Reitmans (Canada) Limited announces its results for the three months ended May 5, 2018

MONTREAL, June 5, 2018 /CNW Telbec/ - Sales for the three months ended May 5, 2018 ("first quarter of fiscal 2019") were $207.6 million, as compared with $207.1 million for the three months ended April 29, 2017 ("first quarter of fiscal 2018") despite a net reduction of 32 stores. Sales were positively impacted by approximately $8.8 million due to the first quarter of fiscal 2019 ending one week later than the first quarter of fiscal 2018. Same store sales[1] decreased 0.8%, compared to the comparable 13 weeks ended May 6, 2017, with stores sales decreasing 3.9% and e-commerce sales increasing 21.9% as the Company continues to experience strong growth in its e-commerce channel.

Gross profit for the first quarter of fiscal 2019 increased $3.1 million or 2.7%, to $116.3 million as compared with $113.2 million for the first quarter of fiscal 2018. Gross profit was positively impacted by approximately $8.6 million due to the first quarter of fiscal 2019 ending one week later than the first quarter of fiscal 2018. In addition, the first quarter of fiscal 2019 included a positive foreign exchange impact of approximately $5.0 million on U.S. denominated purchases included in cost of goods sold. These improvements were largely offset by increased promotional activity in the first quarter of fiscal 2019.

Results from operating activities for the first quarter of fiscal 2019 were a loss of $4.3 million as compared with a loss of $12.3 million for the first quarter of fiscal 2018, an improvement of $8.0 million. The improvement is primarily attributable to a reduction in store operating costs due to fewer stores and lower depreciation and net impairment losses, along with the improved gross profit impact, as noted above.

Net loss for the first quarter of fiscal 2019 was $3.2 million ($0.05 basic and diluted loss per share) as compared with a $6.6 million net loss ($0.10 basic and diluted loss per share) for the first quarter of fiscal 2018. The decreased loss of $3.4 million is primarily attributable to the positive impact in gross profit, as described above, along with reduced store operating costs partially offset by a decrease in net finance income and a lower income tax recovery.

Adjusted EBITDA[1] for the first quarter of fiscal 2019 was $6.9 million, as compared with a loss of $0.1 million for the first quarter of fiscal 2018, an increase of $7.0 million, primarily due to the positive impact of the shift in weeks, as noted above.

Dividends

At the Board of Directors meeting held on June 5, 2018, 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 July 26, 2018 to shareholders of record on July 12, 2018.

Sales for the four weeks ended June 2, 2018

Sales for the month of May (the four weeks ended June 2, 2018) increased 4.6%. Same store sales[1] increased 7.7% with stores increasing 4.9% and e-commerce sales increasing 29.2%.

About Reitmans (Canada) Limited

The Company is a leading ladieswear specialty apparel retailer with retail outlets throughout Canada. The Company operates 637 stores consisting of 269 Reitmans, 121 Penningtons, 89 Addition Elle, 80 RW & CO., 62 Thyme Maternity and 16 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, depreciation, amortization and net impairment charges. 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 either as discretionary cash available to invest in the growth of the business or 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 considers results from operating activities a useful measure of the Company's performance from its retail operations. This measure should not be considered in isolation or used in substitute for measures of performance prepared in accordance with 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. Same store sales exclude sales from wholesale accounts. 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 loss to adjusted EBITDA for the first quarter ended May 5, 2018 and April 29, 2017:

(in millions of Canadian dollars) (unaudited)	For the three months ended	
	May 5, 2018	**April 29, 2017**
Net loss	**$ (3.2)**	$ (6.6)
Depreciation, amortization and net impairment losses	**9.9**	11.3
Dividend income	**(0.6)**	(0.6)
Interest income	**(0.4)**	(0.2)
Net change in fair value of marketable securities	**1.8**	(1.5)
Income tax recovery	**(0.6)**	(2.5)
ADJUSTED EBITDA	**$ 6.9**	$ (0.1)
ADJUSTED EBITDA as % of Sales	**3.3%**	(0.0%)

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 first quarter of fiscal 2019.

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 condensed consolidated interim financial statements including notes and Management's Discussion and Analysis for the first quarter of fiscal 2019 are available online at www.sedar.com.

Montreal, June 5, 2018

Jeremy H. Reitman
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REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	For the three months ended	
	May 5, 2018	**April 29, 2017 (1)**
Sales	**$ 207,621**	$ 207,090
Cost of goods sold	**91,308**	93,885
Gross profit	**116,313**	113,205
Selling and distribution expenses	**109,946**	114,994
Administrative expenses	**10,678**	10,478
Results from operating activities	**(4,311)**	(12,267)
Finance income	**2,290**	3,161
Finance costs	**1,805**	24
Loss before income taxes	**(3,826)**	(9,130)
Income tax recovery	**(618)**	(2,546)
Net loss	**$ (3,208)**	$ (6,584)
Loss per share:		
Basic	**$ (0.05)**	$ (0.10)
Diluted	**(0.05)**	(0.10)

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

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

	For the three months ended	
	May 5, 2018	**April 29, 2017 (1)**
Net loss	**$ (3,208)**	$ (6,584)
Other comprehensive income		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (net of tax of $2,542; 2017 - $2,160)	**6,925**	5,962
Foreign currency translation differences	**(187)**	(178)
Total other comprehensive income	**6,738**	5,784
Total comprehensive income (loss)	**$ 3,530**	$ (800)

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)

(in thousands of Canadian dollars)

	May 5, 2018	April 29, 2017 (1)	February 3, 2018 (1)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**$ 95,566**	$ 90,475	$ 104,656
Marketable securities	**60,220**	56,219	62,025
Trade and other receivables	**8,656**	6,857	4,880
Derivative financial asset	**2,810**	9,274	37
Income taxes recoverable	**-**	4,334	2,248
Inventories	**147,389**	156,365	137,105
Prepaid expenses	**20,047**	9,082	19,187
Total Current Assets	**334,688**	332,606	330,138
NON-CURRENT ASSETS			
Property and equipment	**104,945**	117,234	110,292
Intangible assets	**18,935**	21,241	19,433
Goodwill	**11,843**	38,183	11,843
Deferred income taxes	**26,345**	25,125	28,015
Total Non-Current Assets	**162,068**	201,783	169,583
TOTAL ASSETS	**$ 496,756**	$ 534,389	$ 499,721
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	**$ 102,491**	$ 111,899	$ 93,711
Derivative financial liability	**1,607**	-	9,745
Deferred revenue	**16,100**	17,218	19,994
Income taxes payable	**233**	-	-
Current portion of long-term debt	**-**	1,162	-
Total Current Liabilities	**120,431**	130,279	123,450
NON-CURRENT LIABILITIES			
Trade and other payables	**8,104**	6,988	8,598
Deferred lease credits	**6,474**	7,549	6,450
Pension liability	**19,353**	19,029	19,236
Total Non-Current Liabilities	**33,931**	33,566	34,284
SHAREHOLDERS' EQUITY			
Share capital	**38,397**	38,397	38,397
Contributed surplus	**10,163**	9,946	10,119
Retained earnings	**292,677**	317,744	299,052
Accumulated other comprehensive income (loss)	**1,157**	4,457	(5,581)
Total Shareholders' Equity	**342,394**	370,544	341,987
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 496,756**	$ 534,389	$ 499,721

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

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

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at February 4, 2018	**$ 38,397**	**$ 10,119**	**$ 297,895**	**$ (5,581)**	**$ 340,830**
IFRS 15 adoption adjustment	**-**	**-**	**1,157**	**-**	**1,157**
Restated balance as at February 4, 2018	**38,397**	**10,119**	**299,052**	**(5,581)**	**341,987**
Net loss	**-**	**-**	**(3,208)**	**-**	**(3,208)**
Total other comprehensive income	**-**	**-**	**-**	**6,738**	**6,738**
Total comprehensive (loss) income for the period	**-**	**-**	**(3,208)**	**6,738**	**3,530**

Share-based compensation costs	**-**	**44**	**-**	**-**	**44**
Dividends	**-**	**-**	**(3,167)**	**-**	**(3,167)**
Total contributions by (distributions to) owners of the Company	**-**	**44**	**(3,167)**	**-**	**(3,123)**
Balance as at May 5, 2018	**$ 38,397**	**$ 10,163**	**$ 292,677**	**$ 1,157**	**$ 342,394**
Balance as at January 29, 2017	$ 38,397	$ 9,769	$ 326,675	$ (1,327)	$ 373,514
IFRS 15 adoption adjustment	-	-	820	-	820
Restated balance as at January 29, 2017	38,397	9,769	327,495	(1,327)	374,334
Net loss	-	-	(6,584)	-	(6,584)
Total other comprehensive income	-	-	-	5,784	5,784
Total comprehensive (loss) income for the period	-	-	(6,584)	5,784	(800)
Share-based compensation costs	-	177	-	-	177
Dividends	-	-	(3,167)	-	(3,167)
Total contributions by (distributions to) owners of the Company	-	177	(3,167)	-	(2,990)
Balance as at April 29, 2017 (1)	$ 38,397	$ 9,946	$ 317,744	$ 4,457	$ 370,544

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

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

	For the three months ended	
	May 5, 2018	**April 29, 2017 (1)**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	**$ (3,208)**	$ (6,584)
Adjustments for:		
Depreciation, amortization and net impairment losses	**9,869**	11,303
Share-based compensation costs	**44**	311
Net change in fair value of marketable securities	**1,805**	(1,455)
Net change in transfer of realized gain on cash flow hedges to inventory	**(1,445)**	(2,926)
Foreign exchange loss (gain)	**1,190**	(406)
Interest and dividend income, net	**(986)**	(777)
Income tax recovery	**(618)**	(2,546)
	6,651	(3,080)
Changes in:		
Trade and other receivables	**(3,776)**	(2,621)
Inventories	**(10,284)**	(9,440)
Prepaid expenses	**(860)**	(2,236)
Trade and other payables	**8,950**	(2,986)
Pension liability	**117**	159
Deferred lease credits	**24**	(681)
Deferred revenue	**(3,894)**	(3,139)
Cash used in operating activities	**(3,072)**	(24,024)
Interest paid	**-**	(24)
Interest received	**360**	217
Dividends received	**626**	604
Income taxes received	**2,230**	-
Income taxes paid	**(3)**	(3)
Net cash flows from (used in) operating activities	**141**	(23,230)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to property and equipment and intangible assets	**(4,765)**	(3,129)
Proceeds on disposal of property and equipment and intangibles	**77**	-
Cash flows used in investing activities	**(4,688)**	(3,129)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	**(3,167)**	(3,167)
Repayment of long-term debt	**-**	(493)
Cash flows used in financing activities	**(3,167)**	(3,660)

FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(1,376)**	229
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,090)**	(29,790)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**104,656**	120,265
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 95,566**	$ 90,475

(1) Certain comparative figures have been restated due to the adoption of IFRS 15.

SOURCE Reitmans (Canada) Limited

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