



## PRESS RELEASE

### ACE HARDWARE REPORTS RECORD FIRST QUARTER 2015 REVENUES AND PROFITS

- *Record first quarter revenues of \$1.2 billion, an increase of 10.0 percent from last year*
- *Record first quarter net income of \$29.9 million, an increase of 22.5 percent from last year*

**Oak Brook, Ill. (May 19, 2015)** – Ace Hardware Corporation (“Ace” or the “Company”), the largest retailer-owned hardware cooperative in the world, today reported first quarter 2015 revenues of \$1.2 billion, an increase of \$107.4 million or 10.0 percent from the first quarter of 2014. Net income was \$29.9 million for the first quarter of 2015, an increase of \$5.5 million or 22.5 percent, from the first quarter of 2014.

"I want to thank the entire Ace enterprise for delivering record first quarter revenues and net income for the second consecutive year," said John Venhuizen, President and CEO, Ace Hardware Corp. "Our strategic acquisitions, new stores and an impressive 9.2 percent increase in retail same-store-sales fueled the double digit growth."

The 9.2 percent increase in retail same-store-sales reported by the approximately 3,000 Ace retailers who share daily retail sales data consisted of a 5.3 percent increase in customer count and a 4.2 percent increase in average transaction size.

### Revenues

Consolidated revenues for the three months ended April 4, 2015 totaled \$1.2 billion. Total wholesale revenues were \$1.1 billion, an increase of \$104.8 million, or 10.1 percent, as compared to the prior year quarter. Increases were noted across all departments with paint, lawn and garden, auto and outdoor living, tools and electrical showing the largest increases. Excluding the non-recurring revenues related to the rollout of the new Paint Studio in 2014, wholesale revenues increased by \$133.1 million, or 13.2 percent, in the first quarter of 2015 compared to the prior year.

Excluding the impact of non-recurring Paint Studio revenues in 2014, wholesale merchandise revenues to new domestic stores activated in 2014 and the first quarter of 2015 contributed \$64.8 million in incremental revenues during the quarter, while wholesale merchandise revenues decreased \$9.5 million due to cancelled stores. Excluding non-recurring Paint Studio revenues, wholesale merchandise revenues to comparable domestic stores increased \$18.8 million. Wholesale revenues from the Company’s Ace Wholesale Holdings LLC (“AWH”) subsidiary contributed \$57.4 million of the increase.

Retail revenues from Ace Retail Holdings LLC (“ARH”) were \$46.3 million in the first quarter of 2015. Same store sales growth drove the increase of \$2.6 million or 5.9 percent from the first quarter of 2014. With increases in nearly all departments, nursery and landscape, paint, electrical, and barbeque had the largest increases.

Ace added 33 new domestic stores in the first quarter of 2015 and cancelled 32 stores. This brought the company's total domestic store count to 4,252 at the end of the first quarter of 2015, an increase of 32 stores from the first quarter of 2014.

### **Gross Profit**

Wholesale gross profit for the three months ended April 4, 2015, was \$138.1 million, an increase of \$19.0 million from the first three months of 2014. The wholesale gross margin percentage was 12.1 percent of wholesale revenues in the first quarter of 2015, an increase from 2014's first quarter gross margin percentage of 11.5 percent. The increase in wholesale gross margin percentage was primarily driven by the timing of incentives received from vendors.

Retail gross profit for the first quarter of 2015 was \$22.3 million, an increase of \$1.6 million from the first quarter of 2014. The retail gross margin percentage was 48.2 percent of retail revenues in the first quarter of 2015, up from 47.4 percent in the prior year quarter. The increase in the retail gross margin percentage was primarily the result of strategically sourcing more products from Ace. Retail gross profit as reported in the Ace financial statements is based on the Ace wholesale acquisition cost of product rather than the ARH acquisition cost which includes Ace's normal markup from cost.

### **Expenses**

Wholesale operating expenses increased \$14.3 million, or 15.8 percent, for the first quarter of 2015 as compared to the first quarter of 2014. The increase was primarily driven by operating expenses from the acquisitions in the AWH subsidiary, higher advertising expenses due to planned incremental promotional spending, higher warehouse wages from the increase in sales volume and higher employee benefit and salary expenses. As a percentage of wholesale revenues, wholesale operating expenses increased from 8.8 percent of revenues in the first quarter of 2014 to 9.2 percent of revenues in the first quarter of 2015.

Retail operating expenses of \$22.0 million decreased \$0.6 million, or 2.7 percent, in the first quarter of 2015 as compared to the first quarter of 2014. Retail operating expenses as a percent of retail revenues decreased from 51.7 percent of revenues in the first quarter of 2014 to 47.5 percent of revenues in the first quarter of 2015 primarily as a result of lower payroll and depreciation expense.

In the first quarter of 2015, the Company recorded an additional charge of \$1.5 million related to future payments to the multi-employer pension fund that covers the former union employees at the closed Retail Support Center in Toledo, Ohio.

## **Balance Sheet**

Receivables increased \$42.4 million from the first quarter of 2014 as a result of AWH's acquisition of Jensen-Byrd Co., LLC ("Jensen") in the fourth quarter of 2014 which contributed \$21.1 million towards the increase. Sales growth and extended dating programs for retailers accounted for the remainder of the increase.

Inventories increased \$79.4 million from the first quarter of 2014 driven in part by AWH's acquisition of Jensen in the fourth quarter of 2014 which contributed \$25.2 million towards the increase in inventory. The remaining increase was required to support higher sales revenues and the Company's intentional inventory build-up to maintain customer fill-rates during the U.S. west coast port disruption. Accounts payable decreased by \$20.0 million due to the timing of vendor payments, partially offset by an increase in inventory purchases compared to the prior year as well as the acquisition of Jensen.

Debt increased \$65.7 million versus the first quarter of 2014 as a result of additional borrowing on the Company's revolving credit facilities. The increase in debt was primarily due to the increase in receivables and inventories, growth in the paint business through significant investment in The Paint Studio initiative and an increase in our wholesale distribution network through the acquisition of Jensen.

## **About Ace Hardware**

For more than 90 years, Ace Hardware has been known as the place with the helpful hardware folks in thousands of neighborhoods across America, providing customers with a more personal kind of helpful. With more than 4,800 hardware stores locally owned and operated across the globe, Ace is the largest retailer-owned hardware cooperative in the world. Headquartered in Oak Brook, Ill., Ace and its subsidiaries currently operate 17 distribution centers in the U.S. and also have distribution capabilities in Shanghai, China; Panama City, Panama; and Dubai, United Arab Emirates. Its retailers' stores are located in all 50 states, the District of Columbia and approximately 60 countries. For more information on Ace, visit [www.acehardware.com](http://www.acehardware.com).

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

	Three Months Ended	
	April 4, 2015 (13 Weeks)	March 29, 2014 (13 Weeks)
Revenues:		
Wholesale revenues	\$ 1,139.8	\$ 1,035.0
Retail revenues	46.3	43.7
Total revenues	1,186.1	1,078.7
Cost of revenues:		
Wholesale cost of revenues	1,001.7	915.9
Retail cost of revenues	24.0	23.0
Total cost of revenues	1,025.7	938.9
Gross profit:		
Wholesale gross profit	138.1	119.1
Retail gross profit	22.3	20.7
Total gross profit	160.4	139.8
Distribution operations expenses	31.0	26.9
Selling, general and administrative expenses	43.3	36.9
Retailer success and development expenses	30.7	26.9
Retail operating expenses	22.0	22.6
Warehouse facility closure costs	1.5	-
Total operating expenses	128.5	113.3
Operating income	31.9	26.5
Interest expense	(3.5)	(3.1)
Interest income	0.8	0.8
Other income, net	2.2	1.8
Income tax expense	(1.5)	(1.6)
Net income	29.9	24.4
Less: net income attributable to noncontrolling interests	-	-
Net income attributable to Ace Hardware Corporation	\$ 29.9	\$ 24.4
Patronage distributions accrued	\$ 33.7	\$ 28.3

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

	<b>April 4, 2015</b>	<b>January 3, 2015</b>	<b>March 29, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 23.5	\$ 29.8	\$ 30.2
Marketable securities	43.2	42.2	54.3
Receivables, net of allowance for doubtful accounts of \$7.8, \$6.5 and \$10.5, respectively	525.0	381.8	482.6
Inventories	789.1	692.9	709.7
Prepaid expenses and other current assets	60.1	54.7	55.5
Total current assets	1,440.9	1,201.4	1,332.3
Property and equipment, net	319.4	323.0	324.1
Notes receivable, net of allowance for doubtful accounts of \$10.1, \$10.9 and \$10.0, respectively	14.9	12.2	20.7
Goodwill and other intangible assets	34.6	35.0	32.2
Other assets	85.5	85.6	69.8
Total assets	<u>\$ 1,895.3</u>	<u>\$ 1,657.2</u>	<u>\$ 1,779.1</u>
<b>Liabilities and Equity</b>			
Current maturities of long-term debt	\$ 54.7	\$ 41.5	\$ 58.7
Accounts payable	770.6	601.6	790.6
Patronage distributions payable in cash	67.5	53.7	51.4
Patronage refund certificates payable	6.6	6.6	-
Accrued expenses	137.4	162.5	144.5
Total current liabilities	1,036.8	865.9	1,045.2
Long-term debt	307.5	242.2	237.8
Patronage refund certificates payable	35.0	32.3	30.1
Other long-term liabilities	62.9	67.0	65.6
Total liabilities	1,442.2	1,207.4	1,378.7
Member Retailers' Equity:			
Class A voting common stock, \$1,000 par value, 10,000 shares authorized, 2,742; 2,751 and 2,757 issued and outstanding, respectively	2.7	2.8	2.8
Class C nonvoting common stock, \$100 par value, 6,000,000 shares authorized, 3,350,935; 3,425,232 and 3,124,085 issued and outstanding, respectively	335.1	342.5	312.4
Class C nonvoting common stock, \$100 par value, issuable to retailers for patronage distributions, 710,123; 565,068 and 526,471 shares issuable, respectively	71.0	56.5	52.6
Contributed capital	20.8	20.6	20.0
Retained earnings	11.7	15.5	2.5
Accumulated other comprehensive income	1.6	1.7	0.7
Equity attributable to Ace member retailers	442.9	439.6	391.0
Equity attributable to noncontrolling interests	10.2	10.2	9.4
Total equity	453.1	449.8	400.4
Total liabilities and equity	<u>\$ 1,895.3</u>	<u>\$ 1,657.2</u>	<u>\$ 1,779.1</u>

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

	<b>Three Months Ended</b>	
	<b>April 4, 2015 (13 Weeks)</b>	<b>March 29, 2014 (13 Weeks)</b>
<b>Operating Activities</b>		
Net income	\$ 29.9	\$ 24.4
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12.9	12.3
Amortization of deferred financing costs	0.3	0.3
Gain on the disposal of assets, net	(0.1)	(0.1)
Provision for doubtful accounts	2.4	2.1
Warehouse facility closure costs	1.5	-
Other, net	0.1	(0.1)
Changes in operating assets and liabilities, exclusive of effect of acquisitions:		
Receivables	(154.0)	(142.8)
Inventories	(96.2)	(176.6)
Other current assets	(5.7)	(8.8)
Other long-term assets	(0.8)	(8.9)
Accounts payable and accrued expenses	143.3	257.9
Other long-term liabilities	(6.1)	(0.3)
Deferred taxes	1.0	(2.2)
Net cash used in operating activities	<u>(71.5)</u>	<u>(42.8)</u>
<b>Investing Activities</b>		
Purchases of marketable securities	(2.1)	(3.5)
Proceeds from sale of marketable securities	1.6	3.4
Purchases of property and equipment	(8.3)	(7.0)
Cash paid for acquired businesses, net of cash acquired	-	(32.9)
Decrease in notes receivable, net	0.7	1.0
Other	-	0.1
Net cash used in investing activities	<u>(8.1)</u>	<u>(38.9)</u>
<b>Financing Activities</b>		
Net borrowings under revolving lines of credit	81.4	96.8
Principal payments on long-term debt	(6.4)	(3.9)
Payments of patronage refund certificates	(0.1)	(0.1)
Proceeds from sale of noncontrolling interests	-	0.9
Repurchase of stock	(1.9)	-
Other	0.3	0.3
Net cash provided by financing activities	<u>73.3</u>	<u>94.0</u>
(Decrease) increase in cash and cash equivalents	(6.3)	12.3
Cash and cash equivalents at beginning of period	29.8	17.9
Cash and cash equivalents at end of period	<u>\$ 23.5</u>	<u>\$ 30.2</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 2.4</u>	<u>\$ 3.0</u>
Income taxes paid	<u>\$ 0.4</u>	<u>\$ 1.9</u>