ACE HARDWARE REPORTS RECORD FIRST QUARTER 2022 RESULTS

- *Record first quarter revenues of $2.2 billion, an increase of 8.9 percent on top of last year's increase of 42.0 percent*
- *Record first quarter net income of $119.8 million, an increase of 13.7 percent on top of last year's increase of 191.2 percent*
- *Accrued patronage dividend to shareholders of $135.6 million, an increase of 24.4 percent on top of last year's increase of 104.1 percent*
- *Ranked No. 1 in its category on Entrepreneur's 2022 Annual Franchise 500®*

OAK BROOK, Ill. , May 18, 2022 /PRNewswire/ -- Ace Hardware Corporation ("Ace" or the "Company") today reported record first quarter 2022 revenues of $2.2 billion, an increase of $181.8 million, or 8.9 percent, from the first quarter of 2021. Net income was $119.8 million for the first quarter of 2022, an increase of $14.4 million from the first quarter of 2021. The increase in net income includes a $21.4 million gain on the sale of the former Gainesville, Georgia retail support center ("RSC"). Excluding this gain, net income for the quarter was $98.4 million, a decrease of $7.0 million from the first quarter of 2021.

"Our first quarter increases in revenue and income brings our two-year stacked growth to nearly 51 percent and 205 percent, respectively," said John Venhuizen, President & CEO. "Revenue growth from the 54 new stores we added in the first quarter was real and incremental. The remainder of the first quarter revenue growth, however, was not as it was the result of ongoing inflation."

The approximately 3,500 Ace retailers who share daily retail sales data reported a 1.4 percent increase in U.S. retail same-store-sales during the first quarter of 2022. Estimated retail price inflation of 9.5 percent helped drive a 10.0 percent increase in average ticket. Same-store transactions were down 7.8 percent.

Revenues

Consolidated revenues for the quarter ended April 2, 2022 totaled $2.2 billion. Total wholesale revenues were $2.1 billion, an increase of $187.9 million, or 10.1 percent, as compared to the prior year first quarter. Increases were seen across most departments with outdoor power equipment, lawn and garden and plumbing showing the largest gains. Wholesale merchandise revenues to new domestic stores activated from January 2021 through March 2022 contributed $57.3 million of incremental revenues during the first quarter of 2022, while wholesale merchandise revenues decreased $11.9 million during the first quarter due to domestic stores whose memberships were cancelled. Wholesale merchandise revenues to comparable domestic stores increased $136.0 million for the quarter. All of this increase was the result of estimated wholesale price inflation of 13.0 percent. The Company's Ace International Holdings, Ltd. subsidiary experienced a $10.3 million decrease in wholesale revenue versus the first quarter of 2021, while Ace Wholesale Holdings LLC reported a $13.8 million increase in wholesale revenues from the first quarter of 2021.

Total retail revenues for the quarter were $156.6 million, a decrease of $6.1 million, or 3.7 percent, as compared to the prior year first quarter. Retail revenues from Ace Retail Holdings LLC ("ARH") were $153.0 million in the first quarter of 2022, a decrease of $4.1 million, or 2.6 percent, from the first quarter of 2021. The Westlake Ace Hardware ("Westlake") chain experienced a 5.7 percent decrease in same-store-sales while the Great Lakes Ace Hardware ("GLA") chain experienced a 6.4 percent decrease in same-store-sales in the quarter. The new stores opened by Westlake and GLA in the prior year contributed $5.0 million of incremental revenues during the first quarter of 2022, partially offsetting the decrease in same-store-sales. Westlake and GLA together operated 210 stores at the end of the first quarter of 2022 compared to 209 stores at the end of the first quarter of 2021. Retail revenues from Ace Ecommerce Holdings LLC were $3.6 million in the first quarter of 2022, a decrease of $2.0 million, or 35.7 percent, from the first quarter of 2021.

Ace added 50 new domestic stores in the first quarter of 2022 and cancelled 11 stores. The Company's total domestic store count was 4,790 at the end of the first quarter of 2022 which was an increase of 110 stores from the first quarter of 2021. On a worldwide basis, Ace added 54 stores in the first quarter of 2022 and cancelled 11, bringing the worldwide store count to 5,626 at the end of the first quarter of 2022.

Gross Profit

Wholesale gross profit for the three months ended April 2, 2022 was $262.0 million, an increase of $18.4 million from the first quarter of 2021. The wholesale gross margin percentage was 12.7 percent of wholesale revenues in the first quarter of 2022, down from 13.0 percent in the first quarter of 2021. The decrease in wholesale gross margin percentage was primarily due to an increase in LIFO expense which was driven by increased vendor prices due to inflation and a decrease in vendor funds earned.

Retail gross profit for the three months ended April 2, 2022 was $73.0 million, a decrease of $3.1 million from the first quarter of 2021. The retail gross margin percentage was 46.6 percent of retail revenues in the first quarter of 2022, down slightly from 46.8 percent in the first quarter of 2021. The decline in retail gross margin percentage primarily resulted from product mix and the liquidation of personal protective equipment. 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 $15.8 million, or 10.9 percent, from the first quarter of 2021. The increase is due to higher warehouse labor costs as a result of higher headcount in anticipation of the spring selling season. Wholesale operating expenses as a percent of wholesale revenue was unchanged at 7.8 percent in both the first quarter of 2022 and 2021.

Retail operating expenses increased $6.1 million, or 9.9 percent, from the first quarter of 2021. This increase was primarily driven by a planned increase in store payroll along with expenses incurred related to the new stores opened in 2021. Retail operating expenses as a percent of retail revenue increased to 43.3 percent in the first quarter of 2022 from 37.9 percent in the first quarter of 2021.

During the first quarter, the Company sold its RSC located in Gainesville, Georgia and recorded a gain of $21.7 million which is classified as Other income, net.

Balance Sheet and Cash Flow

Receivables increased $116.5 million from the first quarter of 2021 due to higher sales volumes.

Inventories increased $216.5 million from the first quarter of 2021 due to the intentional build-up of inventory as a hedge against supplier shortages and to increase fill rates to our Ace owners.

Long-term debt, including current maturities, decreased $4.8 million versus the first quarter of 2021. At the end of the first quarter of 2022, long term debt consisted of $121.9 million outstanding on the revolving credit facility, $37.6 million outstanding on the Westlake credit facility, and $32.9 million owed to former retailers.

About Ace Hardware

Ace Hardware is the largest retailer-owned hardware cooperative in the world with over 5,600 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; Santa Catarina, Mexico; 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.

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

	Three Months Ended	
	April 2, 2022 (13 Weeks)	April 3, 2021 (13 Weeks)
Revenues:		
Wholesale revenues	$ 2,057.0	$ 1,869.1

Retail revenues	156.6	162.7
Total revenues	2,213.6	2,031.8
Cost of revenues:		
Wholesale cost of revenues	1,795.0	1,625.5
Retail cost of revenues	83.6	86.6
Total cost of revenues	1,878.6	1,712.1
Gross profit:		
Wholesale gross profit	262.0	243.6
Retail gross profit	73.0	76.1
Total gross profit	335.0	319.7
Wholesale operating expenses:		
Distribution operations expenses	61.5	54.4
Selling, general and administrative expenses	57.2	52.6
Retailer success and development expenses	42.7	38.6
Retail operating expenses	67.8	61.7
Retail pre-opening expenses	0.2	0.6
Total operating expenses	229.4	207.9
Operating income	105.6	111.8
Interest expense	(4.0)	(4.0)
Interest income	1.6	1.2
Other income, net	21.7	0.5
Income tax expense	(5.1)	(4.1)
Net income	119.8	105.4
Less: net loss attributable to noncontrolling interests	(0.3)	(0.1)
Net income attributable to Ace Hardware Corporation	$ 120.1	$ 105.5
Patronage distributions accrued	$ 135.6	$ 109.0
Patronage distributions accrued for third party retailers	$ 130.9	$ 106.1

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

	April 2, 2022 (Unaudited)	January 1, 2022 (Audited)	April 3, 2021 (Unaudited)
Assets			
Cash and cash equivalents	$ 47.5	$ 37.6	$ 37.4
Marketable securities	56.3	58.0	59.8
Receivables, net of allowance for doubtful accounts of $5.8, $4.3 and $6.1, respectively	853.6	533.6	737.1
Inventories	1,520.0	1,224.3	1,303.5
Prepaid expenses and other current assets	68.4	63.9	62.1
Total current assets	2,545.8	1,917.4	2,199.9
Property and equipment, net	453.7	453.4	433.1
Operating lease right-of-use assets, net	493.4	497.3	485.4
Finance lease right-of-use assets, net	73.9	68.1	35.9
Goodwill and other intangible assets, net	99.1	99.5	100.8
Other assets	118.3	105.7	119.1
Total assets	$ 3,784.2	$ 3,141.4	$ 3,374.2
Liabilities and Equity			
Current maturities of long-term debt	$ 50.1	$ 17.1	$ 41.5
Accounts payable	1,586.1	1,095.2	1,407.9
Patronage distributions payable in cash	174.4	120.6	138.9
Patronage refund certificates payable	27.2	27.2	26.5
Current operating lease liabilities	68.0	64.3	65.7
Current finance lease liabilities	12.3	10.9	5.4
Accrued expenses	184.4	282.9	145.9

Total current liabilities	2,102.5	1,618.2	1,831.8
Long-term debt	142.3	18.6	155.7
Patronage refund certificates payable	103.5	92.8	102.6
Long-term operating lease liabilities	448.4	456.3	441.0
Long-term finance lease liabilities	60.7	56.4	30.0
Other long-term liabilities	94.2	91.0	76.0
Total liabilities	2,951.6	2,333.3	2,637.1
Member Retailers' Equity:			
Class A voting common stock, $1,000 par value, 10,000 shares authorized, 2,680, 2,681 and 2,686 issued and outstanding, respectively	2.7	2.7	2.7
Class C nonvoting common stock, $100 par value, 10,000,000 shares authorized, 5,672,347, 5,838,265 and 4,921,646 issued and outstanding, respectively	567.2	583.8	492.2
Class C nonvoting common stock, $100 par value, issuable to retailers for patronage distributions, 1,752,589, 1,209,075 and 1,779,506 shares issuable, respectively	175.2	120.9	178.0
Contributed capital	19.0	19.1	18.9
Retained earnings	58.1	68.9	31.6
Accumulated other comprehensive (loss) income	(1.2)	1.0	1.3
Equity attributable to Ace member retailers	821.0	796.4	724.7
Equity attributable to noncontrolling interests	11.6	11.7	12.4
Total equity	832.6	808.1	737.1
Total liabilities and equity	$ 3,784.2	$ 3,141.4	$ 3,374.2

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

	Three Months Ended	
	April 2, 2022 (13 Weeks)	April 3, 2021 (13 Weeks)
Operating Activities		
Net income	$ 119.8	$ 105.4
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	19.0	17.4
Amortization of deferred financing costs	0.1	0.1
Gain on the disposal of assets, net	(21.8)	(0.1)
Provision for doubtful accounts	1.1	1.0
Other, net	3.8	1.8
Changes in operating assets and liabilities, exclusive of effects of acquisitions:		
Receivables	(346.7)	(241.5)
Inventories	(295.7)	(168.9)
Other current assets	(4.6)	(6.9)
Other long-term assets	(3.4)	4.0
Accounts payable and accrued expenses	419.5	222.6
Other long-term liabilities	3.3	2.4
Deferred taxes	(1.0)	0.1
Net cash used in operating activities	(106.6)	(62.6)
Investing Activities		
Purchases of investment securities	(3.3)	(22.2)
Proceeds from sale of investment securities	1.8	7.4
Purchases of property and equipment	(25.5)	(25.4)
Cash paid for acquired businesses, net of cash received	-	(2.6)
Increase in notes receivable, net	(3.6)	(4.6)
Proceeds from sale of assets	27.2	-
Other, net	(0.7)	(0.2)
Net cash used in investing activities	(4.1)	(47.6)
Financing Activities		
Net borrowings under revolving lines of credit	154.6	141.8

Principal payments on long-term debt	(3.6)	(2.6)
Payments of patronage refund certificates	(25.9)	(16.9)
Repurchase of stock	(1.1)	(2.3)
Purchase of noncontrolling interests	(0.2)	(0.1)
Other, net	(3.2)	(1.2)
Net cash provided by financing activities	120.6	118.7
Increase in cash and cash equivalents	9.9	8.5
Cash and cash equivalents at beginning of period	37.6	28.9
Cash and cash equivalents at end of period	$ 47.5	$ 37.4
Supplemental disclosure of cash flow information:		
Interest paid	$ 6.6	$ 7.1
Income taxes paid	$ 0.3	$ 0.3

Additional assets available online: Photos (1)

https://newsroom.acehardware.com/2022-05-18-ACE-HARDWARE-REPORTS-RECORD-FIRST-QUARTER-2022-RESULTS