Q1 QUARTERLY REPORT

2026

RICHARDS GROUP

IN THIS REPORT

REPORT TO SHAREHOLDERS

"A strong start in healthcare offset major global headwinds in packaging. Near term investments in key OEM product launches are expected to drive continued revenue and margin growth through the remainder of the year"

John Glynn
Chief Executive Officer,
Richards Group Inc.

The first quarter of 2026 saw a few important milestones in our long term strategic plan. We launched a series of new OEM products under the DermapenWorld brand, grew significantly across our healthcare distribution verticals, and continued packaging modernization with ecommerce fulfillment site launches and the go-live of a new CRM.

On a macro level, Q1 saw the full impact of US tariffs implemented on Liberation Day in 2025. Particularly for our packaging business, material input costs are up, freight is up, and US consumer sentiment is at its lowest level since the 1950s. Those together created a significant drop in US demand, with some knock-on effects in Canada.

Food & Beverage and Cosmetic packaging revenues were down 18% and 16% respectively, heavily driven by the US, however gross margins improved, excluding prior year inventory provision adjustments, under our continuing pivot to smaller customers and more profitable niche segments.

In Healthcare, our OEM growth strategy is underway with the launch of the Synergist and Plasma Power, former Luvo products, under the DermapenWorld brand. Also launched were new red light therapy mask and cap products for skin and hair rejuvenation. Extensions to the DP Dermaceutical line round out the offering. Significant investment in marketing, travel, and personnel supported these launches and we are now monitoring for expected sales growth in future quarters.

Finally, our healthcare distribution businesses had stand-out performance, beating targets on top line growth and favorable product mix shifts. Our Pharmacy vertical led the way with significant margin improvements due to product mix, followed by aesthetic, dental, and surgical verticals all ahead of expectations. Vision care had a slightly slow start, with softer demand for capital devices and relative cost increases compressing revenue and gross margin.

As always, the Richards management team continues marching toward our 2030 strategic vision. As the work done in past years now begins to bear fruit, we are increasingly confident in our value creation path and the future of the company.

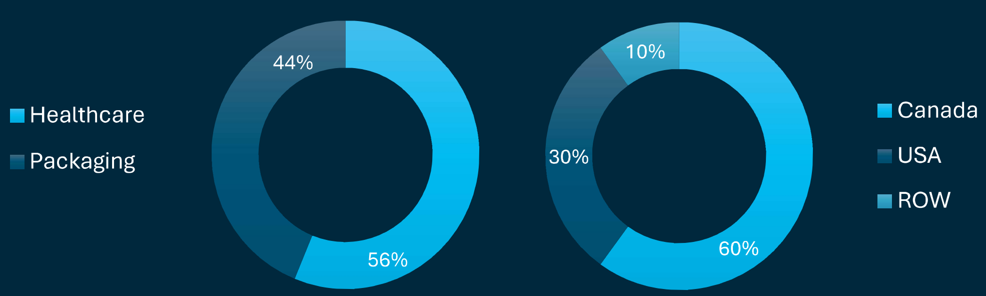
John Glynn
Chief Executive Officer, Richards Group Inc.

REVENUE PROFILE

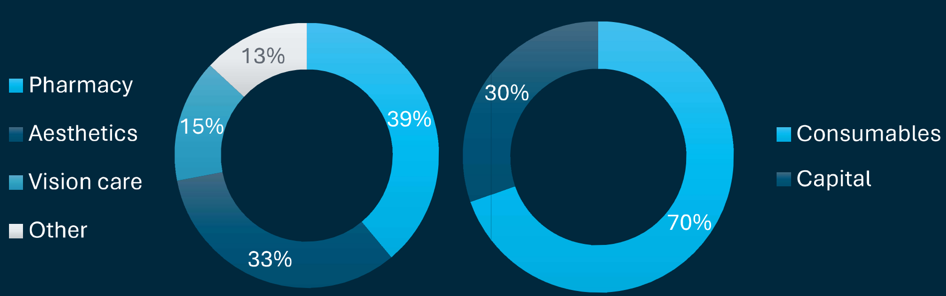
Revenue Trend	Q1 2025	Q1 2026
Aesthetics	14,956	**27,095**
Pharmacy	17,400	**18,235**
Vision care	6,563	**6,306**
Other healthcare	5,852	**7,783**
Cosmetics packaging	21,669	**18,260**
Food & beverage packaging	34,265	**28,048**
	100,705	**105,727**

Revenue Growth (% change)	Q1 2025	Q1 2026
Aesthetics	-14.6%	**81.2%**
Pharmacy	-11.3%	**4.8%**
Vision care	29.6%	**-3.9%**
Other healthcare	33.6%	**33.0%**
Cosmetics packaging	8.8%	**-15.7%**
Food and beverage packaging	9.2%	**-18.1%**
	2.9%	**5.0%**

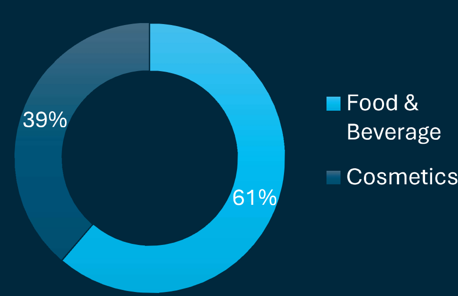
Revenue Composition



HEALTHCARE



PACKAGING



MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis of Richards Group Inc., formerly Richards Packaging Income Fund ("MD&A") for the first quarter should be read in conjunction with the attached condensed interim financial statements dated March 31, 2026, the 2025 Annual Report for the year ended December 31, 2025 and the 2025 Annual Information Form dated March 14, 2026 respectively. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board on a consistent basis with the 2025 annual financial statements.

About Richards Group

Richards has been providing exceptional service, expertise, and experience to its customers since 1912. Founded in Toronto to sell glass to pharmacies, the business expanded over time to include both glass and rigid plastic containers and closures for all manner of customers, fulfilled from a network of distribution centers across Canada and the USA. Since 2015, Richards has made steady progress developing its healthcare distribution business and now enjoys dominant positions in the aesthetics, pharmacy, and vision care verticals in Canada. With footholds in the surgical and dental spaces, the company is actively pursuing growth as a distributor in other verticals. Most recently, Richards has expanded its scope to become a healthcare OEM in aesthetics, creating a growth path to access to the entire global market.

Financial Highlights

The MD&A covers the three months ended March 31, 2026 (generally referred to in this MD&A as the "first quarter"). The following table sets out selected financial information:

	Qtr. 1	
($ thousands)	**2026**	**2025**
Income Statement Data:		
Revenue	**105,727**	100,705
Net income	**5,965**	5,111
Diluted per Share/Unit [a)]	*52.7¢*	*36.5¢*
Financial Position Data:		
Assets	**398,563**	336,050
Long-term financial liabilities	**101,609**	44,381
Leverage [b)]	*1.24*	*0.27*
Cash Flow Statement Data:		
Dividends/distributions	**3,715**	3,765
Diluted per Share/Unit	*33.0¢*	*33.0¢*
Free cash flow conversion ratio [3]	*63%*	*81%*
Debt proceeds (repayments)	**14,000**	15,000

a) *Anti-dilutive result reverts back to basic income per Share*

b) *Revolving debt/Adjusted EBITDAaL*[1]

- Overall revenue grew $5.0M (+ 5.0%) to $105.7M driven by $14.6M (14.5%) healthcare growth, primarily due to acquisitions, offset by packaging decline of $9.6M (-9.5%) primarily due to a market-wide pull back in US rigid packaging demand.
- Net income increased by $0.9M or 16¢ per share due to prior year separately disclosed items associated with patents dispute costs of $1.9M, acquisition costs of $0.6M and loss resulting from wire fraud of $1.4M offset by higher financial expenses associated with the borrowings for acquisitions of $1.8M and higher income taxes on higher taxable income.
- Adjusted EBITDAaL[1] remained flat at $12.0M on healthcare rise of $3.3M (+61.0%) to $8.8M offset by a packaging decline of $3.1M (-41.6%) to $4.4M.
- Assets increased by $62.5M from the same period in 2025 mainly due to acquisitions. Long-term financial liabilities increased by $57.2M from the same period in 2025 primarily due to acquisitions, as well as a draw on the revolver for the NCIB purchases during the quarter.
- Working capital grew by $24.2M over the same period in 2025, primarily driven by acquisitions.
- Adjusted free cash flow[2] of $7.5M and borrowings of $14.0M were mainly used to fund dividends of $3.7M, repurchase shares under the NCIB of $9.0M, repay term debt of $0.9M, and funding working capital of $8.0M.

Review of Operations

	Qtr. 1	
($ thousands)	**2026**	**2025**
Revenue	**105,727**	100,705
Cost of sales	**59,697**	60,012
Gross profit	**46,030**	40,693
	43.5%	*40.4%*
Selling and distribution expenses	**19,625**	18,320
Administrative expenses	**11,400**	7,355
Foreign currency loss	**52**	8
Lease payments	**2,980**	2,974
Adjusted EBITDAaL[1]	**11,973**	12,036
	11.3%	*12.0%*
Lease payments	**(2,980)**	(2,974)
Amortization	**4,334**	4,376
Separately disclosed items	**116**	3,916
Financial expenses	**1,779**	722
Loss on currency translation	**825**	-
Exchangeable shares	**-**	(944)
Share of income - Vision	**(24)**	(45)
Income tax expense	**1,958**	1,874
Net Income	**5,965**	5,111

- Overall revenue grew $5.0M (+ 5.0%) to $105.7M driven by $12.8M (+12.7%) acquisition growth. Organic healthcare revenue grew $1.9M (+4.1%) to $59.4M mainly on increased sales in pharmacy and our other healthcare verticals. Organic packaging revenue fell $9.6M (-17.2%) to $46.3M from prior year in both the cosmetics and food & beverage businesses. These organic declines reflect a market-wide pull back in US rigid packaging demand.

- Cost of sales declined $0.3M (0.5%) due to the lower sales in packaging offset by increases in healthcare acquisitions.
- Gross profit increased $5.3M (+13.1%) primarily due to acquisition in healthcare and the related higher OEM margins.
- Selling and distribution expenses increased $1.3M (+7.1%) primarily in healthcare due to acquisitions, offset by declines in packaging.
- Administrative expenses increased $4.0M (+55.0%) primarily due to acquisitions in healthcare ($3.3M) and corporate expenses up $0.3M year over year on updated executive compensation costs and increased headcount.
- Separately disclosed items of $0.1M include costs associated with the fair value of inventory sold at DPW and decreased $3.8M from same period of prior year, which included patents dispute costs of $1.9M, acquisition costs of $0.6M and losses resulting from wire fraud of $1.4M.
- Financial expenses increased $1.1M, primarily due to interest on an increased debt position due to acquisitions and a $0.4M loss on the conversion of term debt to revolver.
- Loss on currency translations was $0.8M which related to translational foreign exchange impacts on converting US denominated debt related to acquisitions into Canadian dollars.
- Exchangeable share mark-to-market gain from prior year is a non-recurring item, as the exchangeable shares were converted into shares during the fourth quarter of 2025.

Segment review

	2026				2025			
	Packaging	**Healthcare**	**Corporate**	**Consolidated**	**Packaging**	**Healthcare**	**Corporate**	**Consolidated**
Revenue	**46,308**	**59,419**	**-**	**105,727**	55,935	44,770	-	100,705
Cost of sales	**28,683**	**31,014**	**-**	**59,697**	33,749	26,263	-	60,012
Gross margin	**17,625**	**28,405**	**-**	**46,030**	22,186	18,507	-	40,693
Selling and distribution expense	**6,969**	**12,559**	**97**	**19,625**	8,779	9,541	-	18,320
Administrative expenses	**3,773**	**6,550**	**1,077**	**11,400**	3,384	3,072	899	7,355
Foreign currency loss (gain)	**12**	**40**	**-**	**52**	(81)	89	-	8
Cash lease payments	**2,507**	**473**	**-**	**2,980**	2,625	349	-	2,974
Adjusted EBITDAaL	**4,364**	**8,783**	**(1,174)**	**11,973**	7,479	5,456	(899)	12,036

Healthcare

Our healthcare segment posted strong revenue and gross margin performance this quarter, rising 32.7% and 53.5% respectively, driven by acquisitions and mix shifts. We made significant investments in marketing, personnel, and legal/regulatory spend to support the launches of the DP Synergist, Plasma Power, a new red light therapy mask and cap, and extensions to the DP Dermaceutical line. These along with the full impact of the DPW acquisition in Q1 are the primary factors driving the rise in administrative expenses over the same period in 2025. Healthcare distribution had a stand-out quarter with outperformance across pharmacy, aesthetic, dental, and surgical verticals, dragged only by a slightly slow start in our vision group. Mix shifts enabled gross margin growth that translated to higher profitability at the bottom line, so much so as to overcome the heavy spending in the OEM business that has temporarily depressed its profitability.

- Revenue increased by $14.6M (+32.7%). Acquisitions contributed $12.8M in addition to $1.8M increase in organic healthcare sales.
- Cost of sales increased $4.7M (+18.1%) because of higher sales and acquisitions.
- Gross profit margins were up 6.5% from the same period in 2025 primarily due to higher OEM margins in the 2025 acquisitions.
- Selling and distribution expenses increased $3.0M (+31.6%) mainly due to higher costs from acquisitions.
- Administrative expenses increased $3.5M (+113.2%) with the increases caused by acquisitions and addition of corporate staffing and inflation.
- Adjusted EBITDAaL[1] increased $3.3M (+61.0%) to $8.8M. As a percent of sales, Adjusted EBITDAaL was up 2.6% for the first quarter.

Packaging

Our packaging segment posted an overall decline in revenue and profitability, driven by a drop in US demand fueled by the tariff environment and the beginning of the Iran war. Customer and product profitability vary widely, and despite the downward market pressures, the Company managed to maintain a higher blended packaging gross margin from 37.2% (excluding a prior year inventory provision adjustment of $1.3M) to 38.1% by focusing retention efforts on its core small business customers and taking advantage of more robust cosmetic category demand.

- For the quarter, revenue decreased by $9.6M (-17.2%) primarily from our US business, as continued macroeconomic pressures affect product volumes.
- Cost of sales decreased $5.0M for the first quarter (-15.0%). due to the decline in sales.
- Gross profit margins were down 1.6% from the same period in 2025
- Selling and distribution expenses decreased $1.8M mainly due to the decline in sales.
- Administrative expenses increased $0.4M caused by the addition of corporate staffing and inflation.
- Adjusted EBITDAaL[1] decreased $3.1M (-41.6%) to $4.4M over the same period in 2025. As a percent of sales, Adjusted EBITDAaL was down 4.0% for the first quarter.

Adjusted Free Cash Flow[2]

	Qtr. 1	
($ thousands)	**2026**	**2025**
Cash provided by operating activities	**4,405**	128
Leases	**(2,591)**	(2,974)
Separately disclosed items	**116**	3,916
Working capital[5]	**8,003**	7,476
Income tax payments	**2,040**	3,490
Adjusted EBITDAaL[1]	**11,973**	12,036
Interest[a)]	**791**	59
Current income tax	**2,749**	2,090
Maintenance capital	**918**	111
Adjusted free cash flow[2]	**7,515**	9,776
Diluted per Share/Unit	*$0.66*	*$0.86*
Dividends/Distributions	**3,715**	3,765
Diluted per Share/Unit	*33.0¢*	*33.0¢*
Free cash flow conversion ratio[3]	*63%*	*81%*
Surplus	**3,800**	6,011
Shares/Units outstanding *(average)*		
Diluted basis 000's	**11,327**	11,418

a) Financial expenses less interest on leases and bank financing fees

The adjusted free cash flow[2] definition for banking capital purposes excludes changes in working capital[5] and capital expenditures for expansion of the business, as they are necessary to drive organic growth and are expected to be financed by our $115.0M revolving facility currently $73.0M drawn or free cash flow.

Adjusted free cash flow[2] for the first quarter decreased $2.3M in comparison to the same period in 2025 due to $0.8M higher maintenance capital, $0.6M higher income taxes and $0.7M in additional interest.

The monthly dividend of 11¢ per share represents an annual yield of 4.7% on a $28.25 price per Share at March 31, 2026. Shareholder dividends will be 100% eligible dividends for tax purposes.

Liquidity and Financing

Cash flows from operating activities

Cash flows from operating activities increased for the first quarter by $4.3M over the same period in 2025. In the first quarter, the $4.4M increase in cash flow from operating activities was due to a $0.5M lower change in working capital, offset by $3.4M increase in profit from operations net of items not involving cash and $1.4M in lower taxes paid.

Current income taxes

The current income tax expense for the quarter was $2.7M (2025 - $2.1M) which includes $0.2M for the NCIB tax penalty.

Capital expenditures

Capital expenditures for the quarter were $0.9M (2025 - $0.1M) and were mainly comprised of evaluation and loaner equipment and computer software.

Financing activities and instruments

Adjusted free cash flow[2] of $7.5M and draws on the revolver of $14.0M for the year were mainly used to fund the dividends of $3.7M, repurchase shares under the Company's NCIB of $9.0M, repay term debt of $0.9M and fund working capital of $8.0M. Lower leverage continues to keep bank margining down and provide financing flexibility for our ongoing acquisition program.

During the quarter, our credit facilities were amended to create one $115.0 million revolving credit facility and is available for working capital and future acquisitions. The credit facilities are subject to a number of covenants including the leverage ratio which was to maintain debt less than 2.75 times the trailing twelve months Adjusted EBITDAaL[1]. As at March 31, 2026, our leverage ratio was 1.24x (2025 – 0.27x). Subsequent to the first quarter, the Company drew an additional $24.9M to fund the acquisition of the assets of PharmaSystems Inc.'s consumer packaged goods division ($12.0M) and NCIB ($12.9M). Combined with cash flow from operations, management believes that adequate financing will be available for the foreseeable future[4].

NCIB

At March 31, 2026, the Company had 11,098,939 shares outstanding. At the end of 2025 the Company initiated a Normal Course Issuer Bid (NCIB) to repurchase shares of the Company. As of March 31, 2026 the Company had repurchased 319,074 shares for cancellation. Subsequent to the first quarter, the Company completed the maximum allowed purchases under the NCIB by purchasing 450,926 shares for $12.9M at an average share price of $28.65.

Outlook Sensitivities[4]

Management believes that financial performance is on track to meet ongoing requirements for working capital, capital expenditures and to sustain monthly dividends to Shareholders at current levels through 2026.

Healthcare growth is expected to continue driven by both organic and acquisition revenue. Packaging revenue continues to be challenged due to macro-economic events. The sensitivity for every 1¢ movement in foreign exchange rates to annualized revenue is $1.9M, to Adjusted EBITDAaL is $0.4M, and to free cash flows is $0.3M

Maintenance capital will continue to be funded by cash flow from operations and is expected to be $4.1M in 2026 with continued investment in information technology and evaluation and loaner equipment. Expansion capital related to the development cost at DPW of $2.5M, will be funded by cash flow from operations. The Company is expected to allow for eligible dividends to be paid to Shareholders in 2026.

Risks and Uncertainties

Investment in Shares involves risks inherent in the ordinary course of business including: changes in global tariff rates, the impact of pandemics, logistics disruptions, cybersecurity, sustainability of customer and supplier relationships, financial stability of customers, lack of written customer and supplier agreements, competition from other entities, the extent and duration of an economic downturn, inventory obsolescence, trade risks, exchange rate fluctuations, interest rate volatility, income taxes and reliance on key personnel. For a detailed description of these and other risks and uncertainties facing investors in the company please refer to the 2025 Annual Information Form dated March 14, 2026.

To managements knowledge, the only significant change to the risk environment during the quarter was increased global economic uncertainty driven by geopolitical developments. A military conflict involving Iran escalated in late February 2026 and continued through quarter end. The conflict has contributed to volatility in global energy markets, including higher fuel prices and increased transportation and freight costs, as well as risks to key shipping corridors. These factors may result in increased product acquisition costs, variability in supplier lead times, and pressure on transportation margins. The extent of the impact will depend on the duration and severity of these developments, which remain uncertain.

Critical Accounting Estimates

Preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported and disclosure for contingent amounts of assets and liabilities as at March 31, 2026 and revenue and expenses for the period then ended. There have not been any significant changes in critical accounting estimates during the first quarter of 2026, relative to December 31, 2025. For more information on critical accounting estimates, see the Management's Discussion and Analysis, the audited consolidated financial statements and the notes to the consolidated financial statements included in the 2025 Annual Report.

Disclosure Controls and Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the first quarter that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Cautionary Statement

Additional information relating to the Company is available on Richards Group's website at http://www.richardsgroup.com, SEDAR+ at www.sedarplus.ca or TSX at www.tmx.com.

1. *Management defines Adjusted EBITDAaL as net income before financial expenses, income tax expense, depreciation and amortization after lease payments, excluding contingent consideration, separately disclosed items, unrealized losses on foreign currency translation of debt, mark to market and distributions on exchangeable shares, share of income - Vision.*
   The reconciliation of Adjusted EBITDAaL to net income can be found on page 5. Our lenders use this measure as a starting point in the determination of earnings available for dividends to Shareholders. In addition, Adjusted EBITDAaL and Adjusted EBITDAaL as a percentage of sales are intended to provide additional information on the operating performance. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Adjusted EBITDAaL does not have a standardized meaning prescribed by IFRS and therefore the method of calculating Adjusted EBITDAaL may not be comparable to similar measures presented by other companies.

2. *Management defines adjusted free cash flow, in accordance with the Company's credit agreement, as Adjusted EBITDAaL[1] less interest excluding leases, cash income tax expense and maintenance capital expenditures. The reconciliation to cash from operations can be found on page 7. The objective of presenting this measure is to calculate the amount which is available for dividends to Shareholders and to determine the amount available to fund increases in working capital or expansion capital. Investors are cautioned that adjusted free cash flow should not be construed as an alternative to cash flow from operating, investing and financing activities as a measure of the liquidity and cash flows. Adjusted free cash flow does not have a standardized meaning prescribed by IFRS and therefore the method of calculating adjusted free cash flow may not be comparable to similar measures presented by other companies.*

3. *Management defines free cash flow conversion ratio as adjusted free cash flow[2] over Adjusted EBITDAaL[1]. The objective of presenting this measure is to calculate the percentage of Adjusted EBITDAaL converted into free cash flow. Free cash flow conversion ratio does not have a standardized meaning prescribed by IFRS. The method of calculating the ratio may not be comparable to similar measures presented by other companies.*

4. *The Report to Shareholders and this MD&A contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management's current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Company. We use words such as "may", "expect", "believe", "estimate" and similar terminology to identify forward-looking information. It is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant, known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in tariff rates, changes in customer and supplier relationships, competition in the industry, trade risks in respect of foreign suppliers, fluctuations in foreign exchange and interest rates, liability claims, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described herein under "Risks and Uncertainties" and in other reports and filings made by us with securities regulatory authorities and available at www.sedarplus.ca. While management believes that the expectations expressed and the assumptions underlying the same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct.*
   In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information.

5. *Management defines working capital to be current assets (less cash) less current liabilities (less income tax payable, due to previous shareholders and exchangeable shares). The objective of utilizing this definition is to improve the understanding of activities within the cash flow statement.*

Notice to Shareholders
The attached consolidated financial statements have not been reviewed by the Company's external auditors