

Reitmans (Canada) Limited announces its results for the 13 and 39 weeks ended November 3, 2018

**Results from operating activities increased \$33.1 million in Q3 2019 compared to Q3 2018
Adjusted EBITDA increased 18.5% to \$22.4 million in Q3 2019**

MONTREAL, Dec 6, 2018 /CNW Telbec/ -

13 weeks ended November 3, 2018

Sales for the 13 weeks ended November 3, 2018 ("third quarter of fiscal 2019") were \$239.7 million, as compared with \$242.4 million for the 13 weeks ended October 28, 2017 ("third quarter of fiscal 2018"), with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales were negatively impacted by approximately \$1.0 million due to the third quarter of fiscal 2019 ending one week later than the third quarter of fiscal 2018. Same store sales¹, which include e-commerce sales, increased 0.2%.

Gross profit for the third quarter of fiscal 2019 increased \$0.5 million or 0.4%, to \$136.4 million as compared with \$135.9 million for the third quarter of fiscal 2018. Gross profit was positively impacted by approximately \$0.8 million due to the third quarter of fiscal 2019 ending one week later than the third quarter of fiscal 2018 as the current quarter's results included a week with traditionally higher margins.

Results from operating activities for the third quarter of fiscal 2019 were \$14.1 million as compared with a loss of \$19.0 million for the third quarter of fiscal 2018, an increase of \$33.1 million. The improvement is attributable to the improved results from operating activities of \$6.8 million and a \$26.3 million goodwill impairment charge incurred during the third quarter of fiscal 2018.

Net earnings for the third quarter of fiscal 2019 were \$8.9 million (\$0.14 basic and diluted earnings per share) as compared with a net loss of \$16.8 million (\$0.27 basic and diluted loss per share) for the third quarter of fiscal 2018. The improvement in net earnings of \$25.7 million is attributable to improved results from operating activities in the third quarter of fiscal 2019 and a goodwill impairment charge that had been recorded during the third quarter of fiscal 2018. Excluding the \$26.3 million impairment of goodwill charge, net earnings for the third quarter of fiscal 2018 were \$9.5 million as compared to \$8.9 million in net earnings for the third quarter of fiscal 2019. The increased results from operating activities of \$6.8 million in the third quarter of fiscal 2019 was more than offset by the decrease in net finance income and an increase in income tax expense.

Adjusted EBITDA¹ for the third quarter of fiscal 2019 was \$22.4 million, as compared with \$18.9 million for the third quarter of fiscal 2018, an increase of \$3.5 million. The improvement in adjusted EBITDA is primarily due to the reduction of operating costs.

39 weeks ended November 3, 2018

Sales for the 39 weeks ended November 3, 2018 ("year to date fiscal 2019") were \$696.1 million, as compared with \$700.2 million for the 39 weeks ended October 28, 2017 ("year to date fiscal 2018"), with a net reduction of 28 stores. The Company continues to execute against a plan adapting to the new retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities. Sales for the year to date fiscal 2019 were positively impacted by approximately \$1.7 million due to the year to date fiscal 2019 ending one week later

than the year to date fiscal 2018. Same store sales¹, which include e-commerce sales, increased 1.0%.

Gross profit as a percentage of sales for the year to date fiscal 2019 increased to 56.1% from 55.3% for the year to date fiscal 2018 primarily due to the positive foreign exchange impact of approximately \$5.9 million on U.S. dollar denominated purchases included in cost of goods sold. In addition, gross profit was positively impacted by approximately \$4.3 million due to the year to date fiscal 2019 ending one week later than the year to date fiscal 2018. These improvements were largely offset by increased promotional activity in the year to date fiscal 2019.

Results from operating activities for the year to date fiscal 2019 were \$20.1 million as compared with a loss of \$20.9 million for the year to date fiscal 2018, an improvement of \$41.0 million. The improvement is attributable to the improved results from operating activities of \$14.7 million and a \$26.3 million goodwill impairment charge incurred during the year to date fiscal 2018.

Net earnings for the year to date fiscal 2019 were \$15.7 million (\$0.25 basic and diluted earnings per share) as compared with net loss of \$14.0 million (\$0.22 basic and diluted loss per share) for the year to date fiscal 2018. The improvement in net earnings of \$29.7 million is primarily attributable to the \$26.3 million goodwill impairment charge incurred during the third quarter of fiscal 2018 and the increase in results from operating activities, partially offset by the decrease in net finance income and the increase in income tax expense.

Adjusted EBITDA¹ for the year to date fiscal 2019 was \$50.7 million, as compared with \$38.3 million for the year to date fiscal 2018, an increase of \$12.4 million. The improvement in adjusted EBITDA is primarily due to the increase in gross profit resulting from the year to date fiscal 2019 ending one week later than the year to date fiscal 2018 coupled with the positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold and the reduction in operating costs.

Dividends

At the Board of Directors meeting held on December 6, 2018, a quarterly cash dividend (constituting eligible dividends) of \$0.05 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable January 24, 2019 to shareholders of record on January 14, 2019.

Sales for the four weeks ended December 1, 2018

Sales for the month of November (the four weeks ended December 1, 2018) decreased 5.0%. Same store sales¹ decreased 2.0%.

About Reitmans (Canada) Limited

The Company is a leading ladieswear specialty apparel retailer with retail outlets throughout Canada. The Company operates 624 stores consisting of 265 Reitmans, 118 Penningtons, 83 Addition Elle, 83 RW & CO., 61 Thyme Maternity and 14 Hyba.

¹Non-GAAP Financial Measures

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

In addition to discussing earnings in accordance with IFRS, this press announcement provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a

non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense/recovery, dividend income, interest income, net change in fair value of marketable securities, realized loss on disposal of marketable securities, interest expense, impairment of goodwill, depreciation, amortization and net impairment charges. The following table reconciles the most comparable GAAP measure, net earnings or loss, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend income, interest income and expense and the net change in fair value of marketable securities and realized loss on disposal of marketable securities eliminates the impact on earnings derived from non-operational activities. The exclusion of impairment of goodwill, depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Although depreciation, amortization and impairment charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, as such, adjusted EBITDA does not reflect any cash requirements for these replacements. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. Adjusted EBITDA should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The Company considers results from operating activities a useful measure of the Company's performance from its retail operations. The Company has also determined that a useful measure would be results from operating activities before impairment of goodwill which excludes the impact of impairment of goodwill which is a non-cash item. Additionally, earnings per share excluding impairment of goodwill both on a basic and diluted basis have been presented which removes the impact of impairment of goodwill on net earnings used for calculation purposes. Both of these supplementary measures are considered useful information and should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance and sales growth. The Company has embarked on an omni-channel approach to engaging with customers. Due to the cross-channel behavior of consumers, the Company has launched its initiative aimed at appealing to its customers shopping habits through either online or store channels. This approach allows customers to shop online for home delivery, pickup in-store, purchase in any of our store locations or ship to home from our stores when products are unavailable. Due to customer cross-channel behavior, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Same store sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. Same store sales exclude sales from wholesale accounts. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst

retailers and is considered useful information for both investors and analysts. Same store sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net earnings (loss) to adjusted EBITDA:

(in millions of Canadian dollars) (unaudited)	Third quarter		Year to date fiscal	
	2019	2018 ¹	2019	2018 ¹
Net earnings (loss)	\$ 8.9	\$ (16.8)	\$ 15.7	\$ (14.0)
Depreciation, amortization and net impairment losses	8.5	10.6	28.8	32.3
Goodwill impairment	-	26.3	-	26.3
Dividend income	(0.5)	(0.6)	(1.8)	(1.8)
Interest income	(0.7)	(0.3)	(1.5)	(0.7)
Net change in fair value of marketable securities	2.6	(2.1)	3.7	(5.3)
Realized loss on disposal of marketable securities	0.1	-	0.1	-
Income tax expense	3.5	1.8	5.7	1.5
ADJUSTED EBITDA	\$ 22.4	\$ 18.9	\$ 50.7	\$ 38.3
ADJUSTED EBITDA as % of Sales	9.3%	7.8%	7.3%	5.5%

¹ Comparative figures have been restated because of the implementation of IFRS 15, "Revenue from Contracts with Customers". See note 3(a) in the third quarter of fiscal 2019 unaudited condensed consolidated interim financial statements.

Forward-Looking Statements

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this Press Announcement. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances. This Press Announcement contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Press Announcement include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout the Company's Management Discussion & Analysis ("MD&A") including those listed in the "Operating and Financial Risk Management" section of the Company's MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements. Please refer to the "Forward-Looking Statements" section of the Company's MD&A for the 13 and 39 weeks ended November 3, 2018.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

The Company's unaudited condensed consolidated interim financial statements including notes and Management's Discussion and Analysis for the 13 and 39 weeks ended November 3, 2018 are available online at www.sedar.com.

Montreal, December 6, 2018

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RETMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	13 weeks ended		39 weeks ended	
	November 3, 2018	October 28, 2017 ⁽¹⁾	November 3, 2018	October 28, 2017 ⁽¹⁾
Sales	\$ 239,713	\$ 242,351	\$ 696,131	\$ 700,198
Cost of goods sold	103,268	106,468	305,736	312,800
Gross profit	136,445	135,883	390,395	387,398
Selling and distribution expenses	111,170	118,767	336,650	350,778
Administrative expenses	11,177	9,806	33,709	31,180
Impairment of goodwill	-	26,340	-	26,340
Results from operating activities	14,098	(19,030)	20,036	(20,900)
Finance income	1,186	4,026	5,120	8,423
Finance costs	2,890	8	3,761	47
Earnings (loss) before income taxes	12,394	(15,012)	21,395	(12,524)
Income tax expense	3,521	1,840	5,703	1,501
Net earnings (loss)	\$ 8,873	\$ (16,852)	\$ 15,692	\$ (14,025)
Earnings (loss) per share :				
Basic	\$ 0.14	\$ (0.27)	\$ 0.25	\$ (0.22)
Diluted	0.14	(0.27)	0.25	(0.22)

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

RETMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	November 3, 2018	October 28, 2017 ⁽¹⁾	November 3, 2018	October 28, 2017 ⁽¹⁾
Net earnings (loss)	\$ 8,873	\$ (16,852)	\$ 15,692	\$ (14,025)
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to net earnings:				

Cash flow hedges (net of tax of \$154 for the 13 weeks and \$2,577 for the 39 weeks ended November 3, 2018; net of tax of \$2,725 for the 13 weeks and \$535 for the 39 weeks ended October 28, 2017)

(420) 7,524 7,021 (1,480)

Foreign currency translation differences

(40) (159) (270) 71

Total other comprehensive (loss) income

(460) 7,365 6,751 (1,409)

Total comprehensive income (loss)

\$ 8,413 \$ (9,487) \$ 22,443 \$ (15,434)

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

RETMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(in thousands of Canadian dollars)

	November 3, 2018	October 28, 2017 ⁽¹⁾	February 3, 2018 ⁽¹⁾
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 124,698	\$ 119,055	\$ 104,656
Marketable securities	58,233	60,040	62,025
Trade and other receivables	6,019	7,044	4,880
Derivative financial asset	4,518	1,638	37
Income taxes recoverable	-	1,307	2,248
Inventories	149,928	148,292	137,105
Prepaid expenses	20,503	7,938	19,187
Total Current Assets	363,899	345,314	330,138
NON-CURRENT ASSETS			
Property and equipment	99,219	113,219	110,292
Intangible assets	19,494	19,285	19,433
Goodwill	11,843	11,843	11,843
Deferred income taxes	24,159	26,143	28,015
Total Non-Current Assets	154,715	170,490	169,583
TOTAL ASSETS	\$ 518,614	\$ 515,804	\$ 499,721
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	\$ 114,410	\$ 115,395	\$ 93,711
Derivative financial liability	-	5,521	9,745
Deferred revenue	10,174	13,174	19,994
Income taxes payable	4,507	-	-
Current portion of long-term debt	-	153	-
Total Current Liabilities	129,091	134,243	123,450
NON-CURRENT LIABILITIES			
Other payables	6,891	6,024	8,598
Deferred lease credits	8,069	6,424	6,450
Pension liability	19,589	19,322	19,236
Total Non-Current Liabilities	34,549	31,770	34,284
SHAREHOLDERS' EQUITY			
Share capital	38,397	38,397	38,397
Contributed surplus	10,164	10,161	10,119
Retained earnings	305,243	303,969	299,052
Accumulated other comprehensive income (loss)	1,170	(2,736)	(5,581)
Total Shareholders' Equity	354,974	349,791	341,987
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 518,614	\$ 515,804	\$ 499,721

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

RETMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the 39 weeks ended
(Unaudited)
(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at February 4, 2018	\$ 38,397	\$ 10,119	\$ 297,895	\$ (5,581)	\$ 340,830
IFRS 15 adoption adjustment	-	-	1,157	-	1,157
Restated balance as at February 4, 2018	38,397	10,119	299,052	(5,581)	341,987
Net earnings	-	-	15,692	-	15,692
Total other comprehensive income	-	-	-	6,751	6,751
Total comprehensive income for the period	-	-	15,692	6,751	22,443
Share-based compensation costs	-	45	-	-	45
Dividends	-	-	(9,501)	-	(9,501)
Total contributions by (distributions to) owners of the Company	-	45	(9,501)	-	(9,456)
Balance as at November 3, 2018	\$ 38,397	\$ 10,164	\$ 305,243	\$ 1,170	\$ 354,974
Balance as at January 29, 2017	\$ 38,397	\$ 9,769	\$ 326,675	\$ (1,327)	\$ 373,514
IFRS 15 adoption adjustment	-	-	820	-	820
Restated balance as at January 29, 2017	38,397	9,769	327,495	(1,327)	374,334
Net loss	-	-	(14,025)	-	(14,025)
Total other comprehensive loss	-	-	-	(1,409)	(1,409)
Total comprehensive loss for the period	-	-	(14,025)	(1,409)	(15,434)
Share-based compensation costs	-	392	-	-	392
Dividends	-	-	(9,501)	-	(9,501)
Total contributions by (distributions to) owners of the Company	-	392	(9,501)	-	(9,109)
Balance as at October 28, 2017⁽¹⁾	\$ 38,397	\$ 10,161	\$ 303,969	\$ (2,736)	\$ 349,791

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

RETMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	November 3, 2018	October 28, 2017 ⁽¹⁾	November 3, 2018	October 28, 2017 ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss)	\$ 8,873	\$ (16,852)	\$ 15,692	\$ (14,025)
Adjustments for:				
Depreciation, amortization and net impairment losses	8,446	10,596	28,785	32,311
Impairment of goodwill	-	26,340	-	26,340
Share-based compensation costs	31	(643)	206	(123)
Realized loss on sale of marketable securities	69	-	69	-
Net change in fair value of marketable securities	2,627	(2,089)	3,692	(5,276)
Net change in transfer of realized (gain) loss on cash flow hedges to inventory	(221)	(282)	(4,628)	94
Foreign exchange (gain) loss	(2,723)	2,151	(1,048)	1,859
Interest and dividend income, net	(1,186)	(953)	(3,290)	(2,523)
Income tax expense	3,521	1,840	5,703	1,501
	19,437	20,108	45,181	40,158
Changes in:				
Trade and other receivables	269	(1,727)	(1,160)	(2,785)
Inventories	(6,784)	99	(12,823)	(1,367)
Prepaid expenses	16	1,411	(1,316)	(1,092)
Trade and other payables	7,709	(194)	19,515	(2,375)
Pension liability	100	140	352	453

Deferred lease credits	860	(550)	1,619	(1,806)
Deferred revenue	(5,702)	(3,906)	(9,820)	(7,183)
Cash from operating activities	15,905	15,381	41,548	24,003
Interest paid	-	(8)	-	(47)
Interest received	581	317	1,394	749
Dividends received	663	611	1,917	1,818
Income taxes received	30	114	2,336	662
Income taxes paid	-	-	(4)	(7)
Net cash flows from operating activities	17,179	16,415	47,191	27,178
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to property and equipment and intangible assets	(7,230)	(6,816)	(18,534)	(15,596)
Proceeds on disposal of property and equipment and intangibles	-	-	77	-
Purchases of marketable securities	(7,505)	-	(7,505)	-
Proceeds on sale of marketable securities	7,536	-	7,536	-
Cash flows used in investing activities	(7,199)	(6,816)	(18,426)	(15,596)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	(3,167)	(3,167)	(9,501)	(9,501)
Repayment of long-term debt	-	(508)	-	(1,502)
Cash flows used in financing activities	(3,167)	(3,675)	(9,501)	(11,003)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY	2,684	(2,310)	778	(1,789)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,497	3,614	20,042	(1,210)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	115,201	115,441	104,656	120,265
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 124,698	\$ 119,055	\$ 124,698	\$ 119,055

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

SOURCE Reitmans (Canada) Limited

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