

Ace Hardware Reports Record First Quarter 2021 Results

- **Record first quarter revenues of \$2.0 billion, an increase of 42.0 percent from last year**
- **U.S. same-store-sales up 29.9 percent; Acehardware.com revenues up 219.6 percent**
- **Record first quarter net income of \$105.4 million, an increase of 191.2 percent from last year**
- **Named Children's Miracle Network 2020 Corporate Partner of the Year**

OAK BROOK, Ill., May 19, 2021 /PRNewswire/ -- Ace Hardware Corporation ("Ace" or the "Company") today reported record first quarter 2021 revenues of \$2.0 billion, an increase of \$601.4 million, or 42.0 percent, from the first quarter of 2020. Net income was \$105.4 million for the first quarter of 2021, an increase of \$69.2 million from the first quarter of 2020.

"Same-store sales growth of 29.9 percent, 51 new stores, a 220 percent increase in our digital business, and increased retail inventory depth drove the best first quarter in Ace's history," said John Venhuizen, President & CEO. "Elevated demand, limited supply, and a ridiculously disrupted global supply chain continue to create a difficult environment operationally. My sincere thanks to the Ace team and our local retailers for their rigor to protect their people and passion to safely serve their community."

The 29.9 percent increase in U.S. retail same-store-sales during the first quarter of 2021 reported by the approximately 3,400 Ace retailers who share daily retail sales data was the result of a 12.3 percent increase in same-store transactions and a 15.7 percent increase in average ticket.

Revenues

Consolidated revenues for the quarter ended April 3, 2021 totaled \$2.0 billion. Total wholesale revenues were \$1.9 billion, an increase of \$551.1 million, or 41.8 percent, as compared to the prior year first quarter. Wholesale merchandise revenues to new domestic stores activated from January 2020 through March 2021 contributed \$40.1 million of incremental revenues during the first quarter of 2021, while wholesale merchandise revenues decreased \$9.6 million during the first quarter due to domestic stores whose memberships were cancelled. Wholesale merchandise revenues to comparable domestic stores increased \$480.5 million for the quarter. Increases were seen across all departments with outdoor power equipment, grilling, power tools and paint showing the largest gains. The Company's Ace International Holdings, Ltd. ("AIH") subsidiary experienced a \$12.0 million increase in wholesale revenue versus the first quarter of 2020, while Ace Wholesale Holdings LLC ("AWH") reported a \$15.5 million increase in wholesale revenues from the first quarter of 2020.

Total retail revenues for the quarter were \$162.7 million, an increase of \$50.3 million, or 44.8 percent, as compared to the prior year first quarter. Retail revenues from Ace Retail Holdings LLC ("ARH") were \$157.1 million in the first quarter of 2021, an increase of \$49.0 million, or 45.3 percent, from the first quarter of 2020. The Westlake Ace Hardware ("Westlake") chain experienced a 36.5 percent increase in same-store-sales while the Great Lakes Ace Hardware, Inc. ("GLA") chain grew same-store-sales by 48.9 percent in the quarter. The new stores opened by Westlake and GLA in the prior year contributed \$9.1 million of the increase. Westlake and GLA together operated 209 stores at the end of the first quarter of 2021 compared to 191 stores at the end of the first quarter of 2020. Retail revenues from Ace Ecommerce Holdings LLC ("AEH") were \$5.6 million in the first quarter of 2021, an increase of \$1.3 million, or 30.2 percent, from the first quarter of 2020.

Ace added 48 new domestic stores in the first quarter of 2021 and cancelled 15 stores. The Company's total domestic store count was 4,680 at the end of the first quarter of 2021 which was an increase of 114 stores from the first quarter of 2020. On a worldwide basis, Ace added 51 stores in the first quarter of 2021 and cancelled 16, bringing the worldwide store count to 5,498 at the end of the first quarter of 2021.

Gross Profit

Wholesale gross profit for the three months ended April 3, 2021 was \$243.6 million, an increase of \$73.8 million from the first quarter of 2020. The wholesale gross margin percentage was 13.0 percent of wholesale revenues in the first quarter of 2021, up slightly from 12.9 percent in the first quarter of 2020.

Retail gross profit for the three months ended April 3, 2021 was \$76.1 million, an increase of \$23.3 million from the first quarter of 2020. This increase was the result of the 45.3 percent increase in ARH revenues. The retail gross margin percentage was 46.8 percent of retail revenues in the first quarter of 2021, a slight decrease from 47.0 percent in the first quarter of 2020. For ARH, retail gross profit is based on the Company's wholesale acquisition cost of product, not ARH's acquisition cost which includes a markup from the Company.

Expenses and Other

Wholesale operating expenses increased \$17.1 million, or 13.3 percent, from the first quarter of 2020. The increase is due to higher distribution costs resulting from higher wholesale revenues and an increase in consumer advertising expenses. The 41.8 percent increase in wholesale revenue far exceeded the 13.3 percent increase in wholesale operating expenses, which allowed the Company to leverage and scale much of its fixed expenses and infrastructure. As a result, wholesale operating expenses as a percent of wholesale revenues decreased significantly to 7.8 percent in the first quarter of 2021 from 9.7 percent in the first quarter of 2020.

Retail operating expenses increased \$6.2 million, or 11.2 percent, from the first quarter of 2020. This increase was primarily driven by store payroll and operating costs to support the increase in retail revenues along with expenses incurred related to the new stores opened in 2020 and 2021. The 44.8 percent increase in retail revenue far exceeded the 11.2 percent increase in retail expenses, which allowed the Company to leverage and scale much of its fixed operating expenses. As a result, retail operating expenses as a percent of retail revenue decreased to 37.9 percent in the first quarter of 2021 from 49.4 percent in the first quarter of 2020.

Balance Sheet and Cash Flow

Receivables increased \$85.8 million from the first quarter of 2020 due to higher sales volumes and an increase in vendor rebates receivable.

Inventories increased \$231.9 million from the first quarter of 2020 due to the intentional build-up of inventory to support increased demand and to act as a hedge against supplier shortages.

Long-term debt, including current maturities, decreased \$587.7 million versus the first quarter of 2020. In March 2020, the Company increased its borrowings to \$675.0 million under its \$700.0 million line-of-credit in order to ensure the Company's ongoing liquidity during the COVID-19 pandemic. Net debt (long-term debt less cash and cash equivalents) decreased \$309.5 million due to cash generated by operating activities in the last twelve months offset by capital expenditures and record patronage distributions. At the end of the first quarter of 2021, long term debt consisted of \$139.8 million outstanding on the revolving credit facility, \$30.0 million outstanding on the Westlake credit facility, and \$27.4 million owed to former retailers.

About Ace Hardware

Ace Hardware is the largest retailer-owned hardware cooperative in the world with approximately 5,500 locally owned and operated hardware stores in approximately 65 countries. Headquartered in Oak Brook, Ill., Ace and its subsidiaries operate an expansive network of distribution centers in the U.S. and have distribution capabilities in Ningbo, China; Colon, Panama; and Dubai, United Arab Emirates. Since 1924, Ace has become a part of local communities around the world and known as the place with the helpful hardware folks. For more information, visit acehardware.com or newsroom.acehardware.com.

Contacts:

Shareholders'/Investors' Inquiries:

William Guzik, Executive Vice President, Chief Financial Officer & Chief Risk Officer
630-990-3325, guzik@acehardware.com

Media Inquiries:

Jeff Gooding, Vice President, Consumer Marketing
630-990-3600, media@acehardware.com

ACE HARDWARE CORPORATION CONSOLIDATED STATEMENTS OF INCOME (Unaudited, in millions)

Three Months Ended	
April 3, 2021 (13 Weeks)	March 28, 2020 (13 Weeks)

Revenues:

	\$	\$
Wholesale revenues	1,869.1	1,318.0
Retail revenues	162.7	112.4
Total revenues	2,031.8	1,430.4
Cost of revenues:		
Wholesale cost of revenues	1,625.5	1,148.2
Retail cost of revenues	86.6	59.6
Total cost of revenues	1,712.1	1,207.8
Gross profit:		
Wholesale gross profit	243.6	169.8
Retail gross profit	76.1	52.8
Total gross profit	319.7	222.6
Wholesale operating expenses:		
Distribution operations expenses	54.4	45.0
Selling, general and administrative expenses	52.6	51.3
Retailer success and development expenses	38.6	32.2
Retail operating expenses	61.7	55.5
Retail pre-opening expenses	0.6	0.3
Total operating expenses	207.9	184.3
Operating income	111.8	38.3
Interest expense	(4.0)	(5.8)
Interest income	1.2	1.4
Other income, net	0.5	1.5
Income tax (expense) benefit	(4.1)	0.8
Net income	105.4	36.2
Less: net loss attributable to noncontrolling interests	(0.1)	(0.1)
	\$	\$
Net income attributable to Ace Hardware Corporation	105.5	36.3
	\$	\$
Patronage distributions accrued	109.0	53.4
Patronage distributions accrued for third party retailers	106.1	51.1

ACE HARDWARE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	April 3, 2021	January 2, 2021	March 28, 2020
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Cash and cash equivalents	\$ 37.4	\$ 28.9	\$ 315.6
Marketable securities	59.8	63.2	56.8
Receivables, net of allowance for doubtful accounts of \$6.1, \$4.8 and \$6.7, respectively	737.1	527.7	651.3
Inventories	1,303.5	1,133.0	1,071.6
Prepaid expenses and other current assets	62.1	55.1	45.4
Total current assets	2,199.9	1,807.9	2,140.7
Property and equipment, net	433.1	423.3	384.9
Operating lease right-of-use assets, net	485.4	455.5	459.1
Finance lease right-of-use assets, net	35.9	25.0	-
Goodwill and other intangible assets, net	100.8	100.3	91.6
Other assets	119.1	90.9	115.8
Total assets	\$ 3,374.2	\$ 2,902.9	\$ 3,192.1
Liabilities and Equity			
Current maturities of long-term debt	\$ 41.5	\$ 31.7	\$ 96.5
Accounts payable	1,407.9	1,109.4	940.6
Patronage distributions payable in cash	138.9	112.9	91.3

Patronage refund certificates payable	26.5	26.6	17.4
Current operating lease liabilities	65.7	64.5	74.4
Current finance lease liabilities	5.4	3.7	-
Accrued expenses	145.9	237.5	138.5
Total current liabilities	1,831.8	1,586.3	1,358.7
Long-term debt	155.7	24.8	688.4
Patronage refund certificates payable	102.6	95.3	115.9
Long-term operating lease liabilities	441.0	412.2	403.6
Long-term finance lease liabilities	30.0	20.8	-
Other long-term liabilities	76.0	73.6	68.2
Total liabilities	2,637.1	2,213.0	2,634.8
Member Retailers' Equity:			
Class A voting common stock, \$1,000 par value, 10,000 shares authorized, 2,686, 2,689 and 2,694 issued and outstanding, respectively	2.7	2.7	2.7
Class C nonvoting common stock, \$100 par value, 10,000,000 shares authorized, 4,921,646, 5,015,306 and 4,739,809 issued and outstanding, respectively	492.2	501.5	474.0
Class C nonvoting common stock, \$100 par value, issuable to retailers for patronage distributions, 1,779,506, 1,191,050 and 707,170 shares issuable, respectively	178.0	119.1	70.7
Contributed capital	18.9	19.0	18.7
Retained earnings (accumulated deficit)	31.6	32.3	(23.5)
Accumulated other comprehensive income (loss)	1.3	3.0	(0.3)
Equity attributable to Ace member retailers	724.7	677.6	542.3
Equity attributable to noncontrolling interests	12.4	12.3	15.0
Total equity	737.1	689.9	557.3
Total liabilities and equity	\$ 3,374.2	\$ 2,902.9	\$ 3,192.1

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended	
	April 3, 2021 (13 Weeks)	March 28, 2020 (13 Weeks)
Operating Activities		
Net income	\$ 105.4	\$ 36.2
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	17.4	15.7
Amortization of deferred financing costs	0.1	0.1
Gain on the disposal of assets, net	(0.1)	-
Provision for doubtful accounts	1.0	1.2
Other, net	1.8	(4.5)
Changes in operating assets and liabilities, exclusive of effects of acquisitions:		
Receivables	(241.5)	(181.5)
Inventories	(168.9)	(138.5)
Other current assets	(6.9)	1.3
Other long-term assets	4.0	8.2
Accounts payable and accrued expenses	222.6	91.5
Other long-term liabilities	2.4	(1.6)
Deferred taxes	0.1	(1.9)
Net cash used in operating activities	(62.6)	(173.8)
Investing Activities		
Purchases of marketable securities	(4.6)	(5.5)
Proceeds from sale of marketable securities	5.8	7.0
Purchase of long-term securities	(17.6)	-

Proceeds from sale of long-term securities	1.6	-
Purchases of property and equipment	(25.4)	(18.4)
Cash paid for acquired businesses, net of cash received	(2.6)	(5.0)
Increase in notes receivable, net	(4.6)	(2.1)
Other, net	(0.2)	0.3
Net cash used in investing activities	<u>(47.6)</u>	<u>(23.7)</u>
Financing Activities		
Net borrowings under revolving lines of credit	141.8	507.8
Principal payments on long-term debt	(2.6)	(3.4)
Payments of patronage refund certificates	(16.9)	(9.5)
Repurchase of stock	(2.3)	(0.2)
Purchase of noncontrolling interests	(0.1)	-
Other, net	(1.2)	0.2
Net cash provided by financing activities	<u>118.7</u>	<u>494.9</u>
Increase in cash and cash equivalents	8.5	297.4
Cash and cash equivalents at beginning of period	<u>28.9</u>	<u>18.2</u>
		\$
Cash and cash equivalents at end of period	<u>\$ 37.4</u>	<u>315.6</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7.1	\$ 7.9
Income taxes paid	\$ 0.3	\$ 0.3

View original content to download multimedia <http://www.prnewswire.com/news-releases/ace-hardware-reports-record-first-quarter-2021-results-301294627.html>

SOURCE Ace Hardware Corporation

Additional assets available online:  [Documents \(1\)](#)

<https://newsroom.acehardware.com/2021-05-19-Ace-Hardware-Reports-Record-First-Quarter-2021-Results>