Richelieu

A CREATIVE SYNERGY OF STRENGTHS

Annual report 2023

Richelieu

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Annual General Meeting of Shareholders to be held on Thursday, April 11, 2024.

The combined creativity of our teams and our supplier partners supports the creativity of our customers, who are source of inspiration as well. A creative synergy of strengths.

1. 30 years at TSX

1988	1993	1999	2019	2023
Richard Lord New President and CEO and shareholder	**Listing on TSX (RCH)**	First distribution centre in the U.S.		
Centre 1	Centres 7	Centres 18	Centres 77	Centres 112
Sales $27 M	Sales $60 M	Sales $165 M	Sales $1.0 G	Sales $1.8 G
	Market capitalization $0.04 G	Market capitalization $0.1 G	Market capitalization $1.5 G	Market capitalization $2.4 G

86 ACQUISITIONS

Value creation

2. North American Leader — Importer, manufacturer and world-class distributor

Sales

$1.8 G

Customers

+110,000

Centres

112* Including 3 manufacturing plants

4.8 M sq.ft.

Products (SKUs)

+130,000

+50% private labels and exclusive products

Team

+3,000 employees

~50% shareholders

* As at November 30, 2023

3. A robust network of distribution and proximity service centres

50 distribution centres in Canada

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

59 distribution centres in the United States

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

3 manufacturing plants

Les Industries Cedan inc.
Longueuil
(Veneers and edgebanding)

Usimm Unigrav inc.
Drummondville
(Machining, 3D digitization, unique products)

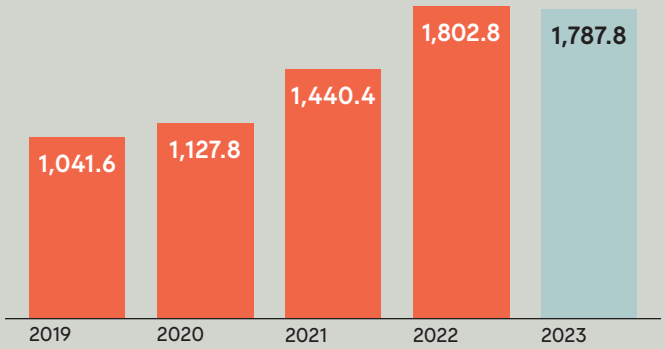
Menuiserie des Pins Ltée
Notre-Dame-des-Pins
(Decorative mouldings and components for the window and door industry)

Coverage by representatives

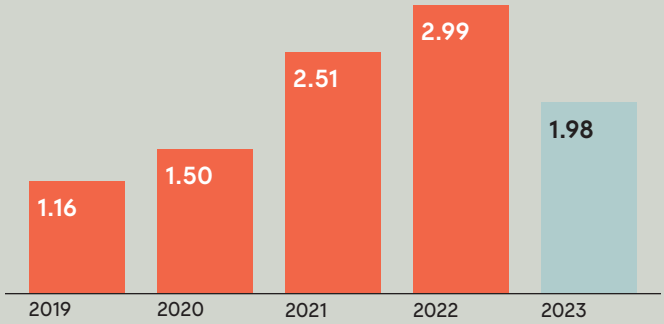

50
centres in Canada
3
manufacturing plants
59
centres in the United States

4. Financial solidity

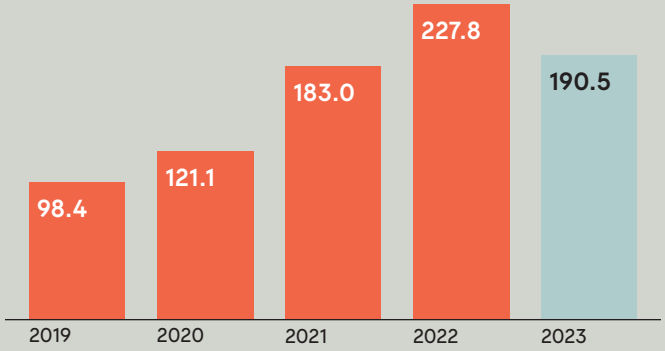
Sales
(in millions $)



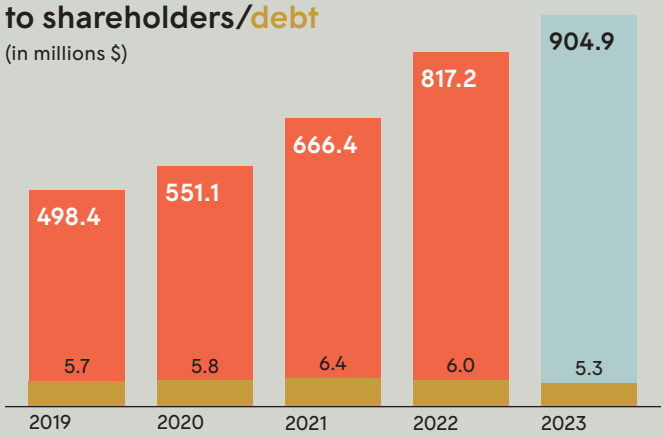
Net earnings per share attributable to shareholders (diluted)
(in $)



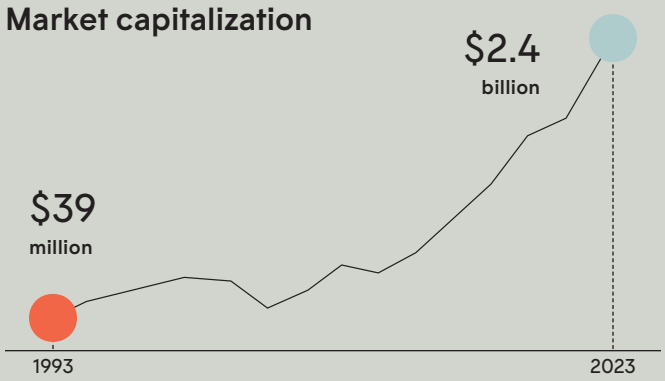
Adjusted cash flows from operating activities[1]
(in millions $)



Equity attributable to shareholders/debt
(in millions $)



Market capitalization



Appreciation in share price (RCH): 5,935%
Since initial stock listing

Total return on share/10 years*: 212%

Average annual return on share/10 years*: 12%

* Including dividend reinvestment

1. Adjusted cash flows from operating activities is a non-IFRS measure, as indicated on page 42 of this report.

Financial highlights

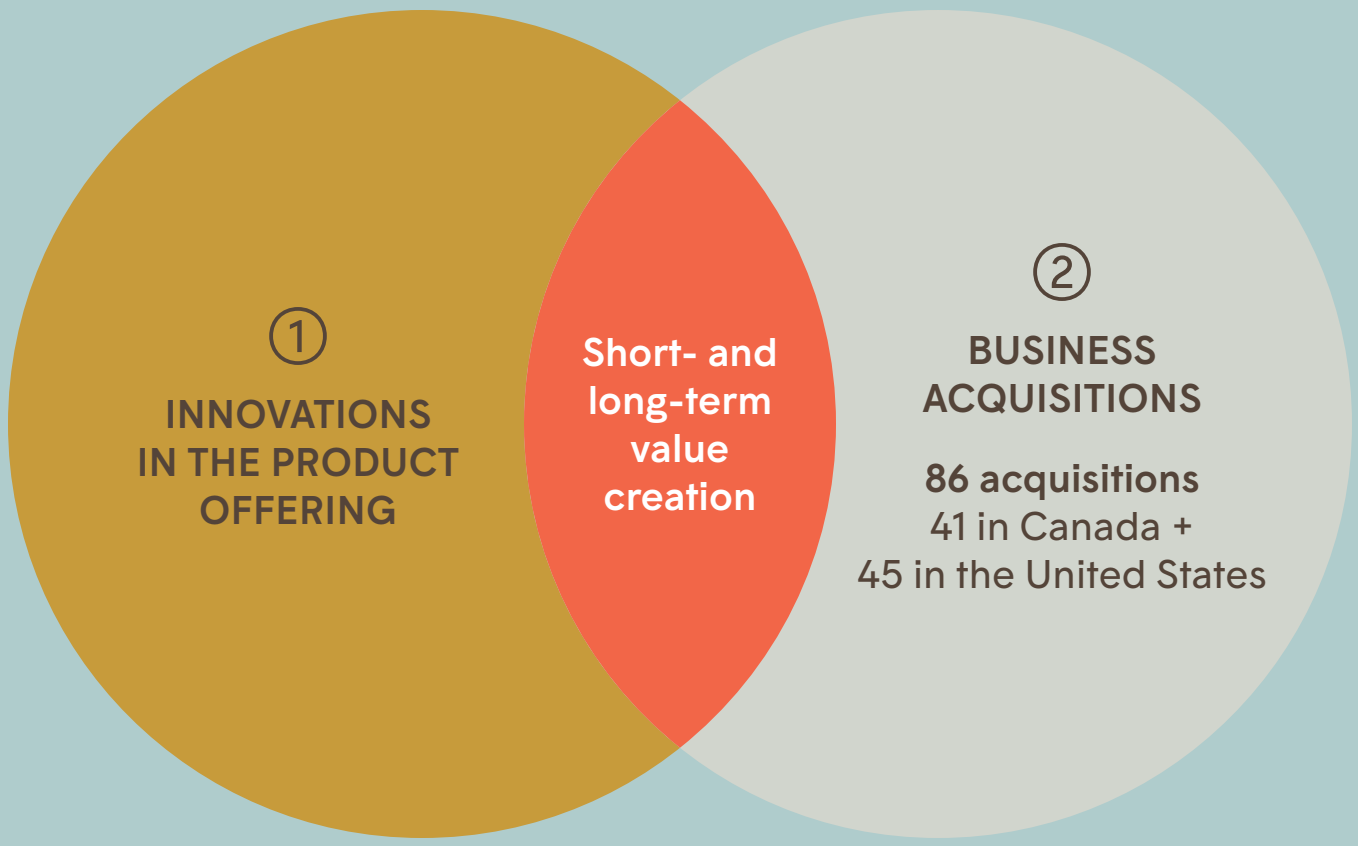
Years ended November 30

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

	2023 $	2022 $	2021 $	2020 $	2019[3] $
Sales	1,787,754	1,802,787	1,440,416	1,127,840	1,041,647
EBITDA[1]	230,404	287,442	234,398	154,461	124,207
EBITDA margin (%)	*12.9*	*15.9*	*16.3*	*13.7*	*11.9*
Net earnings	113,827	169,949	142,331	85,611	66,671
Net earnings attributable to the Shareholders of the Corporation	111,474	168,390	141,764	85,222	66,471
→ Basic per share ($)	2.00	3.01	2.54	1.51	1.17
→ Diluted per share ($)	1.98	2.99	2.51	1.50	1.16
Net margin (%)	*6.2*	*9.3*	*9.8*	*7.6*	*6.4*
Adjusted cash flows from operating activities[2]	190,483	227,795	182,991	121,125	98,390
→ Diluted per share ($)	3.39	4.04	3.24	2.14	1.72
Dividends paid to the Shareholders of the Corporation	33,521	29,083	19,374	11,284	14,424
→ Per share ($)[4]	0.600	0.520	0.280	0.200	0.253
Weighted average number of shares outstanding (diluted) (in thousands)	56,216	56,345	56,466	56,646	57,192
As at November 30					
Total assets	1,314,963	1,283,865	964,180	771,056	672,146
Working capital	621,764	562,548	456,376	377,408	335,467
Current ratio	*3.7*	*2.6*	*3.3*	*3.6*	*4.1*
Equity attributable to the Shareholders of the Corporation	904,893	817,157	666,442	551,094	498,384
Average return on equity (%)	12.9	22.7	23.3	16.2	13.7
Book value per share ($)	16.13	14.65	11.93	9.86	8.86
Long-term debt	5,346	6,067	6,439	5,792	5,659
Cash and cash equivalents (bank overdraft)	23,710	(111,988)	58,707	73,928	24,701

1. EBITDA is a non-IFRS measure, as indicated on page 42 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 42 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.

5. Soundness fostered by two growth drivers



6. Message to shareholders

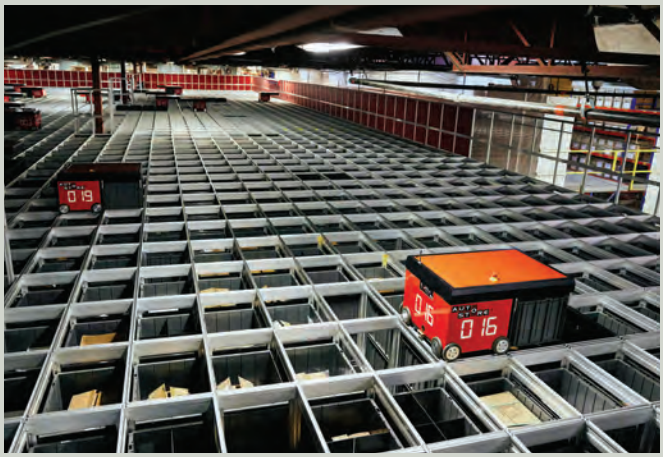
Richard Lord, President and Chief Executive Officer

The year 2023 was one of solid operational and financial performance, marked by achievements in line with our strategic priorities and our optimization culture.

Regardless of economic fluctuations and market conditions, our innovation and acquisition strategies have consistently served the Corporation very well, enabling us to create value in short and long term, and we are extending our lead in North America.

We are proud of the returns from our market penetration initiatives and business acquisitions, which brought this year sales to $1.8 billion, comparable to 2022 when the renovation market was strongly impacted during the pandemic. Also we are satisfied with our net earnings and solid financial position. Building on the strength of our business model, we continued to enhance the potential of our network with six new acquisitions and several centre expansion and modernization projects to seize market growth opportunities and optimize operations and service. Fiscal 2023 was a dynamic productive year focused on the customer experience, as we further diversified our offering with a number of innovations, and maximize the value we bring to our customers through our multiaccess service.

Richelieu's last thirty years as a TSX-listed Corporation have been marked by key milestones that have expanded and strengthened its financial foundation, diversified its offering, markets and talents. From an SME in 1993, supplying some 11,000 Canadian customers through seven distribution centres, achieving sales of about $60 million, Richelieu has steadily evolved to become a leader in its North American market, serving over 110,000 customers



The AutoStore® robotic system at the Ville Saint-Laurent, Qc distribution centre optimizes overall warehouse performance and space management.

Our successful achievements over the past thirty years show that we have made decisions and taken actions at the right time in the interest of our four pillars of growth: employees, customers, suppliers and shareholders.

through 112 centres and richelieu.com, with more than 40% of its total sales coming from the United States. World-class innovation and acquisitions of complementary businesses are our two fundamental strategic drivers from which we have never deviated. Regardless of economic fluctuations and market conditions, our innovation and acquisition strategies have consistently served the Corporation very well, enabling us to create value in the short and long term, and we are extending our lead in North America.

Our financial track record reflects our culture of growth, innovation, quality of execution and adaptability to changing situations. Our successful achievements over the past thirty years show that we have made decisions and taken actions at the right time in the interest of our four pillars of growth: employees, customers, suppliers and shareholders. We did it and continue to do so thanks to our outstanding, committed and creative team. There are now over 3,000 of us working at Richelieu, and everyone makes a difference. We believe in encouraging initiative, and we make sure that everyone on our team has the best operational tools and the support they need to succeed in their respective responsibilities, so they can realize their professional potential while prioritizing customer satisfaction. We ensure that our hiring programs are competitive and inclusive at all levels of the organization.

Every day we see how our customers' needs and purchasing habits evolve and change. Our marketing, sales and service team, who represents nearly 50% of Richelieu's employees, pay close attention to the evolving expectations of our diversified customers. What gives Richelieu's service its distinctive added value is primarily a unique combination of advantages in our market: proximity and ▷

The control and flexibility of our supply chain, the efficiency of each of our interconnected centres throughout the network, and the performance of our richelieu.com site are top priorities in meeting our commitment to product availability, reliability and service excellence.

When architectural glass adds elegance, modernity and brightness to commercial spaces.

personalized service, market-specific approach, expert advice, ease and reliability of purchasing operations from product selection by the customer to "just-in-time" delivery to their business—plus our incomparable diversified offering available in our "one-stop-shop" centres and online, with the added flexibility offered by richelieu.com for configuring products to specific customer needs. This advantage synergy is efficiently supported by our supply chain, which we keep properly equipped with the most appropriate technological tools for our distribution activities, including performance analysis and market targeting—while our products are sourced from several continents and delivered coast-to-coast in North America. The control and flexibility of our supply chain, the efficiency of each of our interconnected centres throughout the network, and the performance of our richelieu.com site are top priorities in meeting our commitment to product availability, reliability and service excellence.

What attracts and seduces customers most of all is, without a doubt, innovation in our product offering. Every year, we take the risk of investing in innovations to inspire our customers, make their jobs easier and support them in their goals of differentiation and productivity. In 2023, we have introduced trend-setting innovations in several of our categories, including storage and lighting solutions, decorative products, eco-certified products and the very latest in design and fittings. At our manufacturing partners who are world leaders in their fields, creativity is supported by technological

advances to continually reinvent and invent cutting-edge products. We interact with them and with our customers to bring to the North American market the best the world has to offer, and what is best suited to meet the needs of our customer segments.

Our vision is to be the most diversified, innovative and complete destination in products for manufacturers in the renovation, construction, wardrobe, residential and office furniture, doors and windows industries, as well as for hardware retailers and renovation superstores. This is how we have always defined Richelieu's vocation. Complementing our innovation strategy, our three specialized manufacturing plants and the business acquisitions we realize every year also support that mission. Since 1993, we have completed 86 acquisitions in North America, expanding and enhancing our presence in key markets, while diversifying our offering and expertise to meet customer needs in an ever more comprehensive way, and to accelerate growth. In 2023, the acquisitions of Unigrav, Usimm and Quincaillerie Rabel in Quebec, followed by Trans-World Distributing in Nova Scotia, Maverick Hardware in Oregon and Westlund Distributing in Minnesota, were added to the 2022 acquisitions of Compi Distributors, HGH Hardware Supply and National Builders Hardware in the United States, and Quincaillerie Deno in Quebec. Together, these ten transactions represent additional annual sales of approximately $152 million, and all meet our criteria of complementarity and diversification of products, customer bases and expertise.

While integrating these acquisitions, we made a strategic review of our distribution centres, based on market forecasts, and set up an expansion and consolidation program for several of them. Over the past two years, we have invested in these projects in order to seize growth opportunities and offer our customers optimal service. Expansion and modernization projects have been completed in the Atlanta, Nashville, Fort Myers, Pompano and Seattle regions. Our brand-new Chicago centre serving the retailers market is fully operational, as are our two new centres in the Minneapolis and Carlstadt regions. We have also implemented our expansion project in Calgary by refitting two centres into a single 250,000 sq. ft. building in December 2023. We will continue to optimize the ▹

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operational performance and profitability of our network, keeping it strong and efficient to meet the challenges of future growth.

Lastly, we continue to pay close attention to every aspect of our environmental and social responsibility. We maintain a safe and sustainable use of our resources, as well as a healthy and secure working environment for our distribution centres and head office teams. In addition, we remain committed to various projects designed to contribute to the quality of life of the communities in which we operate, and are proud to make concrete contributions to both heritage conservation and youth educational initiatives.

Richelieu is firmly rooted in a strong, creative industry that keeps innovating and growing. We serve a diversified and steadily expanding customer base, and we are financially sound to pursue our investments in the future. With confidence and the support of a passionate and expert team, we will continue to advance and prosper, relying on our growth drivers of innovation, acquisitions and distinctive value-added service.

(Signed) Richard Lord
President and Chief Executive Officer

7. Directors and Officers

Directors

Sylvie Vachon[1]
Corporate Director

Richard Lord
President and Chief
Executive Officer
Quincaillerie Richelieu Ltd.

Lucie Chabot[4]
Corporate Director

Robert Courteau[3]
President
CM Management Inc.

Marie Lemay[4]
President
Royal Canadian Mint

Luc Martin[2]
Corporate Director

Pierre Pomerleau[5]
Executive Chairman of the Board
Pomerleau Inc.

Marc Poulin[5]
Corporate Director

1. Chairwoman of the Board
2. Chairman of the Audit Committee
3. Chairman of the Human Resources and Corporate Governance Committee
4. Member of the Audit Committee
5. Member of the Human Resources and Corporate Governance Committee

Officers

Richard Lord
President and Chief
executive Officer

Antoine Auclair
Vice-President and
Chief Financial Officer

Guy Grenier
Vice-President, Sales and
Marketing · Industrial

Alain Charron
Vice-President · Logistics
and Supply Chain

Denis Gagnon
Vice-President ·
Information Technology

Marjolaine Plante
Vice-President · Human Resources

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

Craig Ratchford
Vice-President, General
Manager · United States

Larry Lucyshyn
Vice-President, Sales to US Retailers

Éric Daignault
General Manager of Divisions

John Statton
General Manager · Western
Canada Division

Yannick Godeau
Legal Affairs and
Corporate Secretary

8. Our values

Multidisciplinary skills linked by team spirit and a commitment to meeting challenges with both creativity and rigour.

Supported by cooperative leadership and the most effective tools for the job, all team members are customer oriented. They share the Corporation's values, and take on their respective responsibilities with autonomy and initiative.

Customer First

Passion, commitment, discipline, attention to detail and rigour are the driving principles that motivate every one of us for a "customer first" strategic approach. We are always on the lookout for better ways to meet our customers' needs. Anticipating their needs allows us not only to support them in their business, but even to exceed their expectations.

Innovation

Our creative approach and innovative product offering keep us at the cutting edge of global trends, and allow us to offer a unique range of innovations, concepts and innovative solutions. Our creativity is also reflected in our market development strategy, as well as in the sustained efforts of each of us to remain innovative, proactive and adaptable to change and new challenges.

Performance

At Richelieu, we are proud to make a significant contribution to achieving outstanding performance. Impeccable execution, ongoing training, a strong team spirit and a concern for costs and efficiency are key elements in a successful business model aimed at excellence and high performance.

Respect, integrity and ethics

Respect for our employees, customers, suppliers and shareholders means we can build lasting and trusting relationships with our four pillars of growth. Collaboration, openness, transparency and honesty are keys to the smooth running of our organization. With integrity, we ensure responsible management in order to minimize risks, comply with law and ensure sound governance.

Intrapreneurship

All employees contribute to Richelieu's success just as if it where their own business. We encourage the empowerment and commitment of all our team members towards our organization, culture and values.

9. Over 110,000 customers in diversified markets

Boucher Guitars, Berthier-sur-Mer, at the heart of Appalachians. A team of passionate craftsmen and luthiers who patiently and lovingly handcraft and assemble stunning-sounding acoustic guitars. Richelieu assembly and finishing products.

Our manufacturer customers

Our manufacturer customers bring their expertise to a broad range of fields. Their products are all designed for residential, commercial and institutional needs, whether they are manufacturers of kitchen and bathroom cabinets, wardrobes, storage units, residential and office furniture, or doors and windows. They face the challenges common to all businesses.

Our commitment is to understand our customers' supply and manufacturing challenges and needs, and to provide full satisfaction with impeccable quality and reliability of service, including a broad range of functional and decorative products to optimize project execution.

Richelieu
RELIABLE
onward
CEDAN
StrukArt
LAKNORD
FormArt
KOLOSSUS
PRO TEC
DAYVAN
NYSTROM
serenity series
SUPER SLIDEX
inter·co DIVISION
AXIAL
Brillanté
LIONGRIP
Richelieu ERGO
NEOS PRODUCTS Richelieu
RIVEO
EvolutionHD
Wall-It

Our retailer and renovation superstore customers

We serve many thousands of retailers in North America, from independent retailers under a wide range of banners and buying groups, to superstores and renovation centres. We understand the challenges they are facing in today's fast-changing retail environment. With diligent, reliable service and a diversified offering that meets the needs of the market, we help these businesses become destinations where their customers can enjoy an in-store experience that lives up to their expectations.

10. Architects and designers — A productive partnership

They advise, guide and represent their clients in choosing the most appropriate products and materials for their building, renovation and fabrication projects.

Architects and designers are key partners we are proud to keep informed about our innovative solutions. Our collaborations help make their residential, institutional and commercial projects a success and contribute to a win-win partnership.

11. For a select and distinctive customer experience — A value-added multiaccess service

12. A diversified and complementary flow of categories


Decorative Hardware


Screws and Fasteners


Furniture Equipment


Hinges


Slides

One-stop-shop


Opening Systems


Kitchen Solutions


Closet and Storage Solutions


Office Solutions


Sliding System Solutions


Glass Hardware


Window and Exterior Door Hardware


Builder's Hardware


Veneer and Edgebanding


Surfaces and Decorative Panels


Finishing Products

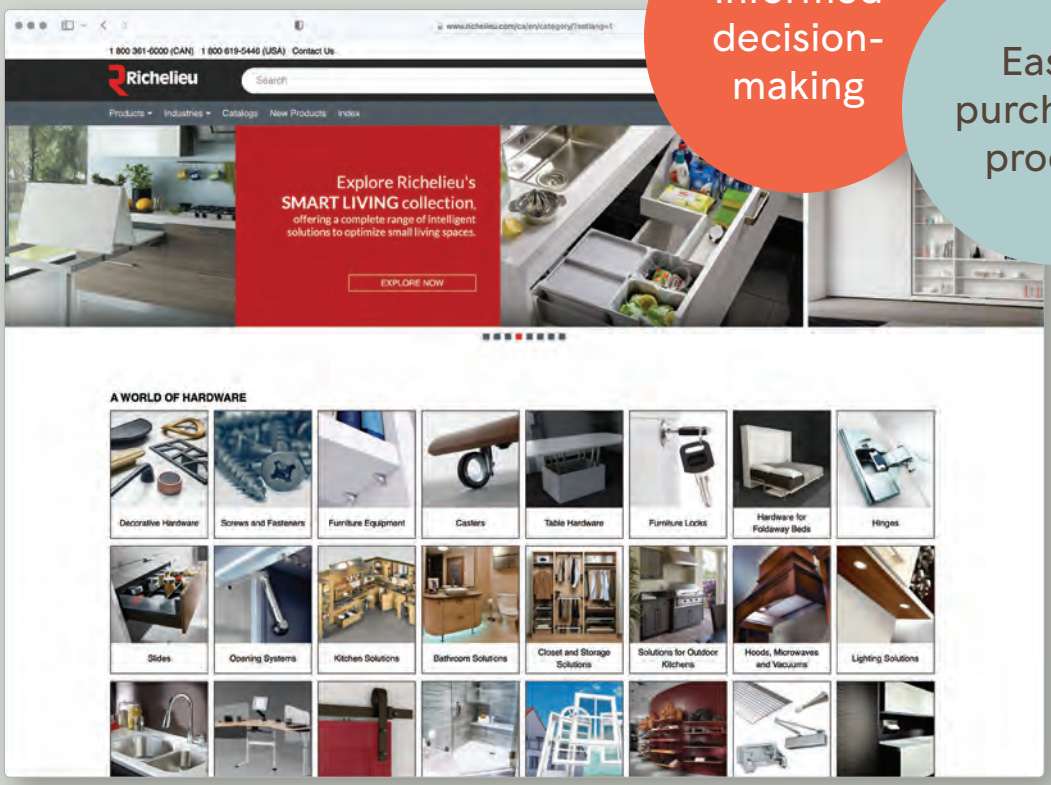

Lighting Solutions

13. richelieu.com — Key component of the value-added multiaccess service

- → Comprehensive offering
- → High-performance ergonomics
- → Trilingual — French, English, Spanish
- → Interaction between employees, customers and suppliers
- → Real-time information — photos, videos, user instructions
- → Complete purchasing operation
- → Product configuration according to specific needs

Informed decision-making

Easier purchasing process



14. Innovation creates value

As a key driver of evolution and growth, innovation is shaping living and working environments. We are committed to constantly updating our offering to include the latest high-performance products, designed with careful attention. We remain true to our mission of bringing the best in quality, functionality and unique stylistic appeal to our North American markets. From some 10,000 products in six categories in 1993, we now offer over 130,000 products in a host of complementary categories, including a number of our own-brand and exclusive products.

The latest trends in kitchen design and fittings combine functionality and elegance in a host of components, including decorative surfaces and panels, retractable storage systems and versatile lighting.

A wide-ranging collection of furnishing hardware featuring finishes, materials and designs that reflect tradition and trends. Innovations and unique creations by leading designers.

Architectural glass offers many attractive properties to designers of residential and commercial construction and renovation projects. Whether for exterior balustrades, railings or interior doors, the use of glass requires a range of components with proven strength and durability. These same qualities of reliability and resistance are required for all the hardware components sought by **window and door** manufacturers.

Planning a closet or walk-in requires both a sense of order and efficiency, supported by strong knowledge of the various storage and lighting systems and the many functional and decorative hardware components that will bring elegance, cleanliness and functionality to these living spaces.


PRADA

15. Social and environmental responsibility

Le Boulot vers...

Arbre-Évolution

Fondation Autisme Laurentides

Richelieu is involved in a number of projects aimed at improving the ecological diversity and quality of life of the communities in which it operates. It takes part in many ways in educational initiatives aimed at the sustainable reintegration of young people into society and the job market, as well as in heritage conservation and community awareness projects.

Richelieu has always been very aware of the need for environmental and social responsibility. The Corporation has long been committed to reducing its carbon footprint by 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.

All employees are therefore required to confirm they understand and comply 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 of Directors 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.

Management's Report

Highlights

of the year ended November 2023

Richelieu's results reflect the strength and expertise of its team, the Corporation's ability to stand out in its markets through its customer service performance, to seize growth opportunities by completing six acquisitions in North America, and further diversify its offering with innovative products selected from world-leading manufacturers. Maintaining its focus on operational and financial objectives, Richelieu pursued its innovation, acquisition and market development strategies with dynamism and creativity to achieve sales in line with those of 2022, which increased by 25% in a most favourable context resulting from the pandemic. Despite the return to pre-pandemic levels of certain operating expenses and the charges associated to major network expansion projects, the Corporation reported good net results and a solid financial position on November 30, 2023.

Over the past two years, Richelieu has completed ten acquisitions in North America, six of which were closed in 2023, collectively representing additional sales of approximately $152 million on an annual basis, in addition to increasing its penetration in several strategic markets in Canada and the United States. Subsequent to fiscal 2023, two new acquisitions were realized: Olympic Forest Products Inc., a distributor of specialized lumber and panel products operating a distribution centre in Erin, ON, and Rapid Start, a specialty hardware distributor operating a distribution centre in Rittman, OH. These two recent transactions, fully aligned with Richelieu's values and objectives, will add sales of approximately $18 million on an annual basis.

In order to continue to seize market growth opportunities and optimize our operations and customer service, Richelieu has undertaken several projects over the past two years. The Corporation also completed expansion and modernization projects of its centres in Atlanta, Nashville, Fort Myers, Pompano and Seattle regions. The brand-new Chicago centre serving the retail market is fully operational, as are the two new centres in the Minneapolis, MN and Carlstadt, NJ regions. Furthermore, in December 2023, the expansion project in Calgary was completed with the refitting of two centres into a single 250,000 sq. ft. building.

Soundly positioned and building on the strengths of its diversified market segments, Richelieu's value-added service concept rooted in innovation and one-stop-shop approach, the performance of its richelieu.com website and financial soundness, Richelieu will continue to drive growth through innovation and acquisitions, with the contribution of its expert and committed team.

- **Total sales** amounted to $1.8 billion, a slight decline of 0.8%, of which 2.6% was due to internal decrease, partially offset by 1.8% growth from acquisitions.
- **Earnings before interest, income taxes and amortization (EBITDA)**[1] came to $230.4 million, compared to $287.4 million for fiscal 2022, a decline of 19.8%. EBITDA margin stood at 12.9%, compared to 15.9% for the previous year.
- **Diluted net earnings per share** declined by 33.8% to $1.98 from $2.99 in the previous year and **net earnings attributable to shareholders** amounted to $111.5 million compared to $168.4 million last year, down 33.8%.
- **Cash flows from operating activities** totalled $270.7 million.
- **Working capital** increased by 10.5% to $621.8 million, for a current ratio of 3.7: 1.
- **Average return on equity** was 12.9%.
- **Repurchase** of 20,000 common shares for $0.8 million and payment of $33.5 million in **dividends** to shareholders. Richelieu thus distributed $34.3 million to shareholders in 2023 while maintaining the financial resources necessary for growth in 2024.

Six acquisitions completed in North America in fiscal 2023

- January 1, 2023: acquisition of **Unigrav** and **Usimm**, two companies offering customized products, including a 3D scanning centre, operating in Drummondville and Montreal, QC.
- January 4, 2023: acquisition of **Quincaillerie Rabel**, a specialty hardware distributor with a distribution centre in Terrebonne, QC.
- January 6, 2023: acquisition of **Trans-World Distributing**, a distributor of industrial fasteners which operates a distribution centre in Dartmouth, NS.

(1) EBITDA is a non-IFRS measure, as indicated on page 42 of this report.

- April 3, 2023: acquisition of **Maverick Hardware**, a distributor of specialty hardware products with its distribution centre in Eugene, OR.

- April 30, 2023: acquisition of **Westlund Distributing**, a distributor of specialty hardware products operating a distribution centre located in Monticello, MN.

PRESENTATION BASIS

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, 2023, in comparison with the year ended November 30, 2022, 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, 2023 appearing in this 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, 2023, are available on SEDAR+ website at www.sedarplus.com and on the Corporation's website at www.richelieu.com.

The information contained in this MD&A accounts for any major event that occurred prior to January 18, 2024, on which date the audited consolidated financial statements and MD&A were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including amounts shown in tables, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS

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

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they were prepared, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability as well as other factors set forth in the "Risk Factors" section on page 52.

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 net 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, 2023

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

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The residential and commercial renovation industry is one of the Corporation's principal sources of growth.

Richelieu's offer	112 interconnected centres
Over **130,000** different items	50 distribution centres in Canada
More than **110,000** active customers	59 distribution centres in the United States
4,800,000 sq.ft. of storage	3 manufacturing plants

Main product categories	
Furniture, glass and building decorative and functional hardware	Sliding door systems
	Decorative and functional panels
Lighting systems	High pressure laminates
Finishing and decoration products	Baluster and railings
Ergonomic workstations components	Floor protection products
Kitchen and closet storage solutions	Power tools accessories

Those 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.**

This offering is completed by the Corporation's three manufacturing subsidiaries (Les Industries Cedan inc., Menuiserie des Pins Ltée and Usimm Unigrav inc.), which manufacture a variety of veneer sheets and edge banding products, a broad selection of decorative mouldings and components for the window and door industry as well as custom products, including a 3D scanning centre.

The Corporation employs more than 3,000 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. Nearly 50% of the Corporation's employees are Richelieu shareholders.

MAIN TRADEMARKS

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 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 offering by continuously introducing, each year, new 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 team capable of providing customers with personalized service; and
- pursuing its North American expansion by opening new distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementarity to its product mix and expertise.

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

NETWORK DEVELOPMENT

During 2023 fiscal year, Richelieu concluded the following acquisitions:

Date	Company name	Nature of operations	Locations
January 1st	Usimm and Unigrav	2 companies offering custom products, including a 3D scanning centre	Drummondville and Montreal, QC
January 4	Quincaillerie Rabel	Specialized hardware distributor	Terrebonne, QC
January 6	Trans-World Distributing	Distributor of industrial fasteners	Dartmouth, NS
April 3	Maverick Hardware	Specialized hardware distributor	Eugene, OR
April 30	Westlund Distributing	Specialized hardware distributor	Monticello, MN

Sales of $23.5 million have been generated by these acquisitions. Had those acquisitions been made on December 1, 2022, management believes that sales would have totalled approximately $27.0 million. The Corporation also completed expansion and modernization projects at its centres in the Atlanta, Nashville, Fort Myers, Pompano and Seattle areas.

A brand-new Chicago centre serving the retail market is fully operational, as are the two new centres in the Minneapolis, MN and Carlstadt, NJ regions. Furthermore, in December 2023, its expansion project in Calgary was completed with the refitting of two centres into a single 250,000 sq. ft. building.

Financial Highlights

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

Years ended November 30	2023 $	2022 $	2021 $	2020 $	2019[3] $
Sales	1,787,754	1,802,787	1,440,416	1,127,840	1,041,647
EBITDA[1]	230,404	287,442	234,398	154,461	124,207
EBITDA margin (%)	*12.9*	*15.9*	*16.3*	*13.7*	*11.9*
Net earnings	113,827	169,949	142,331	85,611	66,671
Net earnings attributable to shareholders of the Corporation	111,474	168,390	141,764	85,222	66,471
Per share - basic ($)	2.00	3.01	2.54	1.51	1.17
Per share - diluted ($)	1.98	2.99	2.51	1.50	1.16
Net margin (%)	*6.2*	*9.3*	*9.8*	*7.6*	*6.4*
Adjusted cash flows from operating activities[2]	190,483	227,795	182,991	121,125	98,390
Per share - diluted ($)	3.39	4.04	3.24	2.14	1.72
Dividends paid to Shareholders of the Corporation	33,521	29,083	19,374	11,284	14,424
Per share ($)[4]	0.600	0.520	0.280	0.200	0.253
Weighted average number of shares outstanding (diluted) (in thousands)	56,216	56,345	56,466	56,646	57,192
As at November 30					
Total assets	1,314,963	1,283,865	964,180	771,056	672,146
Working capital	621,764	562,548	456,376	377,408	335,467
Current ratio	*3.7*	*2.6*	*3.3*	*3.6*	*4.1*
Equity	904,893	817,157	666,442	551,094	498,384
Return on average shareholders equity (%)	*12.9*	*22.7*	*23.3*	*16.2*	*13.7*
Book value per share ($)	16.13	14.65	11.93	9.86	8.86
Long-term debt	5,346	6,067	6,439	5,792	5,659
Net cash and cash equivalents (net bank overdraft)	23,710	(111,988)	58,707	73,928	24,701

(1) EBITDA is a non-IFRS measure, as indicated on page 42 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 42 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, 2023, compared with the year ended November 30, 2022

CONSOLIDATED SALES

The following table provides an overview of Richelieu's **sales** in its two main markets for the years ended November 30, 2023 and 2022:

(in millions of dollars except exchange rates)	2023 $	2022 $	Δ % Total	Δ % Internal	Δ % Acquisitions
Consolidated	1,787.8	1,802.8	(0.8)	(2.6)	1.8
Manufacturers	1,539.6	1,552.0	(0.8)	(2.9)	2.1
Retailers	248.2	250.8	(1.0)	(1.1)	0.1
Canada	1,048.1	1,074.7	(2.5)	(4.4)	1.9
Manufacturers	855.7	876.6	(2.4)	(4.7)	2.3
Retailers	192.4	198.1	(2.9)	(2.9)	–
United States $US	547.5	562.5	(2.7)	(4.4)	1.7
Manufacturers	506.2	521.7	(3.0)	(4.8)	1.8
Retailers	41.3	40.8	1.2	1.2	–
United States $CA	739.7	728.1	1.6		
Average exchange rates	*1.351*	*1.294*			

Consolidated sales reached $1.8 billion, a decrease of $15.0 million or 0.8% over last year, of which 1.8% from acquisitions and 2.6% from internal decrease. In currency comparable to that of the 2022 financial year, the decrease in consolidated sales for the year ended November 30, 2023, would have been 2.6%.

(in millions of dollars, except per share data)	Years ended November 30 2023 $	2022 $	Δ %
Sales	1,787.8	1,802.8	(0.8)
Operating expenses excluding amortization	1,557.4	1,515.3	2.8
EBITDA	230.4	287.4	(19.8)
EBITDA margin (%)	*12.9*	*15.9*	
Amortization of property, plant and equipment and right-of-use assets	50.1	38.0	31.7
Amortization of intangible assets	10.9	10.6	2.1
Net financial costs	13.3	7.1	85.9
	74.2	55.8	33.0
Earnings before income taxes	156.2	231.7	(32.6)
Income taxes	42.4	61.7	(31.3)
Net earnings	113.8	169.9	(33.0)
Net earnings attributable to:			
Shareholders of the Corporation	111.5	168.4	(33.8)
Non-controlling interests	2.4	1.6	50.9
Net earnings per share attributable to shareholders of the Corporation			
Basic	2.00	3.01	(33.6)
Diluted	1.98	2.99	(33.8)

Earnings before interest, income taxes and amortization (EBITDA) totalled $230.4 million, down by $57.0 million or 19.8% over 2022. This can be explained by the increase in operating costs, including external warehousing, resulting from the temporary increase in inventories, in expenses specific to major expansion projects undertaken during the 2023 financial year and by the effect of the increase in the US foreign exchange rate compared to the CA$ currency on the translation of the operating expenses in US currency. The gross margin is also slightly down, therefore **EBITDA margin** stood at 12.9%, compared with 15.9% for 2022.

Amortization expenses amounted to $60.9 million compared with $48.6 million for 2022, an increase of $12.3 million, a result of the increase in property, plant and equipment and right-of-use assets stemming mainly from lease renewal, recent business acquisitions and expansion and modernization projects. **Net financial costs** were $13.3 million compared to $7.1 million, an increase of $6.1 million resulting mainly from the use of lines of credit and the increase in lease obligations. **Income taxes** amounted to $42.4 million, a decrease of $19.3 million over 2022.

Net earnings were down 33.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $111.5 million, a decrease of 33.8% compared to 2022. **Net earnings per share** amounted to $2.00 basic and $1.98 diluted, compared with $3.01 basic and $2.99 diluted for 2022, a decrease of 33.6% and 33.8% respectively.

Comprehensive income totalled $114.7 million, reflecting a positive adjustment of $0.9 million on translation of the financial statements of the subsidiary in the United States, compared with $183.4 million for 2022, which reflected a positive adjustment of $13.5 million on translation of the financial statements of the subsidiary in the United States.

QUARTERLY DATA (unaudited)

(in millions of dollars. except per share data)	Q1	Q2	Q3	Q4
2023				
Sales	403.0	472.1	459.0	453.7
EBITDA	49.1	61.5	61.0	58.8
Net earnings attributable to shareholders of the Corporation	22.4	30.7	29.8	28.5
Basic per share ($)	0.40	0.55	0.53	0.51
Diluted per share ($)	0.40	0.55	0.53	0.51
2022	Q1	Q2	Q3	Q4
Sales	384.5	487.9	472.9	457.5
EBITDA	53.7	77.9	79.2	76.7
Net earnings attributable to shareholders of the Corporation	30.1	47.0	46.4	44.9
Basic per share ($)	0.54	0.84	0.83	0.80
Diluted per share ($)	0.53	0.83	0.82	0.80
2021	Q1	Q2	Q3	Q4
Sales	297.6	371.4	373.3	398.2
EBITDA	38.2	61.0	63.9	71.3
Net earnings attributable to shareholders of the Corporation	21.0	37.4	38.7	44.6
Basic per share ($)	0.38	0.67	0.69	0.80
Diluted per share ($)	0.37	0.66	0.69	0.79

Quarterly variations in earnings — The first quarter closing at the end of February is generally the year's weakest quarter for Richelieu in light of fewer number of business days due to the end-of-year holiday period and the 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 ending May 31 and November 30, respectively, generally represent the year's most active periods.

FOURTH QUARTER ENDED NOVEMBER 30, 2023

Sales

The following table provides an overview of Richelieu's **sales** in its two main markets for the quarters ended November 30, 2023 and 2022:

	Quarters ended November 30		Δ %		
(in millions of dollars except exchange rates)	2023 $	2022 $	Total	Internal	Acquisitions
Consolidated	453.7	457.5	(0.8)	(2.2)	1.4
Manufacturers	393.1	397.7	(1.2)	(2.8)	1.6
Retailers	60.6	59.8	1.3	1.3	–
Canada	267.5	273.5	(2.2)	(4.0)	1.8
Manufacturers	220.3	226.0	(2.5)	(4.7)	2.2
Retailers	47.2	47.5	(0.6)	(0.8)	0.2
United States $US	136.3	136.4	(0.1)	(0.9)	0.8
Manufacturers	126.4	127.3	(0.7)	(1.6)	0.9
Retailers	9.9	9.1	8.8	8.8	–
United States $CA	186.2	184.0	1.2		
Average exchange rates	*1.366*	*1.349*			

Fourth-quarter consolidated sales amounted to $453.7 million, compared with $457.5 million for the corresponding quarter of 2022, a decrease of $3.8 million or 0.8%, of which 2.2% resulting from internal decrease, partially offset by 1.4% growth from acquisitions. At comparable exchange rates to the fourth quarter of 2022, the consolidated sales decrease would have been 1.3% for the quarter ended November 30, 2023.

Earnings before interest, income taxes and amortization (EBITDA) amounted to $58.8 million compared with $76.7 million in the fourth quarter of 2022, down 23.3%. The gross margin is down compared to the previous year and the **EBITDA margin** stood at 13.0%, compared with 16.8% for the fourth quarter of 2022, influenced by the return to pre-pandemic levels of certain operating expenses as well as expenses specific to major expansion projects incurred during the quarter.

Amortization expenses amounted to $16.4 million compared with $13.1 million for the corresponding quarter of 2022, an increase of $3.3 million. **Net financial costs** are down $0.6 million mainly due to the significant reduction in line of credit balances. **Income taxes** amounted to $10.8 million compared with $15.0 million for the fourth quarter of 2022.

Net earnings were $29.4 million, down by 35.7% over the corresponding quarter of 2022. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $28.5 million, down by 36.5% over the fourth quarter of 2022. **Net earnings per share** were $0.51 basic and diluted, compared with $0.80 basic and diluted for the fourth quarter of 2022.

Comprehensive income amounted to $29.8 million, reflecting a positive adjustment of $0.4 million on translation of the financial statements of the subsidiary

in the United States, compared with $53.2 million for the fourth quarter of 2022, which reflected a positive adjustment of $7.5 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 $49.3 million or $0.88 per share, compared with $62.2 million or $1.11 per share for the fourth quarter of 2022, a decrease of 20.7% resulting primarily from net earnings decrease. The net change in non-cash working capital balances represented a cash inflow of $23.3 million, reflecting the change in inventory and accounts receivable of $25.3 million, whereas the change in accounts payable and other items required cash flows of $1.9 million. Consequently, operating activities provided cash flows of $72.7 million, compared with $3.6 million for the fourth quarter of 2022.

Financing activities used cash flows of $14.3 million, compared with $21.6 million for the fourth quarter of 2022. This change primarily resulted from $4.7 million of issued shares in the fourth quarter compared to $0.2 million in the corresponding quarter, and common share repurchases of $4.4 million for the fourth quarter of 2022 while no share repurchases were made in the fourth quarter of 2023.

Investing activities used cash flows of $19.2 million in the fourth quarter mainly for the purchase of a building housing Usimm Unigrav inc. operations, in addition to adding storage space for the acquisition of various tangible assets related to expansion and construction projects as well as for the purchase of equipment to maintain and improve operational efficiency.

FINANCIAL POSITION

as at November 2023

Analysis of significant cashflows

(in millions of $)	Years closed on November 30 2023 $	2022 $
Cash flows provided by (used in):		
Operating activities	270.7	(32.9)
Financing activities	(72.4)	(70.0)
Investing activities	(61.8)	(66.8)
Effect of exchange rate changes on cash and cash equivalents	(0.8)	(1.1)
Net change in cash and cash equivalents and bank overdraft	135.7	(170.7)
Cash and cash equivalents (bank overdraft), beginning of period	(112.0)	58.7
Cash and cash equivalents (bank overdraft), end of period	23.7	(112.0)

Reconciliation of cash flow from operating activities to adjusted cash flow from operating activities:

(in millions of $)	Years closed on November 30 2023 $	2022 $
Cash flow from operating activities	270.7	(32.9)
Net change in non-cash working capital balances (inflow)	(80.2)	260.7
Adjusted cash flows from operating activities	190.5	227.8

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $190.5 million or $3.39 diluted per share, compared with $227.8 million or $4.04 diluted per share for 2022, a decrease of 16.4% mainly reflecting the net earnings decrease. The net change in non-cash working capital balances represented a cash inflow of $80.2 million, mainly representing changes in inventory of $97.1 million whereas accounts receivable, payable and other items used cash flows of $16.9 million. Consequently, operating activities generated a cash inflow of $270.7 million compared to a cash outflow of $32.9 million for 2022.

Financing activities

Financing activities used cash flows of $72.4 million, compared with $70.0 million for 2022. During the year, Richelieu repaid long-term debt of $5.3 million, paid lease obligations of $34.1 million and issued shares for $8.6 million, compared to a long-term debt repayment of $5.2 million, lease obligations payments of $25.9 million and a $6.3 million share issued in 2022. Dividends paid to shareholders of the Corporation amounted to $33.5 million compared to $29.1 million up 15.3% over 2022. The Corporation also repurchased common shares for an amount of $0.8 million compared with $12.3 million in 2022.

Investing activities

Investing activities used cash flows of $61.8 million, of which $19.7 million was for the six business acquisitions completed in fiscal 2023 and $42.1 million, mainly for equipment to maintain and improve operational efficiency, including additions resulting from expansion projects and for the purchase of a building in Drummondville.

Sources of financing

As at November 30, 2023, **cash and cash equivalent** net of bank overdraft amounted to $23.7 million, compared with net bank overdraft of $112.0 million as at November 30, 2022. The Corporation had a **working capital** of $621.8 million for a current ratio of 3.7: 1, compared with $562.5 million as at November 30, 2022.

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 2024. The Corporation continues to benefit from an authorized line of credit of C$150 million [2022 — C$150 million] as well as a line of credit of US$56 million [2022 — US$56 million as at November 30, 2022] renewable annually and bearing interest at prime rate 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 2024, 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

(in millions of dollars, except exchange rates)	2023 $	2022 $	Δ %
Current assets	859.5	910.8	(5.6)
Non-current assets	455.5	373.1	22.1
Total	1,315.0	1,283.9	2.4
Current liabilities	237.7	348.2	(31.7)
Non-current liabilities	169.1	115.8	46.0
Equity attributable to shareholders of the Corporation	904.9	817.2	10.7
Non-controlling interests	3.3	2.7	22.5
Total	1,315.0	1,283.9	2.4
Exchange rates on translation of subsidiaries in the United States	*1.358*	*1.351*	

Assets

Total assets amounted to $1.3 billion as at November 30, 2023, an increase of 2.4 %. **Current assets** were down by 5.6% or $51.3 million from November 30, 2022, mainly resulting from the decrease in inventories. **Non-current assets** increased by 22.1%, mainly due to the addition of right-of-use assets and property, plant and equipment related to lease renewals and expansion projects.

Cash position and long-term debt

(in millions of dollars)	2023 $	2022 $
Current portion of long-term debt	2.9	5.2
Long-term debt	2.4	0.9
Total debt	5.3	6.1
Net cash and cash equivalents (net bank overdraft)	23.7	(112.0)

Shareholders' equity and share capital

Equity attributable to shareholders of the Corporation totalled $904.9 million as at November 30, 2023, compared with $817.2 million as at November 30, 2022, an increase of $87.7 million. This increase is mainly due to a rise of $75.8 million in retained earnings, which amounted to $795.0 million, and of $11.1 million in share capital and contributed surplus, while accumulated other comprehensive income increased by $0.9 million. As at November 30, 2023, **the book value per share** was $16.13, up by 10.1% over November 30, 2022, and **the return on average shareholders' equity** was 12.9%.

As at November 30, 2023, the Corporation's **share capital** consisted of 56,088,365 common shares (55,784,790 shares as at November 30, 2022). In 2023, upon the exercise of stock options under the stock option plan, Richelieu issued 323,575 common shares at an average price of $26.43 (271,000 in 2022 at an average price of $23.19). The Corporation granted 306,500 stock options in fiscal 2023 (276,000 in 2022) and cancelled 41,000 (17,125 in 2022). Consequently, as at November 30, 2023, 1,620,925 stock options were outstanding (1,679,000 as at November 30, 2022).

Number of shares		Number of options	
Outstanding at beginning of period	55,784,790	Outstanding at beginning of period	1,679,000
Issued	323,575	Exercised	(323,575)
Repurchased	(20,000)	Granted	306,500
Other	–	Cancelled	(41,000)
Outstanding, end of period	56,088,365	Outstanding, end of period	1,620,925

CONTRACTUAL COMMITMENTS

As at November 30, 2023

(in millions of $)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term debt	2.9	2.4	–	5.3
Operating leases	37.6	109.1	63.3	210.0
Total	40.5	111.5	63.3	215.3

For 2024 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 2024, 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 13 of the audited consolidated financial statements for the year ended November 30, 2023, 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, 2023. 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, 2023, 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, 2023, 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 is the impairment of inventory, including inventory losses and obsolescence. This item requires the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are regularly reviewed. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Effective December 1, 2023, the Corporation acquired all issued and outstanding share capital of Olympic Forest Products Inc., a distributor of specialized lumber and panel products operating one distribution centre in Erin, ON.

Effective January 1, 2024, the Corporation acquired from minority shareholders an additional 15% interest in the voting shares of Provincial Woodproducts Ltd., thereby increasing its interest to 100%.

Effective January 15, 2024, the Corporation acquired the principal net assets of Rapid Start, a distributor of specialized hardware operating one distribution centre in Rittman, OH.

NEW ACCOUNTING POLICIES

In May 2021, the IASB amended IAS 12 "Income Taxes" to narrow the scope of the recognition exemption so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to fiscal years beginning on or after January 1, 2023. The Corporation believes that these amendments will have no impact on its consolidated financial statements.

RISK FACTORS

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

Economic conditions

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

Market and competition

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

Foreign currency

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

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

Sales made abroad are mainly recorded in the United States and account for approximately 41% 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 12% 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, 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, 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 18, 2024

Issued and outstanding common shares	56,118,765
Outstanding stock options	1,876,650

OUTLOOK

Soundly positioned and building on the strengths of its diversified market segments, its value-added service concept rooted in innovation and its one-stop-shop approach, the performance of its website richelieu.com and its financial soundness, Richelieu will continue to drive growth through innovation and acquisitions, with the contribution of its expert and committed team.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR+ website at www.sedarplus.com and on the Corporation's website at www.richelieu.com.

(Signed) Richard Lord
President and
Chief Executive Officer

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

January 18, 2024

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 18, 2024.

(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 "Corporation"], which comprise the consolidated statements of financial position as at November 30, 2023 and 2022, 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 Corporation as at November 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

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 Corporation 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-ended November 30, 2023, the Corporation made business acquisitions for an aggregate consideration of $23.3 million. As part of these business acquisitions, the Corporation recognized customer relationship intangible assets with a combined fair value of $8.8 million. The purchase price allocation related to these business acquisitions is disclosed in Note 3 to the consolidated financial statements.

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

- Inspected the share and assets' purchase agreements to obtain an understanding of all the transactions and the key terms;
- Involved our valuation specialists, on a sample basis, to assist in evaluating the valuation methodology selected by management, as well as validating the reasonableness of the discount rate used in the determination of the fair value of the customer relationships acquired;
- Evaluated the reasonableness of the significant valuation assumptions included within the forecasted cash flows of the most significant acquisition of the year, such as revenue growth, and EBITDA margins, as well as customer attrition, for which we reviewed historical financial data of the targets, and benchmarked against other acquisitions previously made by the Corporation;
- Performed sensitivity analyses on a sample basis, to test the sensitivity of the fair value conclusions to changes in significant assumptions such as revenue growth, customer attrition and discount rates;
- Evaluated the adequacy of the business acquisitions note disclosure included in Note 3 of the accompanying consolidated 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 Corporation 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 matters. We describe these matters 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.

Ernst & Young LLP[1]

(Signed) Enrst & Young LLP

Montreal, Canada
January 18, 2024

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

Consolidated statements of financial position

As at November 30 (in thousands of dollars)

	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents		46,327	21,220
Accounts receivable		219,264	222,238
Income taxes receivable		12,621	–
Inventories		572,351	660,242
Prepaid expenses		8,905	7,071
		859,468	910,771
Non-current assets			
Proprety, plant and equipment	4	78,053	54,832
Intangible assets	5	67,808	66,603
Right-of-use assets	10	167,124	116,204
Goodwill	5	135,089	127,457
Deferred taxes	9	7,421	7,998
		1,314,963	1,283,865
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	6	22,617	133,208
Accounts payable and accrued liabilities	8	169,785	169,913
Income taxes payable	9	4,373	10,749
Current portion of long-term debt	7	2,940	5,208
Current portion of lease obligations	10	37,989	29,145
		237,704	348,223
Non-current liabilities			
Long-term debt	7	2,406	859
Lease obligations	10	143,336	95,705
Deferred taxes	9	11,169	10,052
Other liabilities		12,191	9,204
		406,806	464,043
Equity			
Share capital	8	72,289	61,829
Contributed surplus	8	9,040	8,400
Retained earnings		794,971	719,185
Accumulated other comprehensive income	12	28,593	27,743
Equity attributable to shareholders of the Corporation		904,893	817,157
Non-controlling interests		3,264	2,655
		908,157	819,822
		1,314,963	1,283,865

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	2023 $	2022 $
Sales		1,787,754	1,802,787
Operating expenses excluding amortization	8, 13	1,557,350	1,515,345
Earnings before amortization, financial costs and income taxes		230,404	287,442
Amortization of property, plant and equipment and right-of-use assets	4, 10	50,070	38,010
Amortization of intangible assets	5	10,857	10,636
Net financial costs		13,280	7,144
		74,207	55,790
Earnings before income taxes		156,197	231,652
Income taxes	9	42,370	61,703
Net earnings		113,827	169,949
Net earnings attributable to:			
Shareholders of the Corporation		111,474	168,390
Non-controlling interests		2,353	1,559
		113,827	169,949
Net earnings per share attributable to shareholders of the Corporation	8		
Basic		2.00	3.01
Diluted		1.98	2.99

See accompanying notes to the consolidated financial statements.

Consolidated statements of comprehensive income

Years ended November 30 (in thousands of dollars)

	Notes	2023 $	2022 $
Net earnings		113,827	169,949
Other comprehensive income that will be reclassified to net earnings			
Exchange differences on translation of foreign operations	12	850	13,479
Comprehensive income		114,677	183,428
Comprehensive income attributable to:			
Shareholders of the Corporation		112,324	181,869
Non-controlling interests		2,353	1,559
		114,677	183,428

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

Years ended November 30 (in thousands of dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controling interest	Total equity
	$	$	$	$	$	$	$
Notes	8	8		12			
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 17]*	–	–	(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
Net earnings	–	–	111,474	–	111,474	2,353	113,827
Other comprehensive income	–	–	–	850	850	–	850
Comprehensive income	–	–	111,474	850	112,324	2,353	114,677
Shares repurchased	(22)	–	(751)	–	(773)	–	(773)
Stock options exercised	10,482	(1,930)	–	–	8,552	–	8,552
Share-based compensation expense	–	2,570	–	–	2,570	–	2,570
Dividends *[note 17]*	–	–	(33,521)	–	(33,521)	(817)	(34,338)
Other liabilities	–	–	–	–	–	(2,353)	(2,353)
Change in fair value of other liabilities	–	–	(1,416)	–	(1,416)	1,416	–
	10,460	640	(35,688)	–	(24,588)	(1,754)	(26,342)
Balance as at November 30, 2023	72,289	9,040	794,971	28,593	904,893	3,264	908,157

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

Years ended November 30 (in thousands of dollars)

	Notes	2023 $	2022 $
OPERATING ACTIVITIES			
Net earnings		113,827	169,949
Items not affecting cash and cash equivalent			
Amortization of property, plant and equipment and right-of-use assets	4, 10	50,070	38,010
Amortization of intangible assets	5	10,857	10,636
Deferred taxes	9	(121)	(594)
Share-based compensation expense	8	2,570	2,650
Net financial costs		13,280	7,144
		190,483	227,795
Net change in non-cash working capital balances		80,174	(260,652)
		270,657	(32,857)
FINANCING ACTIVITIES			
Repayment of long-term debt		(5,306)	(5,152)
Payment of lease obligations	10	(34,108)	(25,908)
Interest paid on bank overdraft		(6,387)	(3,312)
Dividends paid to shareholders of the Corporation	17	(33,521)	(29,083)
Other dividends paid		(817)	(493)
Common shares issued	8	8,552	6,284
Common shares repurchased for cancellation	8	(773)	(12,289)
		(72,360)	(69,953)
INVESTING ACTIVITIES			
Business acquisitions	3	(19,694)	(44,255)
Additions to property, plant and equipment and intangible assets	4, 5	(42,093)	(22,578)
		(61,787)	(66,833)
Effect of exchange rate changes on cash and cash equivalents		(812)	(1,052)
Net change in cash and cash equivalents (bank overdraft)		135,698	(170,695)
Cash and cash equivalents (bank overdraft), beginning of year		(111,988)	58,707
Cash and cash equivalents and (bank overdraft), end of year		23,710	(111,988)
Supplementary information			
Income taxes paid		61,488	72,829

See accompanying notes to the consolidated financial statements.

Notes to consolidated financial statements

November 30, 2023 and 2022 (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 regularly reviewed. 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. 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 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 regularly assessed 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
Machinery and equipment	5-10 years
Rolling stock	5 years
Furniture and fixtures	3-5 years
Computer hardware	3-5 years

Intangible Assets

Intangible assets are acquired assets that lack physical substance and meet the specified criteria for recognition apart from property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, non-competition agreements, customer relationships, and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases

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 number 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.

ii) Lease obligations

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 terms using the Corporation's incremental borrowing rate. 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.

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.

Financial Liabilities

Bank overdraft, 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.

Other Liabilities

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 Corporation has chosen to record them in retained earnings. The Corporation has classified the measurement of this fair value as level 3, as it is based on data which is 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 average monthly exchange rate in effect during the periods. 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 does not use derivatives for speculation or trading purposes and only enter into these contracts with major financial institutions. 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.

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

In May 2021, the IASB amended IAS 12 "*Income Taxes*" to narrow the scope of the recognition exemption so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to fiscal years beginning on or after January 1, 2023. The Corporation believes that these amendments will have no impact on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

2023

Effective January 1, 2023, the Corporation acquired, through a newly formed subsidiary, 100% of all issued and outstanding shares of both Usimm Inc. and Unigrav Inc., two 3D scanning providers offering custom-made products for the architectural and industrial market, in partial consideration for which a participation equivalent to 25% of the share capital of said newly formed subsidiary was issued in the name of the sellers. The offices of Usimm and Unigrav are respectively located in Montreal and Drummondville, QC.

Effective January 4, 2023, the Corporation acquired all issued and outstanding shares of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution centre in Terrebonne, QC.

Effective January 6, 2023, the Corporation acquired all issued and outstanding shares of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution centre in Dartmouth, NS.

Effective April 3, 2023, the Corporation acquired the main net assets of Maverick Hardware, a distributor of specialized hardware operating one distribution centre in Eugene, OR.

Effective April 30, 2023, the Corporation acquired the main net assets of Westlund Distributing, a distributor of specialized hardware operating one distribution centre in Monticello, MN.

Sales of $23.5 million have been generated by these acquisitions since their completion. Had these acquisitions been made on December 1, 2022, management believes that sales included in the consolidated statement of earnings would have totalled approximately $27.0 million.

2022

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

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

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

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

Summary of Acquisitions

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

	2023 $	2022 $
Current assets acquired	10,956	21,924
Property, plant and equipment and right-of-use assets *[note 4, 10]*	2,974	11,351
Intangible assets *[note 5]*	9,236	19,778
Goodwill *[note 5]*	7,467	15,013
	30,633	68,066
Current liabilities assumed	(2,561)	(10,257)
Non-current liabilities assumed	(2,214)	(8,777)
Deferred tax liabilities	(1,912)	(271)
Non-controlling interests	(625)	–
Net assets acquired	23,321	48,761
Consideration		
Cash, net of cash acquired	19,694	44,255
Consideration payable *[note 7]*	3,627	4,506
	23,321	48,761

Goodwill deductible for tax purposes with regard to these acquisitions amounts to $1.3 million [$13.5 million in 2022].

Preliminary purchase price allocations is 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 improve-ments $	Machinery and equipment $	Rolling stock $	Furniture and fixtures $	Computer equipment $	Total $
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)	(3,293)	(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
Acquisitions (dispositions)	2,980	6,637	6,886	10,975	8,495	2,574	859	39,406
Business acquisitions *[note 3]*	–	–	–	889	109	7	11	1,016
Amortization	–	(984)	(1,910)	(6,468)	(4,229)	(1,190)	(2,574)	(17,355)
Effect of changes in foreign exchange rates	–	–	55	49	36	9	5	154
Net carrying amount as at November 30, 2023	6,661	12,673	8,976	27,608	14,906	3,671	3,558	78,053
Cost	6,661	37,897	18,765	71,622	34,704	18,976	17,735	206,360
Accumulated amortization	–	(25,224)	(9,789)	(44,014)	(19,798)	(15,305)	(14,177)	(128,307)
Net carrying amount as at November 30, 2023	6,661	12,673	8,976	27,608	14,906	3,671	3,558	78,053

5. INTANGIBLE ASSETS AND GOODWILL

	Software $	Non-competition agreements $	Customer relationships $	Trademarks $	Total $	Goodwill $
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
Acquisitions	2,687	–	–	–	2,687	–
Business acquisitions *[note 3]*	5	403	8,828	–	9,236	7,467
Amortization	(1,047)	(788)	(9,022)	–	(10,857)	–
Effect of changes in foreign exchange rates	–	–	124	15	139	165
Net carrying amount as at November 30, 2023	5,262	1,040	54,306	7,200	67,808	135,089
Cost	15,420	8,464	112,343	7,200	143,427	135,089
Accumulated amortization	(10,158)	(7,424)	(58,037)	–	(75,619)	–
Net carrying amount as at November 30, 2023	5,262	1,040	54,306	7,200	67,808	135,089

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 $101.5 million and $31 million, while the $2.6 million balance 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 OVERDRAFT

As at November 30, 2023 and 2022, the Corporation had lines of credit with authorized amounts of C$150 million and US$56 million, bearing interest at the bank's prime and *Bloomberg Short Term Bank Yield Index* ("BSBY") rate plus 1.05%, which were respectively 7.20% and 6.43% as at November 30, 2023 [5.95% and 5% as at November 30, 2022]. These lines of credit are renewable annually. As at November 30, 2023, an amount of $23 million, including US$17 million, was drawn on these lines of credit [as at November 30, 2022 — $133 million, including US$36 million, was drawn].

7. LONG-TERM DEBT

	2023 $	2022 $
Non-interest bearing business acquisition considerations payable, including US$289	5,346	6,067
Current portion of long-term debt	2,940	5,208
Long-term debt	2,406	859

7. LONG-TERM DEBT (cont'd)

Principal repayments are as follows:

	2023 $	2022 $
Less than 1 year	2,940	5,208
1-2 years	1,452	430
2-3 years	802	429
More than 3 years	152	–
	5,346	6,067

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 the 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, 2021	55,842	54,610
Issued	271	7,580
Repurchased	(327)	(361)
Outstanding, November 30, 2022	55,786	61,829
Issued	324	10,482
Repurchased	(20)	(22)
Outstanding, November 30, 2023	56,090	72,289

During fiscal 2023, the Corporation issued 323,575 common shares [271,000 in 2022] at a weighted average exercise price of $26.43 per share [$23.19 in 2022] pursuant to the exercise of stock options under the stock option plan. The weighted average share price on the market at the date of exercise was $41.09 [$47.96 in 2022]. In addition, during fiscal 2023, the Corporation, through a normal course issuer bid, repurchased 20,000 common shares for cancellation in consideration for $773 [327,329 common shares for a consideration of $12,289 in 2022], which resulted in a premium on the redemption in the amount of $751 recognized as a reduction of retained earnings [premium of $11,928 in 2022].

Stock Option Plan

Changes in stock options are summarized as follows:

	Number of options (in thousands)	Weighted average exercise price $
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
Granted	307	37.39
Exercised	(324)	26.43
Cancelled	(41)	37.63
Outstanding, November 30, 2023	1,622	32.44

The table below summarizes information regarding the stock options outstanding as at November 30, 2023:

	Options outstanding			Exercisable options	
Range in exercise prices (in dollars)	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	12	0.15	14.50	11	14.50
17.26-23.50	170	1.93	21.05	169	21.05
23.51-32.00	499	5.07	26.80	444	26.60
32.01-43.57	941	7.56	37.68	335	35.57
	1,622	6.15	32.44	959	28.61

During fiscal 2023, the Corporation granted 306,500 stock options [276,000 in 2022] with an average exercise price of $37.39 per share [$43.57 in 2022] and an average fair value of $9.18 per option [$12.37 in 2022] as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.4% [1.2% in 2022], an expected volatility of 24.3% [23.1% in 2022], a risk-free interest rate of 2.75% [1.84% in 2022] and an expected life of 6.46 years [6.23 years in 2022] and 41,000 options were cancelled [17,125 in 2022]. For the year ended November 30, 2023, compensation expense related to stock options amounted to $2,570 [$2,650 in 2022] and is recognized under *Operating expenses excluding amortization*.

Deferred Share Unit Plan

The financial liability resulting from the DSU plan of $7,500 [$8,940 as at November 30, 2022] is presented under *Accounts payable and accrued liabilities*. As at November 30, 2023, the fair value of the equity swaps amounted to an asset of $178 and is presented under *Accounts receivable* [an asset of $618 as at November 30, 2022 and presented under Accounts receivable]. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data.

8. SHARE CAPITAL (cont'd)

The compensation expense for the DSUs for the year ended November 30, 2023 amounted to $988 [$861 in 2022] and is recognized under *Operating expenses excluding amortization*.

Number of DSUs	2023	2022
Outstanding, beginning of year	229,179	211,409
Paid	(77,675)	–
Granted	22,909	17,770
Outstanding, end of year	174,413	229,179

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to $1,289 for the year ended November 30, 2023 [$1,064 in 2022] 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)	2023	2022
Weighted average number of shares outstanding - Basic	55,870	55,925
Dilutive effect under stock option plan	346	420
Weighted average number of shares outstanding - Diluted	56,216	56,345

The computation of diluted net earnings per share did not take into account the weighted average of 256,750 stock options [271,000 in 2022] 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:

	2023 $	2022 $
Current	42,491	62,297
Deferred		
Related to temporary differences	(111)	(593)
Deferred tax related to changes in tax rates	(10)	(1)
	42,370	61,703

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

	2023 $	2022 $
Combined statutory rates	26.62%	26.62%
Income taxes at combined statutory rates	41,580	61,666
Increase (decrease) resulting from:		
Impact of statutory rates differences for the subsidiaries	(289)	(434)
Share-based compensation	524	554
Non-deductible expenses and other	565	(82)
Changes related to tax laws and tax rates	(10)	(1)
	42,370	61,703

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:

	2023 $	2022 $
Reserves for tax purposes deductible only upon disbursement and other tax attributes	15,185	14,520
Excess of the net carrying value of property, plant and equipment over their tax value	(8,811)	(5,558)
Excess of the net carrying value of intangible assets and goodwill over their tax value	(13,924)	(13,332)
Right-of-use assets and lease obligations	3,802	2,316
Net amount	(3,748)	(2,054)

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

	2023 $	2022 $
Deferred tax assets	7,421	7,998
Deferred tax liabilities	(11,169)	(10,052)
	(3,748)	(2,054)

9. INCOME TAXES (cont'd)

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

	2023 $	2022 $
Balance at the beginning of the year, net	(2,054)	(2,805)
In net earnings	121	594
Business acquisitions *[note 3]*	(1,912)	(271)
Other	97	428
Balance at the end of the year, net	(3,748)	(2,054)

As at November 30, 2023, the Corporation had $101,402 of taxable temporary differences related to investments in subsidiaries [$87,545 in 2022]. 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. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Right-of-use Assets

The main right-of-use assets held under the Corporation's leases are warehouse and office premises.

The following table presents changes in right-of-use assets during fiscal 2023:

	2023 $	2022 $
Carrying amount as at November 30, 2022	116,204	87,013
Acquisitions and dispositions	80,972	39,196
Business acquisitions *[note 3]*	1,958	10,786
Amortization	(32,715)	(24,392)
Effect of exchange rate changes	705	3,601
Carrying amount as at November 30, 2023	167,124	116,204

Lease Obligations

The following table presents changes in lease obligations during fiscal 2023:

	2023 $	2022 $
Carrying amount as at November 30, 2022	124,850	93,054
Acquisitions and dispositions	80,972	39,196
Financial costs	6,893	3,832
Business acquisitions *[note 3]*	1,958	10,786
Payment of lease obligations	(34,108)	(25,908)
Effect of exchange rate changes	760	3,890
Carrying amount as at November 30, 2023	181,325	124,850

11. COMMITMENTS AND CONTINGENCIES

Commitments

Contractual undiscounted payments under leases defined in note 10 are as follows:

As at November 30, 2023	$
Less than one year	37,563
Between 1 and 5 years	109,143
More than 5 years	63,284
	209,990

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.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2023 $	2022 $
Balance, beginning of year	27,743	14,264
Exchange differences on translation of foreign operations	850	13,479
Balance, end of year	28,593	27,743

13. 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, 2023, the Corporation did not hold any foreign exchange forward contracts [fair value of $193 as at November 30, 2022].

Credit Risk

The Corporation sells its products to numerous customers in Canada and 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, 2023 and 2022, is 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:

	2023 $	2022 $
Balance, beginning of year	7,449	6,171
Allowance for doubtful accounts	2,130	1,897
Write-offs	(3,236)	(1,084)
Exchange rate variations and other	406	465
Balance, end of year	6,749	7,449

The aging of the accounts receivable is as follows:

	2023 $	2022 $
Current	156,850	157,785
Past due 1-30 days	43,312	45,370
Past due more than 30 days	25,851	26,532
Allowance for doubtful accounts	(6,749)	(7,449)
	219,264	222,238

The balance of accounts receivable of the Corporation that are overdue for more than 60 days, but have not been provisioned, totaled $8,476 [$5,722 in 2022]. As at November 30, 2023 and 2022, 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, 2023, an exchange gain of $1,724 [gain of $7,437 in 2022].

As part of its business practices, the Corporation aims to preserve the purchase costs and the selling prices of its commercial activities. To protect its operations from exposure to exchange rate risks, the Corporation uses, among other things, a centralized cash flow management. The Corporation may also periodically use forward foreign exchange contracts. By implementing these measures, the Corporation seeks to protect operating results from exposure to exchange rate fluctuations. The Corporation's business practices in terms of foreign exchange risk management does not allow speculative trades.

As at November 30, 2023, a decrease (increase) 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 (decreased) consolidated net earnings by $592 [$2,487 as at November 30, 2022] and would have increased (decreased) other comprehensive income by $11,451 [$9,661 as at November 30, 2022]. 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, 2023.

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.

Operating Expenses Excluding Amortization

	2023 $	2022 $
Inventories from the distribution, imports and manufacturing activities recognized as an expense	1,309,917	1,295,533
Salaries and related charges	232,581	213,897
Other charges	14,852	5,915
	1,557,350	1,515,345

An expense of $4,714 [$10,106 in 2022] for inventory obsolescence was included in Inventories from the distribution, imports and manufacturing activities.

14. RELATED PARTY INFORMATION

Scope of Consolidation

The following table lists the significant subsidiaries of the group individually and collectively as at November 30, 2023.

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

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

Key Management Personnel Compensation

	2023 $	2022 $
Short-term employee benefits	4,661	4,720
Other long-term benefits	689	742
Share-based compensation	661	678
	6,011	6,140

Accounts payable and accrued liabilities include a retirement allowance amounting to $4,800 [$4,400 as at November 30, 2022] payable to one member of the key management personnel.

15. GEOGRAPHIC INFORMATION

During the year ended November 30, 2023, nearly 59% of sales had been made in Canada [60% in 2022]. The Corporation's sales to foreign countries, almost entirely directed to the United States, amounted to C$739,695 [C$728,113 in 2022] and US$547,488 [US$562,468 in 2022].

As at November 30, 2023, out of the total amount in property, plant and equipment, $29,707 [$19,635 in 2022] was located in the United States. In addition, as at November 30, 2023, intangible assets and goodwill located in the United States amounted to C$27,330 and C$31,605, respectively [respectively C$30,037 and C$30,190 in 2022], and US$20,122 and US$23,270, respectively [respectively US$22,236 and US$22,350 in 2022]. Of the total amount of right-of-use assets, $108,477 [November 30, 2022 - $74,495] was located in the United States.

16. 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, 2023, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.6% [0.7% as at November 30, 2022] [long-term debt/equity]
- Return on average shareholders' equity of 12.9% over the last 12 months [22.7% for the year ended November 30, 2022]

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

17. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the year ended November 30, 2023, the Corporation paid four quarterly dividends of $0.15 per common share [four quarterly dividends of $0.13 per common share in 2022] for a total amount of $33,521 [$29,083 in 2022]. On January 18, 2024, the Board of Directors approved the payment of a quarterly dividend of $0.15 per common share for the first quarter of 2024.

18. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2023 (including comparative figures) were approved for issue by the Board of Directors on January 18, 2024.

19. SUBSEQUENT EVENTS

Effective December 1, 2023, the Corporation acquired all issued and outstanding share capital of Olympic Forest Products Inc., a distributor of specialized lumber and panel products operating one distribution centre in Erin, ON.

Effective January 1, 2024, the Corporation acquired from minority shareholders an additional 15% interest in the voting shares of Provincial Woodproducts Ltd, thereby increasing its interest to 100%.

Effective January 15, 2024, the Corporation acquired the principal net assets of Rapid Start, a distributor of specialized hardware operating one distribution centre in Rittman, OH.

20. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2022, have been reclassified to conform to the presentation adopted for the year ended November 30, 2023.

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