ACE HARDWARE REPORTS THIRD QUARTER 2024 RESULTS

- *Record third quarter revenues of $2.4 billion, an increase of 2.8 percent*
- *Third quarter net income of $99.0 million, a decrease of 23.8 percent*
- *Ace ranked fifth largest U.S. based franchise system by Franchise Times for the third consecutive year*
- *Ace named to the World's Best Companies of 2024 list by Time Magazine*

OAK BROOK, Ill. , Nov. 13, 2024 /PRNewswire/ -- Ace Hardware Corporation ("Ace" or the "Company") today reported third quarter 2024 revenues of $2.4 billion, an increase of $64.8 million, or 2.8 percent, from the third quarter of 2023. Net income was $99.0 million for the third quarter of 2024, a decrease of $31.0 million from the third quarter of 2023. This decrease was due entirely to higher planned expenses as the Company continues to make strategic investments in its supply chain infrastructure and digital marketing expense to support future growth.

"In this challenging environment, it's encouraging for me to report growth in new stores, growth in our digital business, and overall growth to $2.4 billion for the quarter," said John Venhuizen, Ace President & CEO. "I'm never particularly pleased to report a decline in net income, but it was almost exactly on plan and nearly $100 million for the three-month period. It's a privilege to take the field with such a talented Ace team around the world."

The approximately 3,700 Ace retailers who share daily retail sales data reported a 2.2 percent decrease in U.S. retail same-store-sales during the third quarter of 2024, which was the result of a 2.2 percent decrease in same-store transactions; partially offset by a 0.1 percent increase in average ticket.

Revenues

Consolidated revenues for the quarter ended September 28, 2024 totaled $2.4 billion. Total wholesale revenues were $2.1 billion, an increase of $56.3 million, or 2.7 percent, as compared to the prior year third quarter. Increases were seen across many departments with grilling, power tools and outdoor power equipment showing the largest gains.

Wholesale merchandise revenues to new domestic stores activated from January 2023 through September 2024 contributed $57.6 million of incremental revenues during the third quarter of 2024, while wholesale merchandise revenues decreased $7.2 million during the third quarter due to domestic stores whose memberships were cancelled. Wholesale merchandise revenues to comparable domestic stores decreased $18.9 million for the quarter. The Company's Ace International Holdings, Ltd. subsidiary experienced a $0.6 million decrease in wholesale revenue versus the third quarter of 2023, while Ace Wholesale Holdings LLC reported a $2.4 million increase in wholesale revenues from the third quarter of 2023. The Company's Ace Services Holdings LLC subsidiary, which is reported as part of the Company's wholesale business, experienced a $1.7 million decrease in revenues from the third quarter of 2023.

Total retail revenues from Ace Retail Holdings LLC ("ARH") for the quarter were $203.4 million, an increase of $8.5 million, or 4.4 percent, as compared to the prior year third quarter. The Westlake Ace Hardware ("Westlake") chain experienced a 1.9 percent decrease in same-store-sales, while the Great Lakes Ace Hardware ("GLA") chain experienced a 1.7 percent decrease in same-store-sales in the quarter. The new stores opened by Westlake and GLA since the end of the second quarter of 2023 contributed $12.1 million of incremental revenues during the third quarter of 2024. Westlake and GLA together operated 253 stores at the end of the third quarter of 2024 compared to 233 stores at the end of the third quarter of 2023.

The Company's total domestic store count was 5,093 at the end of the third quarter of 2024, which was an increase of 150 stores from the third quarter of 2023. The worldwide store count was 5,973 at the end of the third quarter of 2024.

Gross Profit

Wholesale gross profit for the three months ended September 28, 2024 was $313.1 million, a decrease of $5.8 million from the third quarter of 2023. The wholesale gross margin percentage was 14.6 percent of wholesale revenues in the third quarter of 2024, down from 15.2 percent in the third quarter of 2023. The decrease in wholesale gross margin percentage was primarily driven by unfavorable product gross profit rates and a decrease in LIFO income from the third quarter of 2023 when certain vendor prices declined.

Retail gross profit for the three months ended September 28, 2024 was $94.8 million, an increase of $5.0 million from the third quarter of 2023. The retail gross margin percentage was 46.6 percent of retail revenues in the third quarter of 2024, up from

46.1 percent in the third quarter of 2023. 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 $30.5 million, or 15.5 percent, from the third quarter of 2023. The increase is due to a $21.7 million increase in marketing and advertising spending and a $9.1 million increase in Retail Support Center related costs. Wholesale operating expenses as a percent of wholesale revenue was 10.6 percent, up from 9.4 percent in the third quarter of 2023.

Retail operating expenses increased $4.1 million, or 5.8 percent, from the third quarter of 2023. This increase was primarily driven by expenses incurred related to the new stores added since the end of the second quarter of 2023. Retail operating expenses as a percent of retail revenue increased to 36.5 percent in the third quarter of 2024 from 36.0 percent in the third quarter of 2023.

Balance Sheet and Cash Flow

Receivables increased $55.8 million from the third quarter of 2023 due to higher sales volumes.

Inventories decreased $57.0 million from the third quarter of 2023 primarily as a result of ongoing efforts to reduce overstock inventory.

Long-term debt, including current maturities, increased $91.0 million versus the third quarter of 2023. At the end of the third quarter of 2024, long-term debt consisted of $400.0 million outstanding on the revolving credit facility, $43.7 million outstanding on the Westlake credit facility, and $52.7 million owed to former retailers.

About Ace Hardware

Ace Hardware is the largest retailer-owned hardware cooperative in the world with over 5,900 locally owned and operated hardware stores in approximately 60 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; and Cuautitlán Izcalli, Mexico. Since 1924, Ace has been 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		Nine Months Ended	
	September 28, 2024 (13 Weeks)	September 30, 2023 (13 Weeks)	September 28, 2024 (39 Weeks)	September 30, 2023 (39 Weeks)
Revenues:				
Wholesale revenues	$ 2,149.0	$ 2,092.7	$ 6,581.5	$ 6,402.6
Retail revenues	203.4	194.9	623.0	603.8
Total revenues	2,352.4	2,287.6	7,204.5	7,006.4
Cost of revenues:				
Wholesale cost of revenues	1,835.9	1,773.8	5,678.5	5,507.5
Retail cost of revenues	108.6	105.1	340.7	331.4
Total cost of revenues	1,944.5	1,878.9	6,019.2	5,838.9
Gross profit:				
Wholesale gross profit	313.1	318.9	903.0	895.1

Retail gross profit	94.8	89.8	282.3	272.4
Total gross profit	407.9	408.7	1,185.3	1,167.5
Wholesale operating expenses:				
Distribution operations expenses	71.8	69.0	212.2	206.1
Selling, general and administrative expenses	84.6	78.6	252.4	218.2
Retailer success and development expenses	71.2	49.5	217.3	174.2
Retail operating expenses	74.2	70.1	220.9	211.0
Retail pre-opening expenses	1.1	1.5	3.8	3.9
Total operating expenses	302.9	268.7	906.6	813.4
Operating income	105.0	140.0	278.7	354.1
Interest expense	(11.8)	(9.9)	(36.1)	(27.0)
Interest income	1.7	1.3	5.0	3.6
Other income (expense), net	2.8	1.1	11.1	(1.4)
Income tax benefit (expense)	1.3	(2.5)	1.6	(6.4)
Net income	99.0	130.0	260.3	322.9
Less: net loss attributable to noncontrolling interests	(0.2)	(0.5)	(0.9)	(1.1)
Net income attributable to Ace Hardware Corporation	$ 99.2	$ 130.5	$ 261.2	$ 324.0
Patronage distributions accrued	$ 105.4	$ 133.1	$ 291.2	$ 338.2
Patronage distributions accrued for third party Retailers	$ 100.1	$ 128.2	$ 276.0	$ 323.4

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

	September 28, 2024 (Unaudited)	December 30, 2023 (Audited)	September 30, 2023 (Unaudited)
Assets			
Cash and cash equivalents	$ 38.9	$ 31.9	$ 42.5
Marketable securities	48.6	49.4	50.8
Receivables, net of allowance for doubtful accounts of $11.1, $12.1 and $7.8, respectively	772.3	674.4	716.5
Inventories	1,299.5	1,235.1	1,356.5
Prepaid expenses and other current assets	93.3	69.9	70.0
Total current assets	2,252.6	2,060.7	2,236.3
Property and equipment, net	589.0	541.0	524.3
Operating lease right-of-use assets, net	814.4	668.0	673.0
Finance lease right-of-use assets, net	127.6	123.9	127.0
Goodwill and other intangible assets, net	445.6	410.9	408.2
Other assets	165.7	153.1	152.4
Total assets	$ 4,394.9	$ 3,957.6	$ 4,121.2
Liabilities and Equity			
Current maturities of long-term debt	$ 64.3	$ 49.1	$ 32.3
Accounts payable	1,231.4	1,081.5	1,268.1
Patronage distributions payable in cash	112.9	137.1	133.1
Patronage refund certificates payable	29.0	29.1	23.0
Current operating lease liabilities	91.3	88.5	83.3
Current finance lease liabilities	29.5	25.6	25.2
Accrued expenses	284.9	292.0	233.3
Total current liabilities	1,843.3	1,702.9	1,798.3
Long-term debt	432.1	359.2	373.1
Patronage refund certificates payable	202.5	149.6	150.5

Long-term operating lease liabilities	742.1	603.2	613.5
Long-term finance lease liabilities	100.3	100.4	103.5
Other long-term liabilities	143.6	120.9	113.5
Total liabilities	3,463.9	3,036.2	3,152.4
Member Retailers' Equity:			
Class A voting common stock, $1,000 par value, 10,000 shares authorized, 2,586, 2,615 and 2,636 issued and outstanding, respectively	2.6	2.6	2.7
Class C nonvoting common stock, $100 par value, 20,000,000 shares authorized, 7,641,370, 7,226,176 and 7,330,493 issued and outstanding, respectively	764.1	722.6	733.0
Class C nonvoting common stock, $100 par value, issuable to Retailers for patronage distributions, 730,428, 897,317 and 1,172,429 shares issuable, respectively	73.0	89.7	117.2
Contributed capital	19.2	19.2	19.2
Retained earnings	64.1	78.2	88.3
Accumulated other comprehensive (loss) income	(0.3)	0.3	(1.8)
Equity attributable to Ace member Retailers	922.7	912.6	958.6
Equity attributable to noncontrolling interests	8.3	8.8	10.2
Total equity	931.0	921.4	968.8
Total liabilities and equity	$ 4,394.9	$ 3,957.6	$ 4,121.2

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

	Nine Months Ended	
	September 28, 2024 (39 Weeks)	September 30, 2023 (39 Weeks)
Operating Activities		
Net income	$ 260.3	$ 322.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73.7	65.9
Non cash lease expense	22.8	19.9
Amortization of deferred financing costs	0.7	1.0
Loss on the disposal of assets, net	0.8	3.2
Provision for doubtful accounts	0.6	2.2
Other, net	(6.8)	1.8
Changes in operating assets and liabilities, exclusive of effects of acquisitions:		
Receivables	(127.8)	(94.0)
Inventories	(51.1)	(46.0)
Other current assets	(23.4)	(8.5)
Other long-term assets	(9.9)	(11.0)
Accounts payable and accrued expenses	167.6	50.2
Other long-term liabilities	18.3	7.0
Deferred taxes	(2.0)	(0.4)
Net cash provided by operating activities	323.8	314.2
Investing Activities		
Purchases of investment securities	(20.8)	(33.5)
Proceeds from sale of investment securities	22.4	33.8
Purchases of property and equipment	(121.1)	(123.4)
Cash paid for acquired businesses, net of cash received	(45.1)	(306.6)
Increase in notes receivable, net	(26.7)	(22.4)
Proceeds from sale of assets	0.6	0.1
Other, net	0.9	(0.7)
Net cash used in investing activities	(189.8)	(452.7)

Financing Activities		
Net borrowings under revolving lines of credit	81.8	357.7
Principal payments on long-term debt	(13.9)	(11.3)
Payments of debt issuance costs	-	(4.4)
Principal portion of finance lease payments	(25.2)	(20.9)
Payments of cash portion of patronage distribution	(137.1)	(133.1)
Payments of patronage refund certificates	(22.9)	(26.7)
Repurchase of stock	(10.4)	(9.3)
Purchase of noncontrolling interests	(0.5)	(0.3)
Other, net	1.2	0.8
Net cash (used in) provided by financing activities	(127.0)	152.5
Increase in cash and cash equivalents	7.0	14.0
Cash and cash equivalents at beginning of period	31.9	28.5
Cash and cash equivalents at end of period	$ 38.9	$ 42.5
Supplemental disclosure of cash flow information:		
Interest paid	$ 29.7	$ 21.2
Income taxes paid	$ 3.3	$ 4.3

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