Reitmans (Canada) Limited Announces Year-End Results

MONTREAL, March 29, 2017 /CNW Telbec/ -

Year ended January 28, 2017

Sales for the year ended January 28, 2017 were $952.0 million, an increase of $14.8 million or 1.6% over the year ended January 30, 2016, despite a net reduction of 90 stores as the Company optimized performance in select markets. Same store sales increased 7.6% with store sales increasing 4.6% and e-commerce sales increasing 50.7% as the Company continues to experience strong growth in its e-commerce channel.

Gross profit for the year ended January 28, 2017 decreased $4.7 million or 0.9% to $522.4 million as compared with $527.1 million for the year ended January 30, 2016. Gross margin was 54.9% for the year ended January 28, 2017 as compared to 56.2% for the year ended January 30, 2016 driven primarily by the adverse impact of approximately $19.0 million from the stronger U.S. dollar on U.S. denominated purchases. The Company continues to drive cost efficiencies through its global sourcing activities thereby helping to mitigate the negative impact of foreign exchange.

Results from operating activities for the year ended January 28, 2017 were $1.0 million as compared with a loss of $17.7 million for the year ended January 30, 2016, an increase of $18.7 million. Significant factors contributing to the improvement included:

- a decrease in store operating costs of approximately $10.7 million (excluding depreciation and amortization) primarily due to the closure of Smart Set;
- an impairment of goodwill of $4.2 million included in the prior year, related to the Thyme Maternity banner;
- a reduction in severance expense of $3.1 million as the prior year included severances related to the elimination of certain head office positions.

Net earnings for the year ended January 28, 2017 were $10.9 million ($0.17 basic and diluted earnings per share) as compared with a $24.7 million net loss ($0.39 basic and diluted loss per share) for the year ended January 30, 2016. Included in net earnings is a $9.6 million increase in the fair value of marketable securities ($16.1 million decrease for the year ended January 30, 2016).

Adjusted EBITDA[1] for the year ended January 28, 2017 was $42.7 million as compared with $36.8 million for the year ended January 30, 2016, an increase of $5.9 million. The increase in adjusted EBITDA was attributable to reduced operating costs, as noted above.

Three months ended January 28, 2017

Sales for the three months ended January 28, 2017 were $248.4 million as compared with $242.2 million for the three months ended January 30, 2016, an increase of 2.6%, despite a net reduction of 90 stores as the Company optimized performance in select markets. Same store sales increased 7.9%, marking the eleventh consecutive quarter of positive same store sales. Store sales increased 3.5% and e-commerce sales increased 55.1% as the Company continues to experience strong growth in its e-commerce channel.

Gross profit for the three months ended January 28, 2017 decreased $4.0 million or 3.1% to $125.8 million as compared with $129.8 million for the three months ended January 30, 2016. Gross margin was 50.6% for the three months ended January 28, 2017 as compared to 53.6% for the three months ended January 30, 2016 driven primarily by the adverse impact of approximately $9.0 million from the stronger U.S. dollar on U.S. denominated purchases. The Company continues to drive cost efficiencies through its global sourcing activities thereby helping to mitigate the negative impact of foreign exchange.

Results from operating activities for the three months ended January 28, 2017 were a loss of $5.5 million as compared with a loss of $13.2 million for the three months ended January 30, 2016, an improvement of $7.7 million. The reduction in gross profit of $4.0 million was offset by reduced operating expenses of $11.7 million primarily attributable to:

- an impairment of goodwill of $4.2 million included in the prior period, related to the Thyme Maternity banner;
- a decrease in store operating costs of approximately $3.3 million (excluding depreciation and amortization) primarily due to the closure of Smart Set and lower advertising costs due to timing of promotional activity;
- a reduction in severance expense of $2.8 million as the prior year included severances related to the elimination of certain head office positions;
- a decrease in the employee head office performance incentive plan expense of $2.4 million that is based upon the attainment of operating performance targets; partially offset by
- higher depreciation and amortization for the three months ended January 28, 2017 of $2.1 million.

Net earnings for the three months ended January 28, 2017 were $0.3 million ($0.00 basic and diluted earnings per share) as compared with a $16.5 million net loss ($0.26 basic and diluted loss per share) for the three months ended January 30, 2016. Included in net earnings is a $5.5 million increase in the fair value of marketable securities ($5.4 million decrease for the three months ended January 30, 2016).

Adjusted EBITDA[1] for the three months ended January 28, 2017 was $5.5 million as compared with $2.0 million for the three months ended January 30, 2016, an increase of $3.5 million. The increase in adjusted EBITDA was attributable to reduced operating costs, as noted above.

Dividends

At the Board of Directors meeting held on March 29, 2017, a quarterly cash dividend (constituting eligible dividends) of $0.05 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable April 27, 2017 to shareholders of record on April 13, 2017.

About Reitmans (Canada) Limited

The Company is a leading ladieswear specialty apparel retailer with retail outlets throughout Canada. The Company operates 677 stores consisting of 288 Reitmans, 127 Penningtons, 96 Addition Elle, 85 RW & CO., 62 Thyme Maternity and 19 Hyba.

[1]Non-GAAP Financial Measures

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

In addition to discussing earnings in accordance with IFRS, this press announcement provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense/recovery, dividend income, interest income, net change in fair value of marketable securities, interest expense, impairment of goodwill, depreciation, amortization and net impairment losses. The following table reconciles the most comparable GAAP measure, net earnings or loss, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend income, interest income and expense and the net change in fair value of marketable securities eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Although depreciation, amortization and impairment charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, as such, adjusted EBITDA does not reflect any cash requirements for these replacements. Adjusted EBITDA should not be considered as discretionary cash available to invest in the growth of the business and as a measure of cash that will be available to meet the Company's obligations. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. Adjusted EBITDA should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and online sales and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net earnings (loss) to adjusted EBITDA for the three and twelve months ended January 28, 2017 and January 30, 2016:

(in millions of Canadian dollars) (unaudited)	For the three months ended		For the years ended	
	January 28, 2017	**January 30, 2016**	**January 28, 2017**	**January 30, 2016**
Net earnings (loss)	**$ 0.3**	$ (16.5)	**$ 10.9**	$ (24.7)
Depreciation, amortization and net impairment losses	**11.9**	9.8	**44.2**	45.5
Dividend income	**(0.6)**	(0.6)	**(2.5)**	(2.6)
Interest income	**(0.2)**	(0.2)	**(0.7)**	(0.6)
Impairment of goodwill	**-**	4.2	**-**	4.2
Net change in fair value of marketable securities	**(5.5)**	5.4	**(9.6)**	16.1
Interest expense	**0.1**	0.1	**0.2**	0.3
Income tax expense (recovery)	**(0.5)**	(0.2)	**0.2**	(1.4)
ADJUSTED EBITDA	**$ 5.5**	$ 2.0	**$ 42.7**	$ 36.8
ADJUSTED EBITDA as % of Sales	**2.21%**	0.83%	**4.49%**	3.93%

Forward-Looking Statements

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this Press Announcement. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes are appropriate in the circumstances. This Press Announcement contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Press Announcement include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout the Company's Management Discussion & Analysis ("MD&A") including those listed in the "Operating and Financial Risk Management" section of the Company's MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements. Please refer to the "Forward-Looking Statements" section of the Company's MD&A for the year ended January 28, 2017.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

The Company's complete financial statements including notes and Management's Discussion and Analysis for the year ended January 28, 2017 are available online at www.sedar.com.

Montreal, March 29, 2017

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REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

For the three months ended		For the years ended	
January 28, 2017	**January 30, 2016**	**January 28, 2017**	**January 30, 2016**

Sales	$ **248,451**	$ 242,156	$ **951,989**	$ 937,155
Cost of goods sold	**122,629**	112,328	**429,606**	410,035
Gross profit	**125,822**	129,828	**522,383**	527,120
Selling and distribution expenses	**120,914**	130,665	**478,541**	498,650
Administrative expenses	**10,390**	12,363	**42,824**	46,154
Results from operating activities	**(5,482)**	(13,200)	**1,018**	(17,684)
Finance income	**6,346**	1,926	**12,820**	7,998
Finance costs	**1,037**	5,469	**2,716**	16,443
Earnings (loss) before income taxes	**(173)**	(16,743)	**11,122**	(26,129)
Income tax (expense) recovery	**501**	202	**(190)**	1,426
Net earnings (loss)	$ **328**	$ (16,541)	$ **10,932**	$ (24,703)
Earnings (loss) per share:				
Basic	$ **0.00**	$ (0.26)	$ **0.17**	$ (0.39)
Diluted	**0.00**	(0.26)	**0.17**	(0.39)

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended		For the years ended	
	January 28, 2017	**January 30, 2016**	**January 28, 2017**	**January 30, 2016**
Net earnings (loss)	$ **328**	$ (16,541)	$ **10,932**	$ (24,703)
Other comprehensive (loss) income				
Items that are or may be reclassified subsequently to net earnings:				
Cash flow hedges (net of tax of $549 for the three months and $2,889 for the twelve months ended January 28, 2017; $1,469 for the three months and $564 for the twelve months ended January 30, 2016)	**(1,527)**	3,974	**(7,924)**	1,488
Foreign currency translation differences	**90**	(276)	**203**	(395)
	(1,437)	3,698	**(7,721)**	1,093
Items that will not be reclassified to net earnings:				
Actuarial gain on defined benefit plan (net of tax of $384 for the three months and twelve months ended January 28, 2017; $837 for the three and twelve months ended January 30, 2016)	**1,039**	2,355	**1,039**	2,355
Total other comprehensive (loss) income	**(398)**	6,053	**(6,682)**	3,448
Total comprehensive income (loss)	$ **(70)**	$ (10,488)	$ **4,250**	$ (21,255)

REITMANS (CANADA) LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited)
As at January 28, 2017 and January 30, 2016
(in thousands of Canadian dollars)

	2017	**2016**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ **120,265**	$ 118,595
Marketable securities	**54,764**	45,189
Trade and other receivables	**4,256**	4,103
Derivative financial asset	**1,386**	14,405
Income taxes recoverable	**3,480**	3,301
Inventories	**146,059**	124,848
Prepaid expenses	**6,846**	8,921
Total Current Assets	**337,056**	319,362
NON-CURRENT ASSETS		
Property and equipment	**124,106**	134,363
Intangible assets	**23,110**	24,347
Goodwill	**38,183**	38,183
Deferred income taxes	**25,891**	25,828

Total Non-Current Assets	**211,290**	222,721
TOTAL ASSETS	**$ 548,346**	$ 542,083
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables	**$ 114,254**	$ 98,135
Derivative financial liability	**3,160**	1,816
Deferred revenue	**21,478**	19,325
Current portion of long-term debt	**1,655**	1,896
Total Current Liabilities	**140,547**	121,172
NON-CURRENT LIABILITIES		
Other payables	**7,186**	8,112
Deferred lease credits	**8,230**	10,640
Long-term debt	**-**	1,655
Pension liability	**18,869**	19,336
Total Non-Current Liabilities	**34,285**	39,743
SHAREHOLDERS' EQUITY		
Share capital	**38,397**	38,397
Contributed surplus	**9,769**	9,007
Retained earnings	**326,675**	327,370
Accumulated other comprehensive (loss) income	**(1,327)**	6,394
Total Shareholders' Equity	**373,514**	381,168
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 548,346**	$ 542,083

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at October 30, 2016	**$ 38,397**	**$ 9,570**	**$ 328,473**	**$ 110**	**$ 376,550**
Net earnings	**-**	**-**	**328**	**-**	**328**
Total other comprehensive income (loss)	**-**	**-**	**1,039**	**(1,437)**	**(398)**
Total comprehensive income (loss) for the period	**-**	**-**	**1,367**	**(1,437)**	**(70)**
Share-based compensation costs	**-**	**199**	**-**	**-**	**199**
Dividends	**-**	**-**	**(3,165)**	**-**	**(3,165)**
Total contributions by (distributions to) owners of the Company	**-**	**199**	**(3,165)**	**-**	**(2,966)**
Balance as at January 28, 2017	**$ 38,397**	**$ 9,769**	**$ 326,675**	**$ (1,327)**	**$ 373,514**
Balance as at January 31, 2016	**$ 38,397**	**$ 9,007**	**$ 327,370**	**$ 6,394**	**$ 381,168**
Net earnings	**-**	**-**	**10,932**	**-**	**10,932**
Total other comprehensive income (loss)	**-**	**-**	**1,039**	**(7,721)**	**(6,682)**
Total comprehensive income (loss) for the year	**-**	**-**	**11,971**	**(7,721)**	**4,250**
Share-based compensation costs	**-**	**762**	**-**	**-**	**762**
Dividends	**-**	**-**	**(12,666)**	**-**	**(12,666)**
Total contributions by (distributions to) owners of the Company	**-**	**762**	**(12,666)**	**-**	**(11,904)**
Balance as at January 28, 2017	**$ 38,397**	**$ 9,769**	**$ 326,675**	**$ (1,327)**	**$ 373,514**

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of Canadian dollars)

	Contributed	Retained	Accumulated Other Comprehensive	Total Shareholders'

	Share Capital	Surplus	Earnings	Income	Equity
Balance as at November 1, 2015	$ 38,687	$ 8,809	$ 346,189	$ 2,696	$ 396,381
Net loss	-	-	(16,541)	-	(16,541)
Total other comprehensive income	-	-	2,355	3,698	6,053
Total comprehensive (loss) income for the period	-	-	(14,186)	3,698	(10,488)
Cancellation of shares pursuant to share repurchase program	(290)	-	-	-	(290)
Share-based compensation costs	-	198	-	-	198
Dividends	-	-	(3,166)	-	(3,166)
Premium on repurchase of Class A non-voting shares	-	-	(1,467)	-	(1,467)
Total (distributions to) contributions by owners of the Company	(290)	198	(4,633)	-	(4,725)
Balance as at January 30, 2016	$ 38,397	$ 9,007	$ 327,370	$ 6,394	$ 381,168
Balance as at February 1, 2015	$ 39,227	$ 8,014	$ 368,581	$ 5,301	$ 421,123
Net loss	-	-	(24,703)	-	(24,703)
Total other comprehensive income	-	-	2,355	1,093	3,448
Total comprehensive (loss) income for the year	-	-	(22,348)	1,093	(21,255)
Cash consideration on exercise of share options	2	-	-	-	2
Cancellation of shares pursuant to share repurchase program	(832)	-	-	-	(832)
Share-based compensation costs	-	993	-	-	993
Dividends	-	-	(12,782)	-	(12,782)
Premium on repurchase of Class A non-voting shares	-	-	(6,081)	-	(6,081)
Total (distributions to) contributions by owners of the Company	(830)	993	(18,863)	-	(18,700)
Balance as at January 30, 2016	$ 38,397	$ 9,007	$ 327,370	$ 6,394	$ 381,168

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended		For the years ended	
	January 28, 2017	January 30, 2016	January 28, 2017	January 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss)	**$ 328**	$ (16,541)	**$ 10,932**	$ (24,703)
Adjustments for:				
Depreciation, amortization and net impairment losses	**11,947**	9,835	**44,249**	45,534
Impairment of goodwill	**-**	4,243	**-**	4,243
Share-based compensation costs	**369**	198	**1,277**	993
Net change in fair value of marketable securities	**(5,494)**	5,408	**(9,575)**	16,157
Net change in fair value of derivatives	**-**	-	**-**	12,335
Net change in transfer of realized loss (gain) on cash flow hedges to inventory	**(714)**	(1,322)	**3,549**	(2,334)
Foreign exchange loss (gain)	**3,994**	4,444	**3,915**	(2,353)
Interest and dividend income, net	**(821)**	(765)	**(3,075)**	(2,860)
Income tax expense (recovery)	**(501)**	(202)	**190**	(1,426)
	9,108	5,298	**51,462**	45,586
Changes in:				
Trade and other receivables	**1,838**	341	**(71)**	(223)
Inventories	**21,613**	17,769	**(21,211)**	(18,408)
Prepaid expenses	**587**	1,035	**2,075**	3,227
Trade and other payables	**(7,027)**	4,543	**15,877**	6,099
Pension liability	**287**	173	**956**	560
Deferred lease credits	**(823)**	(767)	**(2,410)**	(2,538)
Deferred revenue	**8,773**	8,048	**2,153**	(1,748)
	34,356	36,440	**48,831**	32,555
Interest paid	**(31)**	(61)	**(170)**	(286)
Interest received	**174**	158	**706**	650
Dividends received	**632**	631	**2,457**	2,515
Income taxes received	**22**	53	**2,511**	1,914
Income taxes paid	**-**	(643)	**(438)**	(2,578)
Cash flows from operating activities	**35,153**	36,578	**53,897**	34,770

CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to property and equipment and intangible assets	**(9,126)**	(5,835)	**(34,370)**	(33,354)
Proceeds on disposal of property and equipment and intangibles	**-**	63	**416**	63
Purchases of marketable securities	**-**	-	**-**	(5,660)
Proceeds on sale of marketable securities	**-**	-	**-**	1,678
Proceeds on sale of trademarks	**-**	1,038	**-**	1,038
Cash flows used in investing activities	**(9,126)**	(4,734)	**(33,954)**	(36,235)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	**(3,165)**	(3,166)	**(12,666)**	(12,782)
Purchase of Class A non-voting shares for cancellation	**-**	(1,757)	**-**	(6,913)
Repayment of long-term debt	**(486)**	(457)	**(1,896)**	(1,780)
Proceeds from issue of share capital	**-**	-	**-**	2
Cash flows used in financing activities	**(3,651)**	(5,380)	**(14,562)**	(21,473)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(3,905)**	(5,061)	**(3,711)**	1,620
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,471**	21,403	**1,670**	(21,318)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**101,794**	97,192	**118,595**	139,913
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 120,265**	$ 118,595	**$ 120,265**	$ 118,595

SOURCE Reitmans (Canada) Limited

To view the original version on PR Newswire, visit: http://www.newswire.ca/en/releases/archive/March2017/29/c5353.html

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