us access to new U.S. territories, including Alabama, South Dakota, Iowa, Missouri, Nebraska, Oregon and Virginia, and increased our coverage in specialty markets.

In 2022, **more than 40%** of our total sales came from the United States. Our team has been joined by new talents through these acquisitions, and a complementary product stream is being added to our offering, for expanded customer service and new growth opportunities.



MESSAGE TO SHAREHOLDERS

Our priority is to serve our customers with a proactive approach in order to facilitate the implementation of their projects and their competitiveness and differentiation objectives, whether they are manufacturers or retailers and renovation superstores. Thanks to our dedicated and skilled team, we are successfully meeting the challenges of serving a growing customer base of over 110,000 manufacturers and retailers in diversified markets across North America.

Our focus on innovation and service excellence adds value for our customers and earns us their trust and loyalty. That is what Richelieu's reputation for quality is built on.

We are relying on the strength of our customer-oriented, value-creating business model with our two growth drivers, innovation and targeted acquisitions, to steadily strengthen our leadership position for the benefit of our customers, employees, suppliers and shareholders.



RICHARD LORD

President and Chief Executive Officer

**OUR GROWTH STRATEGY,
COMBINED WITH QUALITY
EXECUTION, CONTINUED TO
DRIVE OUR RESULTS AND
STRENGTHEN OUR FINANCIAL
FOUNDATIONS.**

Regardless of the economic situation, Richelieu has consistently demonstrated financial stability with solid results performance, as was also the case in 2022 with strong sales, net earnings growth and a very healthy financial position. Total sales were up 25.2% to \$1.8 billion, driven by a sharp 28.9% increase in the manufacturers market, including 14.2% in Canada and 49.7% (US\$) in the U.S., and a 6.3% contribution from the retailers market. Our acquisitions contributed 11.8% to growth, while internal growth, fueled by new product flow and market development and penetration, accounted for 13.4% of total sales growth. The sales increase, our sustained efficiency and cost control efforts were reflected in the 22.6% and 19.1% increase in EBITDA and diluted net earnings per share respectively.

Sustained investment in innovation, business acquisitions, infrastructure and technology relevant to our operations is fundamental in order to further expand our market shares, diversify our customer segments and maintain optimal quality, productivity and service levels. In 2022, we invested \$66.8 million, including \$44.2 million in four new acquisitions, and \$22.6 million in equipment for operational efficiency, in infrastructure for expansion and fit-up projects at our U.S. distribution centers in Atlanta, Fort Myers, Nashville and Pompano, as well as in the opening of the Carlstadt and Minneapolis centers, plus the one in Chicago dedicated specifically to the retailers market. We also invested in Richelieu by repurchasing \$12.3 million in common shares in the normal course of business, and we paid \$29.1 million in dividends to shareholders, representing 17% of net earnings and a 50% increase compared to our 2021 dividend payout.

WE ARE CONSTANTLY SEEKING TO ACQUIRE NEW BUSINESSES THAT MEET OUR CRITERIA. WE INTEGRATE THEM BY SHARING OUR RESPECTIVE ORGANIZATIONAL STRENGTHS TO BETTER SERVE OUR CUSTOMERS.

In the fragmented market Richelieu operates in, we identify our acquisition targets through careful and clear-sighted consideration of team quality, compatibility with our operations, acquisition price, and the potential for sales synergies and cost streamlining. Our experience has shown that businesses meeting

these criteria are easier to integrate, taking into account the operational reality. Our goal is to capture new market shares by accessing new territories and adding complementary product lines and expertise, as we did in early 2022 with the acquisition of three specialty hardware distributors: **Compi Distributors**, active in Missouri and Illinois with four distribution centers, **HGH Hardware Supply** operating two distribution centers in Georgia, one in Alabama and one in Tennessee, and **National Builders Hardware** which operates in Oregon with one distribution center. The fourth acquisition, **Deno Quincaillerie** in Quebec, joined Richelieu in September 2022. Combined, these transactions represent approximately \$125 million in additional annual sales.

In January 2023, we seized new opportunities and completed four other acquisitions that also help diversify our offering and customer base: **Quincaillerie Rabel**, a specialty hardware distributor in Terrebonne, QC; **Trans-World Distributing**, an industrial fastener distributor in Dartmouth, NS; and **Unigrav** and **Usimm**, two businesses supplying custom products and operating a digitization center for the architectural and industrial markets in Drummondville and Montreal, respectively. These four transactions add approximately \$18 million in sales on an annual basis.

We are delighted and proud to welcome these new teams to Richelieu. We will benefit from their expertise in their specialty markets and will pool our respective strengths to effectively align our operations and growth potential.

THE ADDED VALUE OF OUR SERVICE RESULTS FROM THE COMBINATION OF DISTINCTIVE STRENGTHS TO OPTIMIZE THE CUSTOMER EXPERIENCE BEFORE, DURING AND AFTER THE PURCHASE PROCESS AT RICHELIEU. A COMPREHENSIVE APPROACH TO FACILITATE OUR CUSTOMERS' BUSINESS.

In 2022, we pursued our initiatives and investments in the various components of our customer service, including network coverage, service personalization, expanding our offering with more innovative products and adding expertise through our acquisitions. Our customer focus is rooted in our corporate values, our strategic plans and first and foremost in our team, which now numbers near 3,000 employees.

By visiting our website richelieu.com, which is a showcase for our many functional and decorative solutions and customizable options, visitors can appreciate our innovative approach and the scope of our offering. In addition, our many modern and welcoming showrooms, adjacent to our distribution centers, also provide easy access to our offer as well as information and advice on our products and their uses. We are consistently updating our offering with innovative products from the world's most renowned manufacturers for their technological and design performance. Our innovation strategy provides key added value to our customers. By investing in innovation and acquiring businesses that complement our offering, we give customers access to the most diversified and comprehensive selection of reliable, attractive, and uniquely functional products on the North American market.

We approach innovation collaboratively with our customers and partner suppliers. This helps us meet expectations by staying aligned with emerging trends and market needs.

While the quality, the innovative aspect and the diversity of our offer attract and seduce, all our service initiatives are focused on creating value for our customers, and enhancing their experience at Richelieu. Our expert supply chain resources and our investments in process optimization keep us organized, agile, and well positioned to respond to changes in demand, customer buying habits, and the steady increase in online sales on richelieu.com.

We strive to maintain optimal productivity and execution at our distribution centers by implementing the equipment, technology, and logistics methods best suited to the business. We continually monitor the efficiency of our warehouse management practices to minimize risk, reduce operator travel, simplify shipping, and synchronize inventory across our centers and online. We make constant adjustments across the supply chain to further provide unparalleled customer service as we expand and grow our offering, customer base, and sales, and add new distribution centers.

Our continually updated, trilingual website is a powerful tool that lets our customers select, configure, and purchase products 24/7. They can quickly find solutions to make their projects a success. Visitors find the inspiration to discuss with their architects and designers or carry out themselves using product demo videos.

Product availability and accessibility, flexibility, fast and accurate service are the keys to our one-stop-shop approach and “just-in-time” service throughout our network of 112 interconnected centers.

TO ENSURE ANOTHER YEAR OF SUCCESSFUL DEVELOPMENT AND GROWTH IN 2023, WE WILL MAINTAIN OUR STRATEGIC FOCUS AND TOP PRIORITY OF REMAINING AN EFFECTIVE AND VALUED PARTNER TO OUR CUSTOMERS

In the coming periods, we will pursue the integration of our recent acquisitions by developing synergies and giving priority to practices that optimize productivity and profitability.

Richelieu is a key player in an exciting and innovative industry with boundless potential for product creation and growth. What’s more, the market we operate still boasts numerous opportunities to acquire businesses that complement our activities. We will continue moving forward — in line with our values and in cooperation with our teams — by maintaining

our ability to anticipate and adapt effectively to change, and by seizing and creating opportunities through our innovation and acquisition strategies, which work in synergy to generate value for Richelieu and our customers.

Through our ongoing efforts and investments, we will keep our organization agile and efficient, aiming for excellence in execution and service. Customer and innovation orientation is at the heart of Richelieu’s commitment to bring global innovations to North American customers. This is how Richelieu acts as a facilitator and a catalyst for innovation.

We extend our thanks and appreciation to our employees across the network. We would also like to thank the members of our board of directors and our suppliers, business partners, and shareholders. To all of you, we reiterate our commitment to making Richelieu prosper.



President and Chief Executive Officer

(Signed) Richard Lord

DIRECTORS AND OFFICERS

Directors

Sylvie Vachon ⁽¹⁾
Corporate Director

Richard Lord
President and Chief Executive Officer
Quincaillerie Richelieu Ltd.

Lucie Chabot ⁽²⁾
Corporate Director

Robert Courteau ⁽³⁾
President
CM 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 Charon
Vice-President – Logistics and Supply Chain

Denis Gagnon
Vice-President – Information Technology

Marjolaine Plante
Vice-President – Human Resources

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

Craig Ratchford
Vice-President, General Manager
– United States

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

A BROAD BASE OF MANUFACTURER AND RETAILER CUSTOMERS IN DIVERSIFIED MARKET SEGMENTS



● MANUFACTURERS

Our manufacturer customers are active in a variety of fields, however their projects are all intended for residential, commercial and institutional needs, whether they are manufacturers of kitchen and bathroom cabinets, wardrobes, storage, residential and office furniture, or doors and windows. They have to deal with the challenges faced by any business.

Our mission is to listen to their challenges and their supply and manufacturing needs, and to provide them optimal satisfaction with impeccable quality and reliability of service, including a wide range of functional and decorative products to optimize the execution of their projects.





● RETAILERS AND RENOVATION SUPERSTORES

We serve thousands of retailers across North America, from independent retailers under various banners and buying groups to renovation superstores and renovation centers. We understand the challenges they face in a changing business environment. With timely and reliable service and a diversified offering to meet the market needs, we help make these retailers destinations where customers can enjoy an in-store experience that meets their expectations.

Richelieu

onward

ATTACHES RELIABLE FASTENERS

TASK

NYSTROM

TASK KINGCORD

CEDAN

MADICO

feltac

MIBRO



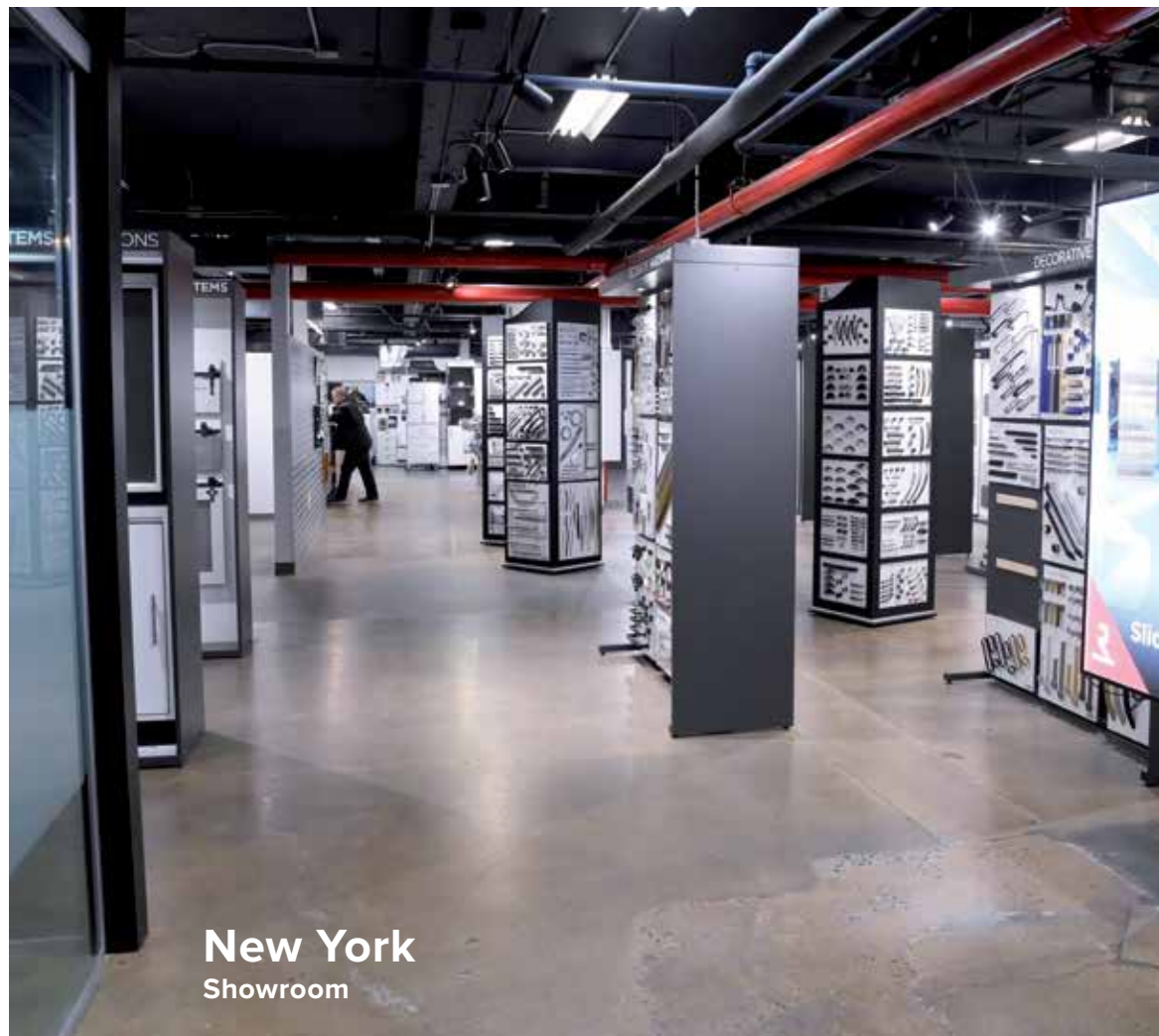
MEKANO®

TASK KINGCHAIN

ARCHITECTS AND DESIGNERS

We are committed to informing and serving these professionals who combine many expertises, being involved in residential, commercial or institutional constructions and renovations, from design to delivery of the finished project. They know how to make people dream while keeping in mind the challenges. By making our product expertise available to them and informing them about our extensive range of solutions, we work as a team, transforming trends into reality and changing how things are done.

Our new spacious and informative New York showroom features a multitude of functional and decorative products to inspire architects, designers, kitchen and cabinet makers, building and renovation entrepreneurs.



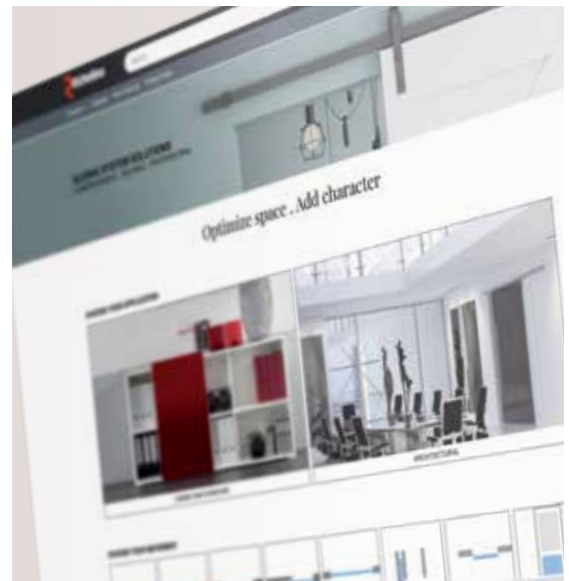
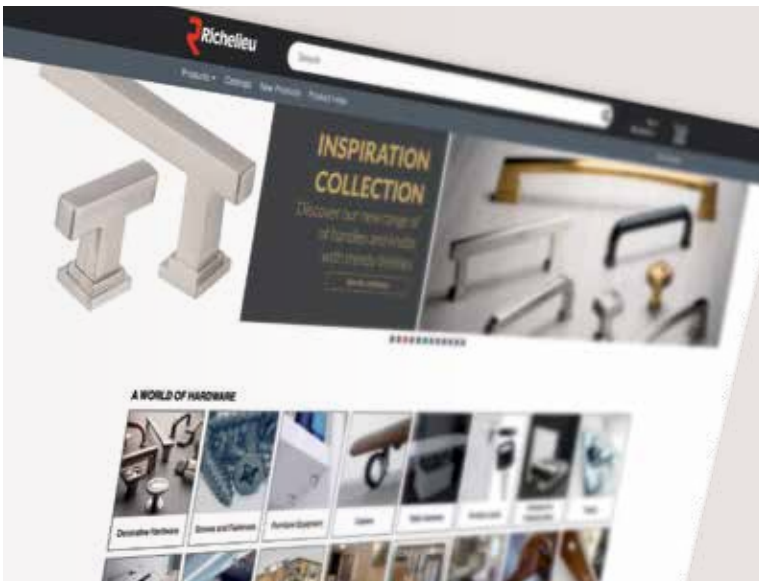
New York
Showroom

THE MASTER TOOL FOR OUR CUSTOMERS



- **TRILINGUAL PLATFORM**
- **ACCESS TO OUR ENTIRE OFFERING**
- **INTERACTIVITY**
- **REALISTIC ANIMATIONS**
- **VISUAL CONFIGURATION OF CUSTOM PRODUCTS**
- **FULL PURCHASE TRANSACTIONS 24/7**

With richelieu.com, in addition to transactional features: detailed product information in English, French and Spanish, product customization (style, size, color) - more products, a wider range of options, **informed decision-making and an easier purchasing process.**



INNOVATIONS

THAT COMBINE TECHNOLOGY AND DESIGN



As products change, our needs, habits, and way of doing things change along with them — an ongoing cycle that helps us live in harmony with the times. Private spaces now house professional spaces. Some dwellings are getting smaller. Demand for sustainability and recycling is greater than ever. Designers draw on technology to meet specific needs for efficiency, green design, and distinctive styling.



In response, we bring a diverse and innovative range of functional and decorative products to the table. We work consistently with leading global suppliers and our customers to deliver the best residential, commercial, and institutional renovation and design solutions to the Canadian and U.S. markets.





**THE LIVING KITCHEN —
A SPACE FOR GATHERING,
SHARING, AND CREATING.**

**INNOVATIONS TO SUPPORT EVERYDAY LIFE IN
A PERSONALIZED, FLEXIBLE, FUNCTIONAL, AND
BEAUTIFUL WAY.**

Extensive hardware lines and a wide range of accessories to efficiently organize closets, cupboards and storage systems.



**OUR FUNCTIONAL AND AESTHETIC
WARDROBE AND STORAGE
SOLUTIONS ADAPT TO ANY LIVING SPACE.
CUSTOMIZED • ERGONOMICS • COMFORT**



DECORATIVE HARDWARE AND PANELS **FOR CREATIONS THAT COMBINE FUNCTIONALITY** **AND ELEGANCE.**



A COMPLETE OFFERING OF SPECIALIZED PRODUCTS FOR **GLASS, DOORS AND WINDOWS.**

Increasingly, glass is becoming an integral part of residential, commercial and institutional renovations and construction, including challenging projects, thanks to its strength and versatility.



Window and door manufacturers can find at Richelieu all the components they need for their residential, commercial and institutional projects, regardless of the fenestration system and design, traditional or modern.



SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Richelieu has always been very aware of the need for environmental and social responsibility. The Corporation has long been committed to reducing and monitoring its carbon footprint in step with its adaptive capacity. Ways of achieving this include optimizing its use of packaging materials, employing sound waste management practices, establishing long-term partnerships with its main suppliers and carriers, as well as the ever-increasing use of energy-efficient equipment and the continued diversification of its wide range of certified eco-friendly products.

In this regard, Richelieu is very concerned with **the safe and responsible use of all its resources**, including the protection of its employees, the communities and the environment. The Corporation has also set up a structure providing its employees and consultants with **a safe and healthy work environment**, exempt from harassment, as well as various training initiatives tailored to each of its operating centres.

Richelieu strives for fair and honest competition in all of its business activities, as per **its business policies**. Each employee is therefore required to confirm that he or she understands and complies with the provisions of the Corporation's code of ethics and professional conduct.

Finally, Richelieu relies on **an effective governance structure and team**. The Board and management team make it a priority to safeguard Richelieu's long-term reputation as a responsible Corporation, in compliance with its values and objectives.

Richelieu is also involved in projects aimed at enriching **the ecological diversity and quality of life of the communities** where it operates, in addition to participating in various education, patrimony conservation and community outreach initiatives.



MANAGEMENT'S REPORT

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

TABLE OF CONTENTS

25	2022 Highlights
26	Forward-looking Statements
26	Non-IFRS Measures
27	General Business Overview as at November 30, 2022
27	Mission and Strategy
28	Financial Highlights
29	Analysis of Operating Results
30	Summary of Quarterly Results
30	Fourth Quarter
31	Financial Position
33	Contractual Commitment
33	Financial Instruments
33	Internal control over Financial Reporting
33	Significant Accounting Policies and Estimates
34	New Accounting Policies
34	Risk Factors
36	Share Information
36	Outlook
36	Supplementary Information
37	Management's Report and Independent Auditor's Report
39	Consolidated Financial Statements
43	Related Notes

HIGHLIGHTS

of the year ended November 30, 2022

Financial year 2022 brought strong growth in results, fueled by both internal growth and the contribution of recent acquisitions made in North America. Richelieu remained customer oriented and demonstrated its ability to seize and create opportunities and adapt to change, where its growth strategy continued to bear fruit.

The diversification of our market segments, our distinctive multi-access service and richelieu.com website, as well as the drive of our market development team, are among our growth strengths, coupled with our dynamic innovation and acquisition strategies. In addition to the ongoing introduction of worldwide innovations and value-added products, Richelieu's growth has historically been driven by the acquisition of companies that meet our criteria of business and cultural fit, give access to new territories, new products, and offer significant synergy potential. During the year, we completed three acquisitions in the United States, namely Compi Distributors, HGH Hardware Supply, and National Builders Hardware and one acquisition in Canada, Quincaillerie Deno, in Q4. These were followed by four new acquisitions made in Canada subsequent to the end of the financial year, in January 2023, for estimated annual sales of \$18 million.

Expansion is ongoing not only through business acquisitions, but also by expanding and upgrading existing distribution centers, notably in Atlanta, Chicago, Fort Myers, Nashville and Pompano, as well as opening new centers in Carlstadt and Minneapolis.

Richelieu has both innovation and acquisition know-how. We will continue to build on this momentum with the involvement of our team, whose expertise and solid skills are valued by our Canadian and U.S. customers.

- **Consolidated sales** totalled \$1.8 billion, up 25.2%, of which 13.4% came from internal growth and 11.8% from acquisitions.
- **Earnings before interest, income taxes and amortization (EBITDA)⁽¹⁾** rose by 22.6% to \$287.4 million, compared to \$234.4 million last year. EBITDA margin stood at 15.9%, compared to 16.3% in fiscal 2021.
- **Diluted net earnings per share** rose to \$2.99, up 19.1% compared to \$2.51 in the previous year and net earnings attributable to shareholders amounted to \$168.4 million compared to \$141.8 million last year, up 18.8%.
- **Adjusted cash flows from operating activities⁽¹⁾** grew by 22.7% to \$224.5 million compared to \$183.0 million for fiscal 2021.
- **Working capital** increased by 23.3% to \$562.5 million, for a current ratio of 2.6:1.

- **Average return on equity** was 22.7%.
- **Repurchase** of 327,329 common shares for \$12.3 million and payment of \$29.1 million in dividends to shareholders. Richelieu thus distributed \$41.4 million to shareholders in 2022 while maintaining the financial resources necessary for growth in 2023.
- **The quarterly dividend** increased by 15.4% to \$0.15 per share for Q1 2023.

Four acquisitions completed in North America in fiscal 2022:

- December 31, 2021: Acquisition of the principal net assets of **Compi Distributors**, a specialty hardware distributor operating four distribution centers in St. Louis, MO, Kansas City, MO, Ozark, MO, and Springfield, IL.
- December 31, 2021: Acquisition of the principal net assets of **HGH Hardware Supply**, a specialty hardware distributor operating four distribution centers, one in Birmingham, AL, one in Nashville, TN, and two in Atlanta, GA.
- December 31, 2021: Acquisition of the principal net assets of **National Builders Hardware**, a specialty hardware distributor operating a distribution center in Portland, OR.
- September 2, 2022: Acquisition of all issued and outstanding shares of **Quincaillerie Deno**, a specialty hardware distributor operating a distribution center in Anjou, QC.

(1) EBITDA and adjusted cash flows from operating activities are non-IFRS measures, as indicated on page 26 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, 2022, in comparison with the year ended November 30, 2021, 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, 2022 appearing in the Corporation's 2022 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, 2022, are 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 19, 2023, 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 (see the "Risk Factors" section on page 34).

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

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") as we believe this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted performance indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or 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 and right-of-use assets and of intangible assets, deferred tax expense (or recovery), share-based compensation expense and financial costs. 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, 2022

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 its 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 **107 centers across North America** of which 48 distribution centers in Canada, 57 distribution centers in the United States and two manufacturing plants in Canada.

Main product categories include furniture, glass and building decorative and functional hardware, lighting systems, finishing and decorative products, ergonomic workstation components, kitchen and closet storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates, railing and baluster, floor protection products as well as hand tools and 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. In addition, many of the Corporation's products are manufactured according to its specifications and those of its customers.

The Corporation employs over 2,800 people throughout its network, close to half of whom work in marketing, sales and customer service. Close to 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 American expansion by opening new distribution centers and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

Richelieu's solid and 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 %)

	2022	2021	2020	2019	2018
Years ended November 30	\$	\$	\$	⁽³⁾ \$	\$
Sales	1,802,787	1,440,416	1,127,840	1,041,647	1,004,400
EBITDA ⁽¹⁾	287,442	234,398	154,461	124,207	105,991
<i>EBITDA margin (%)</i>	15.9	16.3	13.7	11.9	10.6
Net earnings	169,949	142,331	85,611	66,671	67,964
Net earnings attributable to shareholders of the Corporation	168,390	141,764	85,222	66,471	67,777
• per share - basic (\$)	3.01	2.54	1.51	1.17	1.18
• per share - diluted (\$)	2.99	2.51	1.50	1.16	1.17
<i>Net margin attributable to the shareholders of the Corporation (%)</i>	9.3	9.8	7.6	6.4	6.7
Adjusted cash flows from operating activities ⁽²⁾	224,483	182,991	121,125	98,390	83,783
• per share - diluted (\$)	3.98	3.24	2.14	1.72	1.44
Dividends paid to Shareholders of the Corporation	29,083	19,374	11,284	14,424	13,824
• per share (\$) ⁽⁴⁾	0.520	0.280	0.200	0.253	0.240
Weighted average number of shares outstanding (diluted) (in thousands)	56,345	56,466	56,646	57,192	58,064
As at November 30					
Total assets	1,283,865	964,180	771,056	672,146	569,119
Working capital	562,548	456,376	377,408	335,467	329,343
Current ratio	2.6	3.3	3.6	4.1	4.6
Equity attributable to shareholders of the Corporation	817,157	666,442	551,094	498,384	470,278
<i>Return on average shareholders' equity (%)</i>	22.7	23.3	16.2	13.7	15.0
Book value per share (\$)	14.65	11.93	9.86	8.86	8.23
Long-term debt	6,067	6,439	5,792	5,659	2,023
Cash and cash equivalents (bank overdraft)	(111,988)	58,707	73,928	24,701	7,408

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

(2) Adjusted cash flows from operating activities and adjusted cash flows from operating activities per share are non-IFRS measures, as indicated on page 26 of this report.

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

(4) The amount per share presented for 2021 excludes a special dividend paid of \$0.0667 per share.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2022, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2021

CONSOLIDATED SALES

(in thousands of \$, except exchange rates)

	2022	2021	
Years ended November 30	\$	\$	Δ (%)
Canada	1,074,674	944,836	+13.7
United States (CA\$)	728,113	495,580	+46.9
(US\$)	562,468	395,605	+42.2
Average exchange rates	1.2945	1.2527	
Consolidated sales	1,802,787	1,440,416	+25.2

Consolidated sales reached \$1.8 billion, an increase of \$362.4 million or 25.2% over 2021, of which 13.4% from internal growth and 11.8% from acquisitions. At comparable exchange rates to 2021, the consolidated sales growth would have been 23.5% for the year ended November 30, 2022.

Sales to **manufacturers** grew to \$1.6 billion, compared with \$1.2 billion for fiscal 2021, an increase of \$347.5 million or 28.9%, of which 15.9% from internal growth and 13.0% from acquisitions. These increases are the result of the sustained demand in the renovation market as well as higher selling prices. Sales to hardware **retailers** and renovation superstores grew by 6.3% or \$14.9 million to total \$251.5 million, entirely from acquisitions.

In **Canada**, Richelieu achieved sales of \$1.1 billion, compared with \$944.8 million for fiscal 2021, up by \$129.9 million or 13.7%, of which 10.3% from internal growth and 3.4% from acquisitions. Sales to **manufacturers** rose to \$876.7 million, up by \$109.1 million or 14.2%, of which 11.7% from internal growth and 2.5% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$198.0 million, compared with \$177.2 million, up by \$20.8 million or 11.7% over fiscal 2021, of which 4.4% from internal growth and 7.3% from acquisitions.

In the **United States**, the Corporation recorded sales of US\$562.5 million, compared with US\$395.6 million for fiscal 2021, an increase of US\$166.9 million or 42.2%, of which 15.4% from internal growth and 26.8% from acquisitions. Sales to **manufacturers** totalled US\$521.2 million, compared with US\$348.2 million, an increase of US\$173.0 million or 49.7% over fiscal 2021, of which 19.4% from internal growth and 30.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 12.9% compared to fiscal 2021. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to \$728.1 million, compared with \$495.6 million for 2021, an increase of 46.9%. They accounted for 40.4% of consolidated sales in fiscal 2022, whereas they represented 34.4% of the year's consolidated sales in fiscal 2021.

CONSOLIDATED EBITDA AND EBITDA MARGIN

(in thousands of \$, unless otherwise indicated)

	2022	2021
Years ended November 30	\$	\$
Sales	1,802,787	1,440,416
EBITDA	287,442	234,398
EBITDA margin (%)	15.9	16.3

Earnings before interest, income taxes and amortization (**EBITDA**) totalled \$287.4 million, up by \$53.0 million or 22.6% over 2021 resulting mainly from the increase in sales. The gross margin remained stable compared to the previous year and **EBITDA margin** stood at 15.9%, compared with 16.3% for 2021.

Amortization expenses amounted to \$48.6 million compared with \$37.0 million for 2021, an increase of \$11.6 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 previous periods. Financial costs were \$7.1 million compared to \$2.7 million, an increase of \$4.4 million resulting mainly from the use of lines of credit and the increase in lease obligations. **Income taxes** amounted to \$61.7 million, an increase of \$9.3 million over 2021.

CONSOLIDATED NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

(in thousands of \$, unless otherwise indicated)

	2022	2021
Years ended November 30	\$	\$
EBITDA	287,442	234,398
Amortization of property, plant and equipment, intangible assets and right-of-use assets	48,646	36,957
Financial costs, net	7,144	2,700
Income taxes	61,703	52,410
Net earnings	169,949	142,331
Net earnings attributable to shareholders of the Corporation	168,390	141,764
Net margin attributable to the shareholders of the Corporation (%)	9.3	9.8
Non-controlling interests	1,559	567
Net earnings	169,949	142,331

Net earnings rose 19.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$168.4 million, an increase of 18.8%, compared with 2021. **Net earnings per share** amounted to \$3.01 basic and \$2.99 diluted, compared with \$2.54 basic and \$2.51 diluted for 2021, an increase of 18.5% and 19.1% respectively.

Comprehensive income totalled \$183.4 million, reflecting a positive adjustment of \$13.5 million on translation of the financial statements of the subsidiary in the United States, compared with \$141.1 million for 2021, which reflected a negative adjustment of \$1.2 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
2022				
• Sales	384,466	487,935	472,883	457,503
• EBITDA	53,728	77,855	79,180	76,679
• Net earnings attributable to shareholders of the Corporation	30,098	46,984	46,363	44,945
basic per share	0.54	0.84	0.83	0.80
diluted per share	0.53	0.83	0.82	0.80
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

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 2022, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2022

Fourth-quarter consolidated sales amounted to \$457.5 million, compared with \$398.2 million for the corresponding quarter of 2021, an increase of \$59.3 million or 14.9%, of which 6.7% resulting from internal growth and 8.2% from acquisitions. At comparable exchange rates to the fourth quarter of 2021, the consolidated sales growth would have been 11.7% for the quarter ended November 30, 2022.

Richelieu achieved sales of \$398 million in the **manufacturers** market, compared with \$338.9 million for the fourth quarter of 2021, an increase of \$59.1 million or 17.4%, of which 7.8% from internal growth and 9.6% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at \$59.5 million, equivalent to the fourth quarter of 2021.

In Canada, Richelieu recorded sales of \$273.5 million, an increase of \$13.4 million, or 5.2%, over the fourth quarter of 2021. Sales to **manufacturers** amounted to \$226.0 million, an increase of 5.0% of which 4.5% resulting from internal growth and 0.5% from acquisitions. Sales to hardware **retailers** and renovation superstores reached \$47.5 million, up by \$2.6 million or 5.8%.

In the United States, sales totalled US\$136.4 million, compared with US\$109.9 million for the fourth quarter of 2021, an increase of US\$26.5 million or 24.1%, of which 2.8% resulting from internal growth and 21.3% from acquisitions. Sales to **manufacturers** amounted to US\$127.5 million, an increase of US\$29.0 million or 29.4% over the fourth quarter of 2021. Sales to hardware **retailers** and renovation superstores were down by US\$2.5 million, or 21.9%, from the corresponding quarter of 2021. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at \$184.0 million, an increase of 33.2%. They accounted for 40.2% of consolidated sales for the fourth quarter of 2022, whereas they had represented 34.7% of the period's consolidated sales for the fourth quarter of 2021.

Earnings before interest, income taxes and amortization (EBITDA) amounted to \$76.7 million, compared with \$71.3 million in the fourth quarter of 2021, up 7.5%. The gross margin remained stable compared to the previous year and EBITDA margin stood at 16.8%, compared with 17.9% for the fourth quarter of 2021, influenced by slightly lower margin of certain acquisitions.

Amortization expenses amounted to \$13.1 million, compared with \$10.6 million for the corresponding quarter of 2021, an increase of \$2.5 million. **Financial costs** are up \$2.1 million mainly due to the use of credit lines and the increase in lease obligations. Income taxes amounted to \$15.0 million, compared with \$15.1 million for the fourth quarter of 2021.

Net earnings were up by 2.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$44.9 million, up by 0.8% over the fourth quarter of 2021. **Net earnings per share** were \$0.80 basic and diluted, compared with \$0.80 basic and \$0.79 diluted for the fourth quarter of 2021.

Comprehensive income amounted to \$53.2 million, reflecting a positive adjustment of \$7.5 million on translation of the financial statements of the subsidiary in the United States, compared with \$47.2 million for the fourth quarter of 2021, which reflected a positive adjustment of \$2.4 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 \$60.4 million or \$1.07 per share, compared with \$55.7 million or \$0.99 per share for the fourth quarter of 2021, an increase of 8.3% resulting primarily from net earnings and items not affecting cash and cash equivalent increases. Net change in non-cash working capital balances used cash flows of \$58.6 million, reflecting the change in inventory and accounts receivable of \$54.9 million, whereas the change in accounts payable and other items used cash flows of \$3.7 million. Consequently, operating activities provided cash flows of \$1.7 million, compared with \$14.1 million for the fourth quarter of 2021.

Financing activities used cash flows of \$19.7 million, compared with \$11.9 million for the fourth quarter of 2021. This change primarily resulted from common shares repurchases of \$4.4 million for the fourth quarter of 2022 while no share repurchases were made in the fourth quarter of 2021.

Investing activities used cash flows of \$7.6 million in the fourth quarter, of which \$1.8 million for business acquisitions and \$5.8 million mainly for equipment to maintain and improve operational efficiency including additions resulting from ongoing expansion projects.

FINANCIAL POSITION

Analysis of significant cash flows for the year ended November 30, 2022

Change in cash and cash equivalents and capital resources

(in thousands of \$, unless otherwise indicated)

	2022	2021
Years ended November 30	\$	\$
Cash flows provided by (used in):		
Operating activities	(36,169)	104,406
Financing activities	(66,641)	(53,691)
Investing activities	(66,833)	(66,490)
Effect of exchange rate fluctuations	(1,052)	554
Net change in cash and cash equivalents	(170,695)	(15,221)
Cash and cash equivalents, beginning of year	58,707	73,928
Cash and cash equivalents and bank overdraft, end of year	(111,988)	58,707
As at November 30		
Working capital	562,548	456,376
Renewable line of credit (CA\$)	150,000	65,000
Renewable line of credit (US\$)	56,000	6,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached \$224.5 million or \$3.98 diluted per share, compared with \$183.0 million or \$3.24 diluted per share for 2021, an increase of 22.7% stemming primarily from an increase in net earnings. Net change in non-cash working capital balances used cash flows of \$260.7 million, mainly representing changes in inventory of \$240.5 million whereas accounts receivable, accounts payable and other items used cash flows of \$20.2 million. Consequently, operating activities used cash flows of \$36.2 million, compared with a cash inflow of \$104.4 million for 2021.

Financing activities

Financing activities used cash flows of \$66.6 million, compared with \$53.7 million for 2021. During the year, Richelieu repaid long-term debt of \$5.2 million, paid lease obligations of \$25.9 million and issued shares for \$6.3 million, compared with a long-term debt repayment of \$6.4 million, lease obligations payments of \$19.4 million and a \$5.2 million share issue in 2021. Dividends paid to shareholders of the Corporation amounted to \$29.1 million, compared with \$19.4 million up 50.1% over 2021. The Corporation also repurchased common shares for an amount of \$12.3 million, compared with \$13.1 million in 2021.

Investing activities

Investing activities used cash flows of \$66.8 million, of which \$44.3 million for business acquisitions and \$22.6 million, mainly for equipment to maintain and improve operational efficiency including additions resulting from ongoing expansion projects.

Sources of financing

As at November 30, 2022, **bank overdraft**, net of cash and cash equivalent, amounted to \$112.0 million, compared with cash of \$58.7 million as at November 30, 2021. The Corporation had a **working capital** of \$562.5 million for a current ratio of 2.6:1, compared with \$456.4 million as at November 30, 2021.

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 2023. The Corporation continues to benefit from an authorized line of credit of \$150 million [2021 - C\$65 million] as well as a line of credit of US\$56 million [2021 - US\$6 million] renewable annually and bearing interest at the bank's prime and BSBY rate plus 1.05% 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 2023, 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, 2022

Summary of financial position

(in thousands of \$, except exchange rates)

	2022	2021
As at November 30	\$	\$
Current assets	910,771	659,179
Non-current assets	373,094	305,001
Total	1,283,865	964,180
Current liabilities	348,223	202,803
Non-current liabilities	115,820	92,440
Equity attributable to shareholders of the Corporation	817,157	666,442
Non-controlling interests	2,665	2,495
Total	1,283,865	964,180
Exchange rates on translation of a subsidiary in the United States	1.351	1.279

Assets

Total assets amounted to \$1.3 billion as at November 30, 2022, compared with \$964.2 million as at November 30, 2021. **Current assets** increased by 38.2% or \$251.6 million from November 30, 2021. This increase stems from the addition of current assets following the business acquisitions made during the first quarter, and from the rise in inventories resulting from the higher cost of products and easing of the supply challenges including the acceleration of delivery times, especially from Asia. **Non-current assets** increased by 22.3% mainly due to the business acquisitions.

Cash position and long-term debt

(in thousands of \$)

	2022	2021
As at November 30	\$	\$
Current portion of long-term debt	5,208	5,339
Long-term debt	859	1,100
Total debt	6,067	6,439
Cash and cash equivalents (bank overdraft)	(111,988)	58,707

Equity attributable to shareholders of the Corporation totalled \$817.2 million as at November 30, 2022, compared with \$666.4 million as at November 30, 2021, an increase of \$150.7 million. This increase is mainly due to a rise of \$128.7 million in retained earnings, which amounted to \$719.2 million, and of \$8.6 million in share capital and contributed surplus, while accumulated other comprehensive income increased by \$13.5 million. As at November 30, 2022, **the book value per share** was \$14.65, up by 22.8% over November 30, 2021, and **the return on average shareholders' equity** was 22.7%.

As at November 30, 2022, the Corporation's **share capital** consisted of 55,784,790 common shares (55,841,119 shares as at November 30, 2021). In 2022, upon the exercise of stock options under the stock option plan, Richelieu issued 271,000 common shares at an average price of \$23.19 (263,925 in 2021 at an average price of \$19.54). In addition, 327,329 common shares were repurchased for cancellation under the normal course issuer bid for a cash consideration of \$12.3 million (316,374 common shares for a cash consideration of \$13.1 million in 2021). The Corporation granted 276,000 stock options in fiscal 2022 (289,000 in 2021) and cancelled 17,125 (31,875 in 2021), consequently, as at November 30, 2022, 1,679,000 stock options were outstanding (1,691,125 as at November 30, 2021).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2022

(in thousands of \$)

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	5,208	859	—	6,067
Operating leases	29,747	88,948	44,966	163,661
Total	34,955	89,807	44,966	169,728

For 2023 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 2023, 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, 2022, 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, 2022. 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, 2022, 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, 2022, 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 January 1, 2023, the Company acquired all issued and outstanding share capital of Unigrav Inc. and Usimm Inc., two companies offering custom products, including a 3D scanning service, for the architectural and industrial market, respectively located in Drummondville and Montreal, QC.

Effective January 4, the Corporation acquired all issued and outstanding share capital of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution center in Terrebonne, QC and, effective January 6, the Corporation acquired all issued and outstanding share capital of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution center in Dartmouth, NS.

Taken collectively, these transactions, which have been concluded for an aggregate cash consideration of \$19.5 million, subject to certain conditions, will generate sales estimated at \$18 million annually.

NEW ACCOUNTING POLICIES

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 40% 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 13% 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 crises including epidemics, pandemics or outbreaks of new infectious disease or viruses including, most recently, the COVID-19 outbreak, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, natural disasters, national emergencies, acts of war, technological attacks and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Corporation, its customers, and/or either of their businesses or operations, which may have a material adverse effect on the Corporation's reputation, business, financial conditions or operating results.

SHARE INFORMATION AS AT JANUARY 19, 2023

Issued and outstanding common shares:	55,777,540
Outstanding stock options:	1,972,750

OUTLOOK

Richelieu has strong financial foundations, skills and expertise to meet its customers' needs and anticipate their expectations. The Corporation also has a solid track record in its two growth drivers, product innovation and business acquisitions in its field of activity, in Canada and the United States. In 2023, it will continue to pursue its successful market development, innovation and acquisition strategies, while creating synergies with its new acquisitions and giving priority to service, productivity 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 19, 2023

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 19, 2023



(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, 2022 and 2021, 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, 2022 and 2021, 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 \$48.8 million. As part of these business acquisitions, the Group recognized customer relationship intangible assets with a combined fair value of \$18.9 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 judgment 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

Our audit procedures, performed on a sample of customer relationships acquired, included:

- 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;
- Working with our valuation specialists, the core audit team evaluated the reasonableness of the significant valuation assumptions related to 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;
- Performing sensitivity analyses to test the sensitivity of the fair value conclusion to changes in significant assumptions such as revenue growth, customer attrition and discount rates;
- Evaluating the adequacy of the business acquisitions note disclosure included in Note 3 of the accompanying financial statements in relation to this matter.

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.

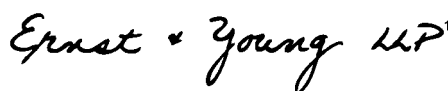
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies 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 19, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at November 30 (in thousands of dollars)	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		21,220	58,707
Accounts receivable		222,238	199,585
Inventories		660,242	395,464
Prepaid expenses		7,071	5,423
		910,771	659,179
Non-current assets			
Property, plant and equipment	4	54,832	46,239
Intangible assets	5	66,603	53,910
Right-of-use assets	10	116,204	87,013
Goodwill	5	127,457	110,776
Deferred taxes	9	7,998	7,063
		1,283,865	964,180
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	6	133,208	—
Accounts payable and accrued liabilities	8	169,913	155,009
Income taxes payable	9	10,749	21,281
Current portion of long-term debt	7	5,208	5,339
Current portion of lease obligations	10	29,145	21,174
		348,223	202,803
Non-current liabilities			
Long-term debt	7	859	1,100
Lease obligations	10	95,705	71,880
Deferred taxes	9	10,052	9,868
Other liabilities		9,204	9,592
		464,043	295,243
Equity			
Share capital	8	61,829	54,610
Contributed surplus	8	8,400	7,046
Retained earnings		719,185	590,522
Accumulated other comprehensive income	11	27,743	14,264
Equity attributable to shareholders of the Corporation		817,157	666,442
Non-controlling interests		2,665	2,495
		819,822	668,937
		1,283,865	964,180

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	2022 \$	2021 \$
Sales		1,802,787	1,440,416
Operating expenses excluding amortization	8, 12	1 515,345	1,206,018
Earnings before amortization, financial costs and income taxes		287,442	234,398
Amortization of property, plant and equipment and right-of-use assets	4, 10	38,010	29,059
Amortization of intangible assets	5	10,636	7,898
Financial costs, net		7,144	2,700
		55,790	39,657
Earnings before income taxes		231,652	194,741
Income taxes	9	61,703	52,410
Net earnings		169,949	142,331
Net earnings attributable to:			
Shareholders of the Corporation		168,390	141,764
Non-controlling interests		1,559	567
		169,949	142,331
Net earnings per share attributable to shareholders of the Corporation			
	8		
Basic		3.01	2.54
Diluted		2.99	2.51

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended November 30
[In thousands of dollars]

	Notes	2022 \$	2021 \$
Net earnings		169,949	142,331
Other comprehensive income (loss) that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	11	13,479	(1,220)
Comprehensive income		183,428	141,111
Comprehensive income attributable to:			
Shareholders of the Corporation		181,869	140,544
Non-controlling interests		1,559	567
		183,428	141,111

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						Non-controlling interests	Total equity
	Share capital	Con-tributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total			
	\$	\$	\$	\$	\$	\$		
Notes	8	8		11				
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	
Net earnings	—	—	168,390	—	168,390	1,559	169,949	
Other comprehensive income	—	—	—	13,479	13,479	—	13,479	
Comprehensive income	—	—	168,390	13,479	181,869	1,559	183,428	
Shares repurchased	(361)	—	(11,928)	—	(12,289)	—	(12,289)	
Stock options exercised	7,580	(1,296)	—	—	6,284	—	6,284	
Share-based compensation expense	—	2,650	—	—	2,650	—	2,650	
Dividends [note 16]	—	—	(29,083)	—	(29,083)	(493)	(29,576)	
Other liabilities	—	—	(16)	—	(16)	404	388	
Change in fair value of other liabilities	—	—	1,300	—	1,300	(1,300)	—	
	7,219	1,354	(39,727)	—	(31,154)	(1,389)	(32,543)	
Balance as at November 30, 2022	61,829	8,400	719,185	27,743	817,157	2,665	819,822	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30
[In thousands of dollars]

	Notes	2022 \$	2021 \$
OPERATING ACTIVITIES			
Net earnings		169,949	142,331
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment and right-of-use assets	4, 10	38,010	29,059
Amortization of intangible assets	5	10,636	7,898
Deferred taxes	9	(594)	(1,216)
Share-based compensation expense	8	2,650	1,991
Financial costs		3,832	2,928
		224,483	182,991
Net change in non-cash working capital balances		(260,652)	(78,585)
		(36,169)	104,406
FINANCING ACTIVITIES			
Repayment of long-term debt		(5,152)	(6,424)
Dividends paid to shareholders of the Corporation	16	(29,083)	(19,374)
Payment of lease obligations		(25,908)	(19,446)
Other dividends paid		(493)	(511)
Common shares issued	8	6,284	5,158
Common shares repurchased for cancellation	8	(12,289)	(13,094)
		(66,641)	(53,691)
INVESTING ACTIVITIES			
Business acquisitions	3	(44,255)	(49,436)
Additions to property, plant and equipment and intangible assets	4, 5	(22,578)	(17,054)
		(66,833)	(66,490)
Effect of exchange rate changes on cash and cash equivalents		(1,052)	554
Net change in cash and cash equivalents		(170,695)	(15,221)
Cash and cash equivalents, beginning of year		58,707	73,928
Cash and cash equivalents and bank overdraft, end of year		(111,988)	58,707
Supplementary information			
Income taxes paid		72,829	36,703
Interest paid, net		7,780	2,700

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2022 and 2021 (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 a 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 equipmen	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 obligation*

At the commencement date of the lease, the lease obligations are 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 are 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 distribution 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 a 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 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. NEW ACCOUNTING POLICIES

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**2022**

On September 2, 2022, the Corporation closed a transaction pertaining to the acquisition of all issued and outstanding share capital of Quincaillerie Deno, a distributor of specialized hardware products operating one distribution center located in Anjou, QC.

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centers in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL.

Effective December 31, 2021, the Corporation acquired the principal net assets of HGH Hardware Supply, a distributor of specialized hardware operating four distribution centers, one in Birmingham, AL, one in Nashville, TN and two in Atlanta, GA.

Effective December 31, 2021, the Corporation acquired the principal net assets of National Builders Hardware, a distributor of specialized hardware operating one distribution center in Portland, OR.

Sales of \$113.9 million have been generated by these acquisitions since their completion. Had these acquisitions been made on December 1, 2021, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$127.9 million.

3. BUSINESS ACQUISITIONS (CONT'D)**2021**

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

Effective April 5, 2021, the Corporation acquired all issued and outstanding share capital 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 centers in British Columbia and Ontario.

Effective June 1, 2021, the Corporation acquired all issued and outstanding share capital 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 center located in Quebec.

Effective July 5, 2021, the Corporation acquired, through a newly incorporated subsidiary ("Newco"), 100% of the issued and outstanding share capital 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 in Canada and the U.S. operating five distribution centers, three in the United States (Arizona, Ohio and Texas) and two in Canada (Ontario).

Effective September 1, 2021, the Corporation acquired all issued and outstanding share capital of Cook Fasteners Inc., a distributor of industrial screws and bolts operating one distribution center in Mississauga, Ontario.

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

Summary of acquisitions

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

	2022	2021
	\$	\$
Current assets acquired	21,924	34,508
Property, plant and equipment and right-of-use assets	11,351	6,702
Intangible assets [Note 5]	19,778	18,653
Goodwill [Note 5]	15,013	25,751
	68,066	85,614
Current liabilities assumed	(10,257)	(13,174)
Non current liabilities assumed	(8,777)	(4,269)
Deferred tax liabilities	(271)	(4,400)
Non controlling interests	—	(7,589)
Net assets acquired	48,761	56,182
Consideration		
Cash, net of cash acquired	44,255	48,834
Consideration payable [Note 7]	4,506	7,348
	48,761	56,182

Goodwill deductible for tax purposes with regard to these acquisitions amounts to \$13,500 [\$648 in 2021]. 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
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
Acquisitions (dispositions)	(79)	208	2,400	8,015	6,060	1,283	2,888	20,775
Business acquisitions [note 3]	—	—	56	182	279	36	12	565
Amortization	—	(1,044)	(981)	(5,110)	(3,283)	(929)	(2,261)	(13,618)
Effect of changes in foreign exchange rates	—	—	123	393	278	52	25	871
Net carrying amount as at November 30, 2022	3,681	7,020	3,945	22,163	10,495	2,271	5,257	54,832
Cost	3,681	31,296	12,227	63,906	29,156	19,671	23,023	182,960
Accumulated amortization	—	(24,276)	(8,282)	(41,743)	(18,661)	(17,400)	(17,766)	(128,128)
Net carrying amount as at November 30, 2022	3,681	7,020	3,945	22,163	10,495	2,271	5,257	54,832

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	\$	\$	\$	\$	\$	\$
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
Acquisitions	1,803	—	—	—	1,803	—
Business acquisitions [note 3]	—	833	18,945	—	19,778	15,013
Amortization	(894)	(676)	(9,066)	—	(10,636)	—
Effect of changes in foreign exchange rates	4	34	1,570	140	1,748	1,668
Net carrying amount as at November 30, 2022	3,617	1,425	54,376	7,185	66,603	127,457
Cost	13,997	8,040	103,230	7,185	132,452	127,457
Accumulated amortization	(10,380)	(6,615)	(48,854)	—	(65,849)	—
Net carrying amount as at November 30, 2022	3,617	1,425	54,376	7,185	66,603	127,457

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 \$95.2 million and \$30 million, while \$2.3 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 that are not individually significant in comparison with the total carrying amount of intangible assets with indefinite useful lives.

6. BANK INDEBTEDNESS

As at November 30, 2022 and 2021, the Corporation has lines of credit with authorized amounts of C\$150 million [2021 - C\$65 million] and US\$56 million [2021 - US\$6 million], bearing interest at the bank's prime and BSBY rate plus 1.05%, which were respectively 5.95% and 5% as at November 30, 2022 [2.45% and 3.75% as at November 30, 2021]. These lines of credit are renewable annually. As at November 30, 2022, amounts of C\$85 million and US\$36 were drawn on these lines of credit [2021, no amount was drawn on these lines of credit].

7. LONG-TERM DEBT

	2022	2021
	\$	\$
Non-interest bearing business acquisition considerations payable, including US\$1,805	6,067	6,439
Current portion of long-term debt	5,208	5,339
Long-term debt	859	1,100

The long-term portion of the debt is payable in 2 equal payments, in 2024 and 2025.

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, 2020	55,894	48,522
Issued	264	6,383
Repurchased	(316)	(295)
Outstanding, November 30, 2021	55,842	54,610
Issued	271	7,580
Repurchased	(327)	(361)
Outstanding, November 30, 2022	55,786	61,829

During fiscal 2022, the Corporation issued 271,000 common shares [263,925 in 2021] at a weighted average exercise price of \$23.19 per share [\$19.54 in 2021] 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 \$47.96 [\$41.74 in 2021]. In addition, during fiscal 2022, the Corporation, through a normal course issuer bid, repurchased 327,329 common shares for cancellation in consideration for \$12,289 [316,374 common shares for a consideration of \$13,094 in 2021], which resulted in a premium on the redemption in the amount of \$11,928 recognized as a reduction of retained earnings [premium of \$12,799 in 2021].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average share price \$
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
Granted	276	43.57
Exercised	(271)	23.19
Cancelled	(16)	34.03
Outstanding, November 30, 2022	1,680	30.50

The table below summarizes information regarding the stock options outstanding as at November 30, 2022:

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)
12.71 - 17.25	52	0.74	13.75	51	13.75
17.26 - 23.50	201	2.94	21.07	201	21.07
23.51 - 32.00	652	5.89	26.70	476	26.34
32.01 - 43.57	775	7.57	37.25	305	33.22
	1,680	6.16	30.50	1,033	26.72

During fiscal 2022, the Corporation granted 276,000 stock options [289,000 in 2021] with an average exercise price of \$43.57 per share [\$34.84 in 2021] and an average fair value of \$12.37 per option [\$9.04 in 2021] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.2% [0.8% in 2021], an expected volatility of 23.1% [22.9% in 2021], a risk-free interest rate of 1.84% [0.80% in 2021] and an expected life of 6.23 years [6.94 years in 2021] and 17,125 options were cancelled [31,875 in 2021]. For the year ended November 30, 2022, compensation expense related to stock options amounted to \$2,650 [\$1,991 in 2021] and is recognized under *Operating expenses excluding amortization*.

Deferred share unit plan

The financial liability resulting from the DSU plan of \$8,940 [\$8,949 as at November 30, 2021] is presented under the *Accounts payable and accrued liabilities*. As at November 30, 2022, the fair value of the equity swaps amounted to an asset of \$618 and is presented under *Accounts receivable* [a liability of \$164 as at November 30, 2021 and 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, 2022 amounted to \$861 [\$819 in 2021] and is recognized under *Operating expenses excluding amortization*.

8. SHARE CAPITAL (CONT'D)

Number of DSUs	2022	2021
Outstanding, beginning of year	211,409	193,445
Granted	14,137	17,964
Outstanding, end of year	225,546	211,409

Share purchase plan

Compensation expense related to the share purchase plan amounted to \$1,096 for the year ended November 30, 2022 [\$813 in 2021] 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)	2022	2021
Weighted average number of shares outstanding - Basic	55,925	55,896
Dilutive effect under stock option plan	420	570
Weighted average number of shares outstanding - Diluted	56,345	56,466

The computation of diluted net earnings per share did not take into account the weighted average of 271,000 stock options [nil in 2021] 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:

	2022	2021
	\$	\$
Current	62,297	53,626
Deferred:		
Related to temporary differences	(593)	(1,169)
Deferred tax related to changes in tax rates	(1)	(47)
	61,703	52,410

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

	2022	2021
	%	%
Combined statutory rates	26.62%	26.60%
Income taxes at combined statutory rates	61,666	51,801
Increase (decrease) resulting from:		
Impact of statutory rates differences for the subsidiaries	(434)	(422)
Share-based compensation	554	420
Non-deductible expenses and other	(82)	658
Changes related to tax laws and tax rates	(1)	(47)
	61,703	52,410

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:

	2022	2021
	\$	\$
Deferred taxes		
Reserve for tax purposes deductible only upon disbursement and other tax attributes	14,520	11,542
Excess of the net carrying value of property, plant and equipment over their tax value	(5,558)	(2,638)
Excess of the net carrying value of intangible assets and goodwill over their tax value	(13,332)	(13,310)
Right-of-use assets and lease obligations	2,316	1,601
Net amount	(2,054)	(2,805)

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

	2022	2021
	\$	\$
Deferred tax assets	7,998	7,063
Deferred tax liabilities	(10,052)	(9,868)
	(2,054)	(2,805)

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

	2022	2021
	\$	\$
Balance at the beginning of the year, net	(2,805)	76
In net earnings	594	1,216
Business acquisitions [note 3]	(271)	(4,400)
Other	428	303
Balance at the end of the year, net	(2,054)	(2,805)

As at November 30, 2022, the Corporation had \$87,545 of taxable temporary differences related to investments in subsidiaries [\$25,080 in 2021]. 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. However, if the earnings are distributed in the form of dividends or otherwise, the Corporation may be subject to corporate income tax or withholding tax in Canada and/or abroad.

10. COMMITMENTS AND CONTINGENCIES**Foreign exchange forward contracts**

As at November 30, 2022, the Corporation held the following foreign exchange forward contracts having maturity dates in December 2022 and January 2023.

Type	Devise	Taux de change moyen
Purchase	€5,400	1.37

Lease obligations

As at November 30, 2022	\$
Less than one year	29,747
Between 1 and 5 years	88,948
More than 5 years	44,966
	163,661

During fiscal 2022, right-of-use assets additions amounted to \$49,983 [\$32,089 in 2021]. Amortization of right-of-use assets of \$24,392 [\$17,694 in 2021] and Interest on lease obligation of \$3,832 [\$2,928 in 2021] are included in the consolidated statement of earnings for the year ended November 30, 2022.

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:

	2022	2021
	\$	\$
Balance, beginning of year	14,264	15,484
Exchange differences on translation of foreign operations	13,479	(1,220)
Balance, end of year	27,743	14,264

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION**Fair value**

The carrying value of long-term debt approximates its 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, 2022, the fair value of the foreign exchange forward contracts amounted to an asset of \$193 [an asset of \$59 as at November 30, 2021], representing the approximate amount the Corporation would receive 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. 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, 2022 and 2021 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:

	2022	2021
	\$	\$
Balance, beginning of year	6,171	6,613
Allowance for doubtful accounts	1,897	860
Write-offs	(1,084)	(1,375)
Exchange rate variations and other	465	73
Balance, end of year	7,449	6,171

The aging of the accounts receivable is as follows :

	2022	2021
	\$	\$
Current	157,785	142,779
Past due 1-30 days	45,370	41,824
Past due more than 30 days	26,532	21,153
Allowance for doubtful accounts	(7,449)	(6,171)
	222,238	199,585

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but which were not provided for, totaled \$5,722 [\$4,765 in 2021]. As at November 30, 2022 and 2021, 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 include, for the year ended November 30, 2022, an exchange gain of \$7,437 [gain of \$3,244 in 2021].

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, 2022, 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 \$2,487 [\$685 as at November 30, 2021] and would have increased other comprehensive income by \$9,661 [\$7,019 as at November 30, 2021]. 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, 2022.

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 and through its lines of credit when necessary.

Interest rate risk

The Corporation is exposed to interest rate risk associated with the use of its credit lines.

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION (CONT'D)

Operating expenses excluding amortization

	2022	2021
	\$	\$
Inventories from the distribution, imports and manufacturing activities recognized as an expense	1,295,533	1,030,869
Salaries and related charges	213,897	166,269
Other charges	5,915	8,880
	1,515,345	1,206,018

An expense of \$10,106 [\$6,486 in 2021] for inventory obsolescence was included in Inventories from the distribution, imports and manufacturing activities.

13. RELATED PARTY INFORMATION

Scope of consolidation

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	United States	100	100
Richelieu Finances Ltée ⁽¹⁾	Canada	100	100
Cedan industries Inc.	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	85	85
Interco division 10 Inc.	Canada	75	75

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

Key management personnel compensation

	2022	2021
	\$	\$
Short-term employee benefits	4,720	4,266
Other long-term benefits	742	633
Share-based compensation	678	687
	6,140	5,586

Accounts payable and accrued liabilities include a retirement allowance amounting to \$4,400 [\$3,920 as at November 30, 2021] payable to one member of the key management personnel.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2022, nearly 60% of sales had been made in Canada [66% in 2021]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to C\$728,113 [C\$495,580 in 2021] and US\$562,468 [US\$395,605 in 2021].

As at November 30, 2022, out of the total amount in property, plant and equipment, \$19,635 [\$9,582 in 2021] is located in the United States. In addition, as at November 30, 2022, intangible assets and goodwill located in the United States amounted to C\$30,037 and C\$30,190, respectively [respectively C\$13,514 and C\$14,954 in 2021], and US\$22,236 and US\$22,350, respectively [respectively US\$10,565 and US\$11,690 in 2021]. Of the total amount of right-of-use assets, \$74,495 [November 30, 2020 - \$45,993] 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, 2022, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.7% [1.0% as at November 30, 2021] [Long-term debt/Equity];
- Return on average shareholder's equity of 22.7% over the last 12 months [23.3% for the year ended November 30, 2021].

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, 2022, the Corporation paid four quarterly dividends of \$0.13 per common share [four quarterly dividends of \$0.07 per common share and a special dividend of \$0.0667 per share in 2021] for a total amount of \$29,083 [\$19,374 in 2021]. On January 19, 2023, the Board of Directors approved the payment of a quarterly dividend of \$0.15 per common share for the first quarter of 2023.

17. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2022 (including comparative figures) were approved for issue by the Board of Directors on January 19, 2023.

18. SUBSEQUENT EVENTS

Effective January 1, 2023, the Company acquired all issued and outstanding share capital of Unigrav Inc. and Usimm Inc., two companies offering custom products, including a 3D scanning service, for the architectural and industrial market, respectively located in Drummondville and Montreal, QC.

Effective January 4, 2023, the Corporation acquired all issued and outstanding share capital of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution center in Terrebonne, QC and, effective January 6, 2023, the Corporation acquired all issued and outstanding share capital of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution center in Dartmouth, NS.

Taken collectively, these transactions, which have been concluded for an aggregate cash consideration of \$19.5 million, subject to certain conditions, will generate sales estimated at \$18 million annually.

19. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2021, have been reclassified to conform to the presentation adopted for the year ended November 30, 2022.



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