

## **RONA ANNOUNCES ITS SECOND QUARTER 2013 RESULTS**

### **BENEFITS OF RECOVERY PLAN START TO MATERIALIZE**

**Boucherville, Québec, August 14, 2013** – RONA inc. (TSX : RON, RON.PR.A) announces its operating results for the 13- and 26-week periods ending June 30, 2013, and provides follow-up on the main achievements of its recovery plan. Note that effective the second quarter of 2013, the Commercial and Professional Market division, for which a sale agreement was reached as announced on June 20, 2013, is classified as discontinued operations. The results of these operations are presented separately in the unaudited interim consolidated financial statements and at the end of this press release. Certain information has been restated to take this change into account. The analysis below thus focuses on RONA's continuing operations. All figures in this release are in Canadian dollars and presented according to IFRS accounting standards.

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#### **SECOND QUARTER 2013 HIGHLIGHTS**

- Sales of \$1,249.0 million, down \$59.6 million compared to 2012, of which \$35.1 million is related to store closures and the remainder to a decrease in same-store sales.
  - Same-store sales for the total RONA network were down 1.0%, due to a decrease of 2.7% in the distribution segment and 0.7% in the retail segment. Overall, same-store sales were affected by relatively difficult market conditions: poor weather, a June strike in the Quebec construction industry and a decrease in single-unit housing starts across the country.
  - The net loss from continuing operations attributable to participating shares was \$38.7 million compared to income of \$35.6 million in 2012. The \$74.3 million decrease stems mainly from \$62.8 million in adjustments recorded as restructuring costs, impairment of non-financial assets and other charges related to implementing the Corporation's recovery plan.
  - Adjusted net income from continuing operations attributable to participating shares was \$33.6 million compared to \$45.1 million in 2012. Adjusted net income per diluted share from continuing operations attributable to owners of RONA inc. was \$0.28 in the second quarter of 2013 compared to \$0.37 in 2012. The decrease is attributable mainly to the retail segment and stems mostly from a lower gross margin due to promotions and inventory sell-off, which reduced the inventory of continuing operations by \$46.9 million during the quarter.
  - RONA continues to exercise disciplined financial management and has a solid balance sheet with net debt to capital ratio 22.5%.
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In the second quarter of 2013, RONA started to see the benefits of its recovery plan. The annualized cost-savings are on track to achieve the objective of \$110 million announced last June 27. They have risen from \$17 million when our first quarter results were announced in May 2013 to \$30 million as of today. These cost savings are mainly related to reduction in administrative positions and renegotiation of major administrative contracts. Some of these cost-savings have already had a positive impact on results, particularly the \$4.2 million reduction in adjusted selling, general and administrative expenses in the second quarter, with reductions totalling \$7.5 million since the start of the year.

"The results presented today are lower than in 2012, given the unusual items with respect to the current restructuring, the sale of assets, investments in promotions and inventory liquidation, as well as adjustments in various product categories as set out in our recovery plan," said Robert Sawyer, President and Chief Executive Officer of RONA.

"2013 is a year of transition for RONA. I have confidence in the future of the Corporation. In just a few months we have implemented measures that have reduced costs by \$30 million on an annualized basis. "Our teams are highly motivated to achieve our goal of reducing costs by an annualized \$110 million, of which a portion will be reinvested to improve the customer experience in our four major store categories: RONA big-box stores, the Réno-Dépôt banner, RONA proximity stores and contractor specialists ", said Mr. Sawyer.

"We are just starting the major repositioning of our banners, particularly with respect to merchandising and marketing, and the first signs are encouraging. We must, however, remain vigilant in the short-term, given the significance of the changes being implemented in a period when the market conditions are difficult," said Mr. Sawyer.

#### **SUMMARY OF SECOND QUARTER 2013 FINANCIAL RESULTS**

Consolidated revenues from our continuing operations amounted to \$1,249.0 million in the second quarter of 2013, down \$59.6 million, or 4.6%, from \$1,308.6 million in 2012. The decrease stems mainly from the loss of \$35.1 million in sales due to store closures and a 1% decrease in same-store sales for all RONA operations. The decrease was partially offset by new store openings, which added \$7.7 million to the quarter's consolidated revenues. The distribution segment recorded revenues of \$349.7 million in second quarter 2013, down \$18.2 million, or 4.9%, from \$367.9 million in 2012. The retail segment recorded revenues of \$899.3 million, down \$41.4 million, or 4.4%, from \$940.7 million in 2012.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for continuing operations amounted to \$0.2 million in the second quarter of 2013, down \$84.5 million from \$84.7 million in 2012. Most of the decrease, \$68.4 million, was due to adjustments. Excluding adjustments, EBITDA for continuing operations amounted to \$76.6 million, down \$16.1 million from \$92.7 million in 2012. The decrease was mainly attributable to operations in the retail segment and stemmed primarily from a lower gross margin due to promotions and inventory sell-off, as well as changes made to the mix of product categories sold, as set out in the RONA recovery plan.

In the second quarter of 2013, the net loss from continuing operations attributable to participating shares was \$38.7 million, compared to income of \$35.6 million in 2012. The decrease of \$74.3 million stems largely from an adjustment of \$53.7 million recorded as restructuring costs, impairment of non-financial assets and other charges, as well as an adjustment of \$9.1 million representing other costs involved in implementing the Corporation's recovery plan. Excluding these adjustments, net income attributable to participating shares amounted to \$33.6 million, compared to \$45.1 million. Adjusted net income per diluted share from continuing operations attributable to owners of RONA inc. was \$0.28 in the second quarter of 2013, compared to \$0.37 in 2012. The decrease is due to the same items that affected EBITDA, as noted above.

#### **SUMMARY OF FINANCIAL RESULTS FOR THE FIRST SIX MONTHS OF 2013**

Consolidated revenues from our continuing operations amounted to \$2,081.9 million in the first half of 2013, down \$69.0 million, or 3.2%, from \$2,150.9 million in 2012. The decrease stems mainly from the loss of \$49.6 million in sales following store closures and a 1.1% decrease in same-store sales. New store openings partially offset this decrease, adding \$14.3 million to consolidated revenues in the first half of the year. The distribution segment recorded revenues of \$635.0 million in the first half of 2013, the same level as in 2012. Revenues in the retail segment amounted to \$1,446.8 million, down \$69.1 million, or 4.6%, compared to \$1,515.9 million in 2012.

In the first half of 2013, a loss of \$21.5 million was recorded in EBITDA for continuing operations, down \$115.9 million from \$94.4 million in 2012. Most of the decrease, \$91.8 million, was due to adjustments. Excluding these adjustments, EBITDA for continuing operations was \$78.3 million, down \$24.1 million from \$102.4 million in 2012. The decrease was almost entirely attributable to the retail segment, stemming from a lower gross margin due to promotions and inventory sell-off, as well as changes made to the mix of product categories sold, as set out in the RONA recovery plan.

In the first half of 2013, the net loss from continuing operations attributable to participating shares was \$74.8 million, compared to income of \$24.1 million in 2012. The decrease of \$98.9 million stems largely from an adjustment of \$63.7 million recorded as restructuring costs, impairment of non-financial assets and other charges, as well as an adjustment of \$16.9 million representing other costs involved in implementing the Corporation's recovery plan.

Excluding these adjustments, net income attributable to participating shares amounted to \$15.3 million, compared to \$33.6 million. Adjusted net loss per diluted share from continuing operations attributable to owners of RONA inc. was \$0.13 in the first half of 2013, compared to \$0.27 in 2012. The decrease is due to the same items that affected EBITDA, as noted above.

#### **RESULTS FROM DISCONTINUED OPERATIONS**

In the second quarter of 2013, RONA recorded a net loss from discontinued operations of \$106.1 million, compared to a net loss of \$1.7 million in 2012. This decrease mainly comes from a goodwill impairment for these operations, as well as transaction related costs and other charges totalling \$98.8 million after-tax. Excluding this adjustment, the net loss from operations was \$7.3 million compared to \$1.7 million in 2012. The decrease is a result of the pressure exerted on gross margin by stiffer competition in this market and costs to pursue the development of new markets.

In the first half of 2013, RONA recorded a net loss from discontinued operations of \$110.5 million, compared to a net loss of \$3.7 million in 2012. As noted above, most of the decrease is due to adjustments. Excluding these adjustments, the net loss was \$11.8 million, compared to \$3.7 million in 2012. As mentioned above, the decrease is a result of the pressure exerted on gross margin.

#### **DIVIDEND ON PREFERRED SHARES**

At its meeting on August 13, 2013, RONA's Board of Directors declared a quarterly dividend of \$0.3308 per share on cumulative 5-year rate reset Class A preferred shares, series 6. The dividend will be paid on September 30, 2013 to shareholders of record on September 16, 2013.

#### **DIVIDEND ON COMMON SHARES**

At its most recent meeting on August 13, 2013, the Board declared a semi-annual dividend of \$0.07 per share on the Corporation's common shares. The dividend will be paid on September 25, 2013 to shareholders of record on September 10, 2013.

#### **ADDITIONAL INFORMATION**

The Management's Discussion and Analysis (MD&A), financial statements and notes for the second quarter of 2013 can be found in the "Investor Relations" section of the Corporation's website at [www.rona.ca](http://www.rona.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Corporation's Annual Information form, along with other information about RONA, can also be found on the RONA and SEDAR websites.

#### **CONFERENCE CALL WITH THE FINANCIAL COMMUNITY**

On Wednesday, August 14, 2013, at 11:00 a.m. (EDT), RONA will hold a conference call for the financial community. To join the conference, please call 514-392-1478 or 1 877-922-4773. To listen to the call online, please go to <http://webcasts.pgm.net/client/rona/event/726/en/>.

#### **NON-GAAP PERFORMANCE MEASURES**

RONA uses non-GAAP performance measures which are not defined by International Financial Reporting Standards ("IFRS"). Management is of the view that these measures are useful in the analysis of the Corporation's operational performance. These measures must not be considered separately or as a substitute for other performance measures calculated according to IFRS, but rather as additional information.

EBITDA, as defined by the corporation, represents operating profit before finance costs, income tax expense and depreciation, amortization and impairment of non-financial assets. This measure is widely used in financial circles to measure the profitability of operations. Same-store sales is a metric used by management and is common throughout our industry. This metric identifies sales growth generated by the existing store network and removes the effect of acquisitions, store closures and openings.

Management also uses the following non-GAAP measures: adjusted EBITDA, adjusted gross margin, adjusted selling, general and administrative expenses, adjusted amortization, depreciation and impairment of non-financial assets, adjusted net income attributable to participating shares and adjusted net income per diluted share attributable to owners of RONA inc. These measures reflect the inclusion or exclusion of certain amounts that are

viewed as not representative of the Corporation's sustainable financial performance. For details on these measures, please see Management's Discussion and Analysis for the second quarter of 2013.

#### **FORWARD-LOOKING STATEMENTS**

This Press Release includes "forward-looking statements" that involve risks and uncertainties. All statements other than statements of historical facts included in this Press Release, including statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Corporation may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations, please also refer to the Corporation's public filings available at [www.sedar.com](http://www.sedar.com) and [www.rona.ca](http://www.rona.ca). In particular, further details and descriptions of these and other factors are disclosed in the MD&A under the "Risks and uncertainties" section and in the "Risk factors" section of the Corporation's current Annual Information Form.

The forward-looking statements in this Press Release reflect the Corporation's expectations as at August 14, 2013, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

#### **ABOUT RONA**

RONA is a Canadian distributor and a retailer of hardware, home renovation and gardening products. The Corporation operates a network of close to 800 corporate, franchise and affiliate retail stores of various sizes and formats under different banners, and a network of 14 hardware and construction materials distribution centres. With close to 28,000 employees, the RONA store network generates consolidated sales of \$4.9 billion. For more information, visit [rona.ca](http://rona.ca).

- 30 -

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