



PRESS RELEASE

ACE HARDWARE CELEBRATES BEST THIRD QUARTER REVENUES AND PROFITS IN COMPANY HISTORY

- *Record third quarter revenues of \$1.3 billion, an increase of 13.2 percent from last year*
- *Record third quarter net income of \$54.2 million, an increase of 45.3 percent from last year*
- *Accrued patronage to retailers through first nine-months of year tops \$130 million, an increase of 7.6 percent from last year*

Oak Brook, Ill. (November 19, 2015) – Ace Hardware Corporation (“Ace” or the “Company”), the largest retailer-owned hardware cooperative in the world, today reported third quarter 2015 revenues of \$1.3 billion, an increase of \$148.5 million or 13.2 percent from the third quarter of 2014. Net income was \$54.2 million for the third quarter of 2015, an increase of \$16.9 million or 45.3 percent from last year.

"We are delighted to announce the best third quarter sales and profit in Ace's history," said John Venhuizen, President and CEO, Ace Hardware Corp. "The credit falls squarely on the shoulders of our world-class retailers, associates and corporate teammates."

For the first nine months of 2015, retail same-store-sales reported by the approximately 3,000 Ace retailers who share daily retail sales data increased 5.1 percent while the total number of new stores increased 149 globally.

Revenues

Consolidated revenues for the three months ended October 3, 2015 totaled \$1.3 billion. Total wholesale revenues were \$1.2 billion, an increase of \$143.4 million, or 13.4 percent, as compared to the prior year quarter. Increases were noted across all departments with electrical, outdoor living and paint showing the largest increases.

Wholesale merchandise revenues from new domestic stores were \$21.4 million in the third quarter of 2015. This increase was partially offset by a decrease in wholesale merchandise revenues of \$10.5 million due to domestic store cancellations. Wholesale merchandise revenues to comparable domestic stores increased \$90.7 million in the third quarter of 2015 compared to the prior year period. Note that the new store, cancelled store and comparable store amounts all exclude the impact of non-recurring Paint Studio equipment revenues in 2014. Wholesale revenues from the Company's Ace Wholesale Holdings LLC (“AWH”) subsidiary contributed \$44.8 million of the increase.

Retail revenues from Ace Retail Holdings (“ARH”) were \$60.2 million during the third quarter, an increase of \$5.1 million or 9.3 percent. Average ticket price increased 4.3 percent and customer count increased 0.8 percent compared to the prior year period. Same-store-sales increased 5.3 percent compared to the third quarter of 2014 with the largest increases in outdoor living and lawn and garden.

Ace added 36 new domestic stores in the third quarter of 2015 and cancelled 17 stores. This brought the Company’s total domestic store count to 4,275 at the end of the third quarter of 2015, an increase of 28 stores from the third quarter of 2014.

Gross Profit

Wholesale gross profit for the three months ended October 3, 2015, was \$165.6 million, an increase of \$26.7 million from the third quarter of 2014. The wholesale gross margin percentage was 13.6 percent of wholesale revenues in the third quarter of 2015, an increase from 2014’s third quarter gross margin percentage of 12.9 percent. The increase in the wholesale gross margin percentage was primarily driven by the timing of income received from vendors.

Retail gross profit for the third quarter of 2015 was \$27.0 million, an increase of \$1.4 million from the third quarter of 2014. The retail gross margin percentage was 44.9 percent of retail revenues in the third quarter of 2015, down from 46.5 percent in the prior year quarter. The decrease in the retail gross margin percentage was primarily the result of an increase in the inventory shrink reserve, product mix and an increase in promotional discounting.

Expenses

Wholesale operating expenses increased \$9.2 million, or 9.2 percent, for the third quarter of 2015 as compared to the third quarter of 2014. The increase was primarily driven by additional operating expenses resulting from the AWH acquisition of Jensen-Byrd Co., LLC (“Jensen”) in December 2014 as well as increased costs associated with the higher sales volume. As a percentage of wholesale revenues, wholesale operating expenses decreased from 9.3 percent of wholesale revenues in the third quarter of 2014 to 9.0 percent of wholesale revenues in the third quarter of 2015.

Retail operating expenses of \$24.2 million increased \$0.8 million, or 3.4 percent, in the third quarter of 2015 as compared to the third quarter of 2014, primarily as a result of higher expenses associated with ARH’s acquisition of five retail stores during the second quarter of 2015 and the opening of a new retail store in the third quarter of 2015. Retail operating expenses as a percent of retail revenues decreased to 40.2 percent of retail revenues in the third quarter of 2015 versus 42.5 percent in the third quarter of 2014.

The Company recorded a \$2.0 million warehouse closure reserve in the third quarter of fiscal 2015 as a result of ARH vacating its leased warehouse facility.

Balance Sheet

Receivables increased \$23.2 million from the third quarter of 2014 as a result of AWH's acquisition of Jensen in December of 2014 and higher wholesale revenues in the third quarter of 2015.

Inventories increased \$167.7 million from the third quarter of 2014 driven in part by an intentional build-up of LED lighting inventories for planned resets and promotions, increased inventory levels to support higher sales volumes and the carryover of seasonal merchandise. AWH's acquisition of Jensen in the fourth quarter of 2014 also contributed \$26.2 million towards the increase in inventory. Additionally, ARH inventory increased by \$11.5 million compared to the prior year due to retail store acquisitions, the opening of an additional retail store and to support higher sales volumes.

Accounts payable increased \$72.7 million from the third quarter of 2014 primarily as a result of an increase in inventory purchases compared to the prior year as well as the acquisition of Jensen.

Debt increased \$58.6 million versus the third quarter of 2014 as a result of the acquisition of Jensen in the fourth quarter of fiscal 2014 and higher inventory levels.

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. In 2015, Ace ranked “Highest in Customer Satisfaction among Home Improvement Retail Stores, Nine Years in a Row,” according to J.D. Power*. 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.

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* Ace Hardware received the highest numerical score among retail stores in the proprietary J.D. Power 2015 Home Improvement Retail Store StudySM. Study based on responses from 2,994 consumers measuring six stores and opinions of consumers who purchased a home improvement product or service within the previous 12 months. Proprietary study results are based on experiences and perceptions of consumers surveyed January-February 2015. Your experiences may vary. Visit jdpower.com

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

| | Three Months Ended | | Nine Months Ended | |
|---|----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | October 3, 2015 (13 Weeks) | September 27, 2014 (13 Weeks) | October 3, 2015 (39 Weeks) | September 27, 2014 (39 Weeks) |
| Revenues: | | | | |
| Wholesale revenues | \$ 1,217.2 | \$ 1,073.8 | \$ 3,689.1 | \$ 3,360.4 |
| Retail revenues | 60.2 | 55.1 | 191.9 | 178.5 |
| Total revenues | 1,277.4 | 1,128.9 | 3,881.0 | 3,538.9 |
| Cost of revenues: | | | | |
| Wholesale cost of revenues | 1,051.6 | 934.9 | 3,221.9 | 2,927.0 |
| Retail cost of revenues | 33.2 | 29.5 | 105.5 | 96.9 |
| Total cost of revenues | 1,084.8 | 964.4 | 3,327.4 | 3,023.9 |
| Gross profit: | | | | |
| Wholesale gross profit | 165.6 | 138.9 | 467.2 | 433.4 |
| Retail gross profit | 27.0 | 25.6 | 86.4 | 81.6 |
| Total gross profit | 192.6 | 164.5 | 553.6 | 515.0 |
| Distribution operations expenses | 33.6 | 29.4 | 98.1 | 86.6 |
| Selling, general and administrative expenses | 44.3 | 37.9 | 120.6 | 113.4 |
| Retailer success and development expenses | 31.6 | 33.0 | 101.3 | 105.9 |
| Retail operating expenses | 24.2 | 23.4 | 71.9 | 69.8 |
| Warehouse facility closure costs | 2.0 | - | 3.7 | - |
| Total operating expenses | 135.7 | 123.7 | 395.6 | 375.7 |
| Operating income | 56.9 | 40.8 | 158.0 | 139.3 |
| Interest expense | (3.3) | (3.2) | (12.6) | (9.8) |
| Interest income | 0.7 | 0.8 | 2.4 | 2.5 |
| Other income, net | 1.5 | 1.4 | 5.3 | 4.6 |
| Income tax expense | (1.5) | (2.5) | (9.0) | (8.0) |
| Net income | 54.3 | 37.3 | 144.1 | 128.6 |
| Less: net income attributable to noncontrolling interests | 0.1 | - | 2.5 | 0.4 |
| Net income attributable to Ace Hardware Corporation | \$ 54.2 | \$ 37.3 | \$ 141.6 | \$ 128.2 |
| Patronage distributions accrued | \$ 53.4 | \$ 36.8 | \$ 130.2 | \$ 121.0 |

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

| | October 3, 2015 | January 3, 2015 | September 27, 2014 |
|--|----------------------------|----------------------------|-------------------------------|
| Assets | (Unaudited) | (Audited) | (Unaudited) |
| Cash and cash equivalents | \$ 14.1 | \$ 29.8 | \$ 12.7 |
| Marketable securities | 43.3 | 42.2 | 55.8 |
| Receivables, net of allowance for doubtful accounts of \$9.0, \$6.5 and \$7.9, respectively | 430.8 | 381.8 | 407.6 |
| Inventories | 813.4 | 692.9 | 645.7 |
| Prepaid expenses and other current assets | 45.9 | 54.7 | 57.9 |
| Total current assets | 1,347.5 | 1,201.4 | 1,179.7 |
| Property and equipment, net | 312.6 | 323.0 | 321.7 |
| Notes receivable, net of allowance for doubtful accounts of \$9.3, \$10.9 and \$11.0, respectively | 14.7 | 12.2 | 17.4 |
| Goodwill and other intangible assets | 35.5 | 35.0 | 31.8 |
| Other assets | 103.2 | 85.6 | 78.2 |
| Total assets | <u>\$ 1,813.5</u> | <u>\$ 1,657.2</u> | <u>\$ 1,628.8</u> |
| Liabilities and Equity | | | |
| Current maturities of long-term debt | \$ 26.7 | \$ 41.5 | \$ 47.5 |
| Accounts payable | 647.4 | 601.6 | 574.7 |
| Patronage distributions payable in cash | 53.7 | 53.7 | 49.4 |
| Patronage refund certificates payable | 6.6 | 6.6 | - |
| Accrued expenses | 153.7 | 162.5 | 164.6 |
| Total current liabilities | 888.1 | 865.9 | 836.2 |
| Long-term debt | 322.2 | 242.2 | 242.8 |
| Patronage refund certificates payable | 51.4 | 32.3 | 43.4 |
| Other long-term liabilities | 60.3 | 67.0 | 63.9 |
| Total liabilities | 1,322.0 | 1,207.4 | 1,186.3 |
| Member Retailers' Equity: | | | |
| Class A voting common stock, \$1,000 par value, 10,000 shares authorized, 2,735; 2,751 and 2,769 issued and outstanding, respectively | 2.7 | 2.8 | 2.8 |
| Class C nonvoting common stock, \$100 par value, 6,000,000 shares authorized, 3,813,087; 3,425,232 and 3,478,045 issued and outstanding, respectively | 381.3 | 342.5 | 347.8 |
| Class C nonvoting common stock, \$100 par value, issuable to retailers for patronage distributions, 489,794; 565,068 and 463,972 shares issuable, respectively | 49.0 | 56.5 | 46.4 |
| Contributed capital | 20.7 | 20.6 | 20.7 |
| Retained earnings | 26.9 | 15.5 | 13.6 |
| Accumulated other comprehensive (loss) income | (1.6) | 1.7 | 1.2 |
| Equity attributable to Ace member retailers | 479.0 | 439.6 | 432.5 |
| Equity attributable to noncontrolling interests | 12.5 | 10.2 | 10.0 |
| Total equity | 491.5 | 449.8 | 442.5 |
| Total liabilities and equity | <u>\$ 1,813.5</u> | <u>\$ 1,657.2</u> | <u>\$ 1,628.8</u> |

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

| | Nine Months Ended | |
|---|---|--|
| | October 3, 2015 (39 Weeks) | September 27, 2014 (39 Weeks) |
| Operating Activities | | |
| Net income | \$ 144.1 | \$ 128.6 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 37.9 | 37.3 |
| Amortization of deferred gain on sale leaseback | - | (0.9) |
| Amortization of deferred financing costs | 0.6 | 0.8 |
| Loss on early extinguishment of debt | 2.2 | - |
| Loss on the disposal of assets, net | 0.1 | 0.4 |
| Provision for doubtful accounts | 1.1 | 1.9 |
| Other, net | (0.1) | - |
| Changes in operating assets and liabilities, exclusive of effect of acquisitions: | | |
| Receivables | (73.7) | (79.3) |
| Inventories | (116.8) | (112.5) |
| Other current assets | 1.2 | (11.7) |
| Other long-term assets | (10.4) | (13.1) |
| Accounts payable and accrued expenses | 39.0 | 62.5 |
| Other long-term liabilities | (10.4) | (1.3) |
| Deferred taxes | - | (7.1) |
| Net cash provided by operating activities | <u>14.8</u> | <u>5.6</u> |
| Investing Activities | | |
| Purchases of marketable securities | (6.9) | (11.6) |
| Proceeds from sale of marketable securities | 4.3 | 10.6 |
| Purchases of property and equipment | (27.2) | (29.8) |
| Cash paid for acquired businesses, net of cash acquired | (5.6) | (32.5) |
| Decrease in notes receivable, net | 1.6 | 2.1 |
| Other | 0.1 | 0.2 |
| Net cash used in investing activities | <u>(33.7)</u> | <u>(61.0)</u> |
| Financing Activities | | |
| Net borrowings under revolving lines of credit | 231.2 | 96.5 |
| Principal payments on long-term debt | (175.0) | (12.3) |
| Payments of deferred financing costs | (1.1) | - |
| Payments of cash portion of patronage distribution | (48.9) | (36.6) |
| Payments of patronage refund certificates | (0.2) | (0.2) |
| Proceeds from sale of noncontrolling interests | - | 1.9 |
| Repurchase of stock | (3.6) | - |
| Other | 0.8 | 0.9 |
| Net cash provided by financing activities | <u>3.2</u> | <u>50.2</u> |
| Decrease in cash and cash equivalents | (15.7) | (5.2) |
| Cash and cash equivalents at beginning of period | 29.8 | 17.9 |
| Cash and cash equivalents at end of period | <u>\$ 14.1</u> | <u>\$ 12.7</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$ 8.6</u> | <u>\$ 8.0</u> |
| Income taxes paid | <u>\$ 4.2</u> | <u>\$ 5.8</u> |