

A person is lying on their back in a field of tall, golden-brown grass. They are holding a white paper cutout of a house with two windows and a chimney. The background shows a blurred landscape with hills and a clear sky. The RONA logo is in the top right corner.

RONA

GETTING CLOSER TO CANADIAN CONSUMERS

National Bank Financial Markets 2012 Quebec Conference

**Dominique Boies, Executive Vice President and Chief Financial Officer
Stéphane Milot, Senior Director – Investor Relations**

June 5, 2012

FORWARD-LOOKING INFORMATION

Statements included in the presentations made at this meeting may include “forward-looking statements” that involve risks and uncertainties. All statements other than statements of historical facts, including, without limitation, statements regarding the prospects of the industry and prospects, plans, financial position and business strategy of the Corporation, may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Corporation’s business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation’s financial position and results of operations as at and for, the periods ended on certain dates and to present information about management’s current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. For more information on the risks and uncertainties that could cause the Corporation’s actual results to differ materially from current expectations, and about material factors or assumptions applied in making forward-looking statements, please also refer to the Corporation’s public filings available at www.sedar.com and at www.rona.ca. In particular, further details and descriptions of these and other factors are disclosed in the “Risk Factors” section of the Corporation’s last Annual Information Form. The forward-looking statements included in the presentations made at this meeting reflect the Corporation’s expectations as of today, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

OVERVIEW

- Positioning, Benchmarking and Market Update
- Financial Strategy
- 2012 Business Plan:
New Realities, New Solutions
- Conclusion: Why Invest in RONA Today?



A UNIQUE BUSINESS MODEL

MULTIPLE STORE FORMATS



**BIG-BOX
STORES**

62 CORPORATE

18 FRANCHISES



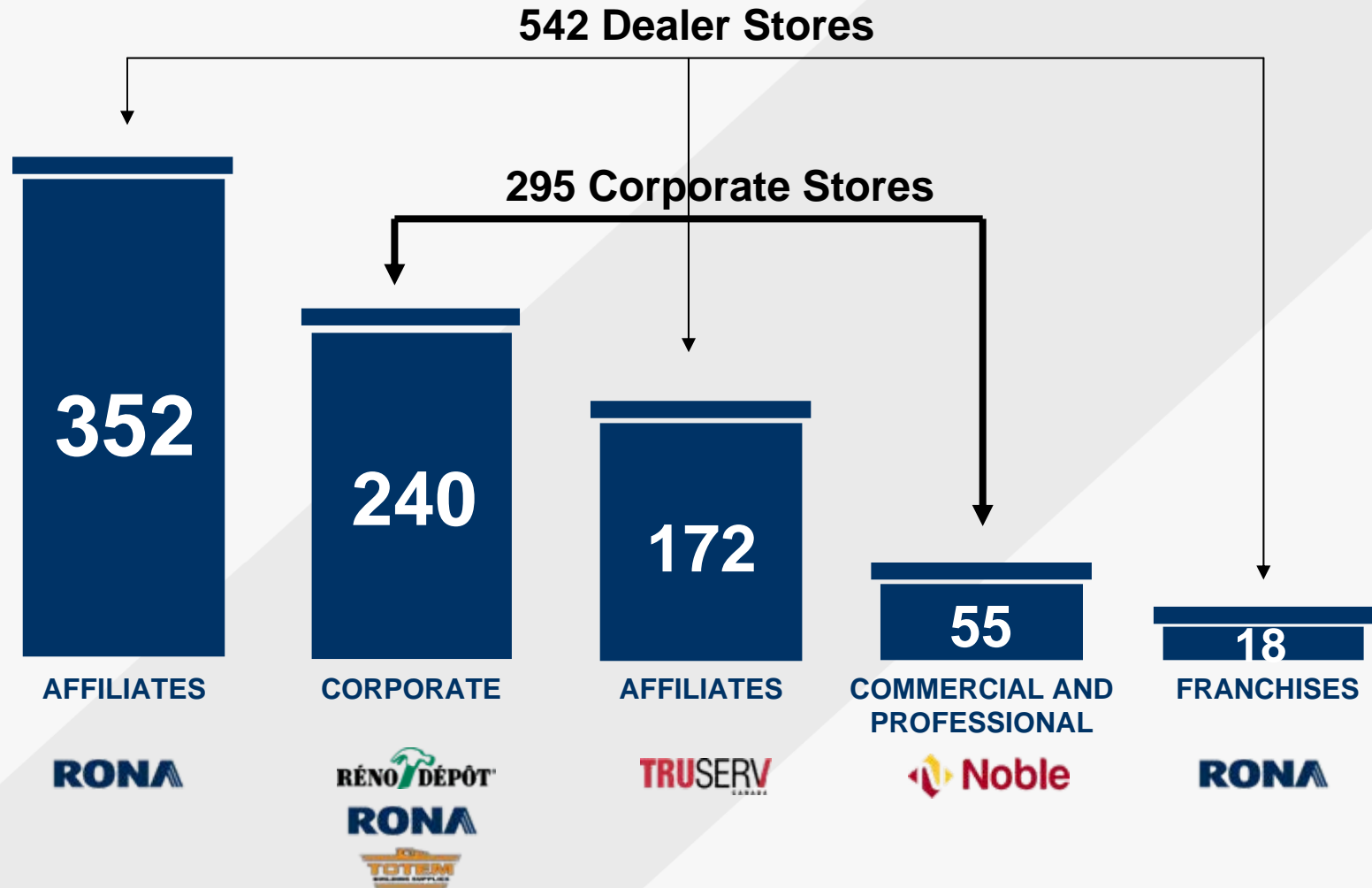
**PROXIMITY
STORES**

**SATELLITE
STORES**

178 CORPORATE

525 AFFILIATES AND FRANCHISES

A GOOD BALANCE BETWEEN DEALER AND CORPORATE STORES



RONA'S STORE NETWORK VS. MAIN COMPETITORS

| CANADA | |
|---------------------------------------|------------|
| | # stores |
| RONA big-box | 80 |
| RONA proximity & satellite | 703 |
| Home Depot | 173 |
| Lowe's | 31 |
| Home Hardware | 956 |
| Kent | 35 |

| WESTERN CANADA | |
|---------------------------------------|------------|
| | # stores |
| RONA big-box | 15 |
| RONA proximity & satellite | 199 |
| Home Depot | 62 |
| Lowe's | 6 |
| Home Hardware | 333 |

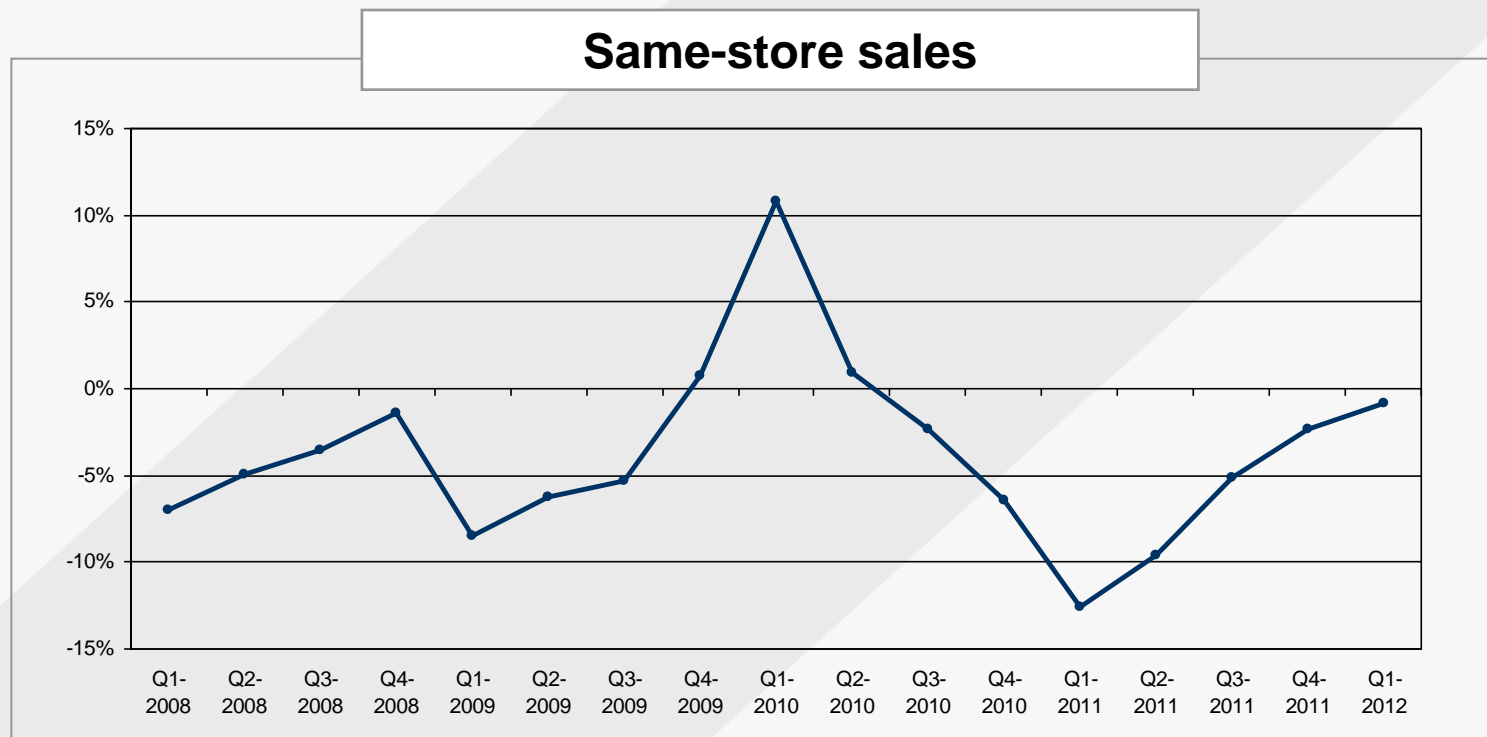
| QUEBEC | |
|---------------------------------------|------------|
| | # stores |
| RONA big-box | 43 |
| RONA proximity & satellite | 266 |
| Home Depot | 22 |
| Lowe's | 0 |
| Home Hardware | 90 |

| ONTARIO | |
|---------------------------------------|------------|
| | # stores |
| RONA big-box | 21 |
| RONA proximity & satellite | 199 |
| Home Depot | 80 |
| Lowe's | 25 |
| Home Hardware | 406 |

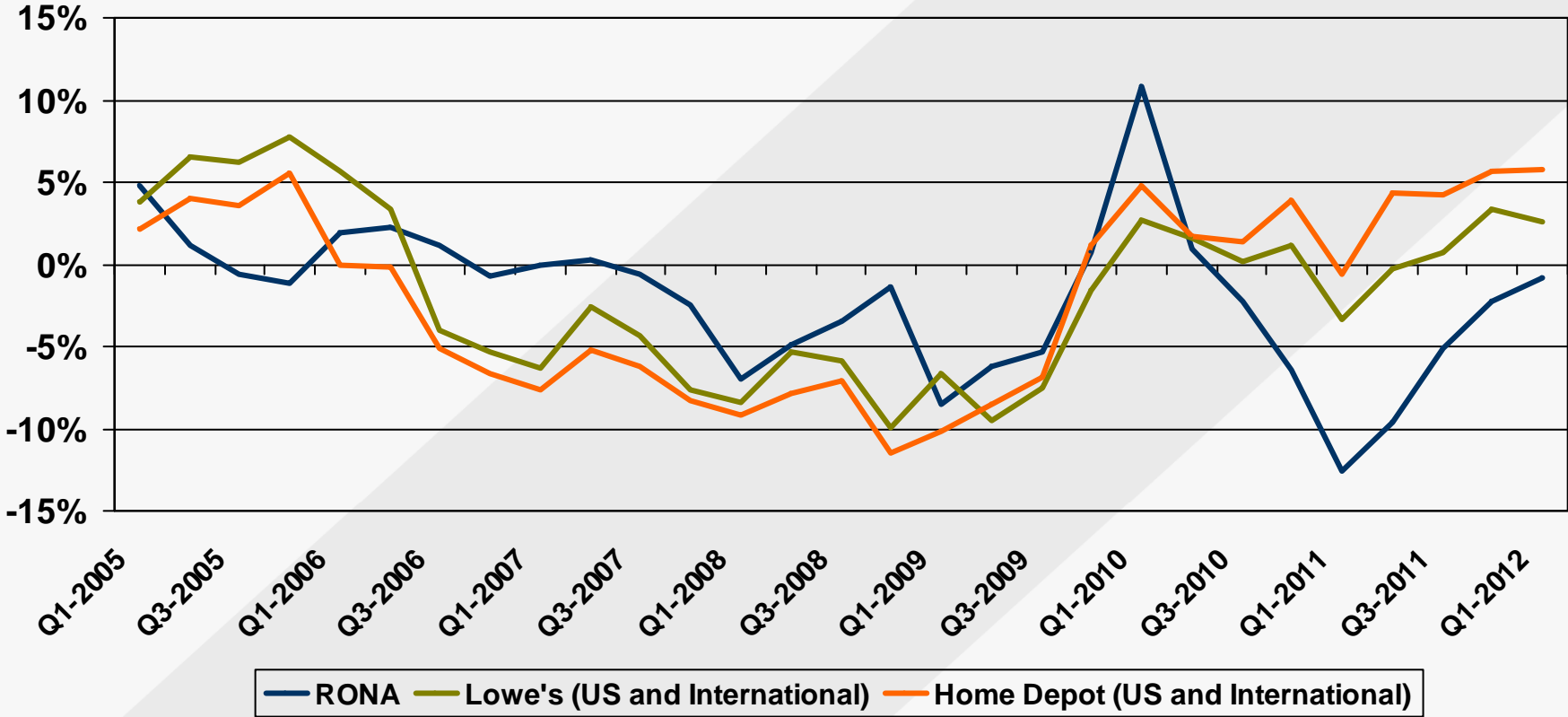
| ATLANTIC | |
|---------------------------------------|-----------|
| | # stores |
| RONA big-box | 1 |
| RONA proximity & satellite | 39 |
| Home Depot | 9 |
| Lowe's | 0 |
| Home Hardware | 127 |
| Kent | 35 |

IMPROVING SAME-STORE SALES TREND

- Positive trend since December, with the exception of January
- Best performing categories: lumber, building materials, paint, seasonal, horticulture, private and controlled brands and installation services
- **↑ 4.2%** in building materials **↑ 2.2%** for proximity stores **↑ 1.5%** for dealers

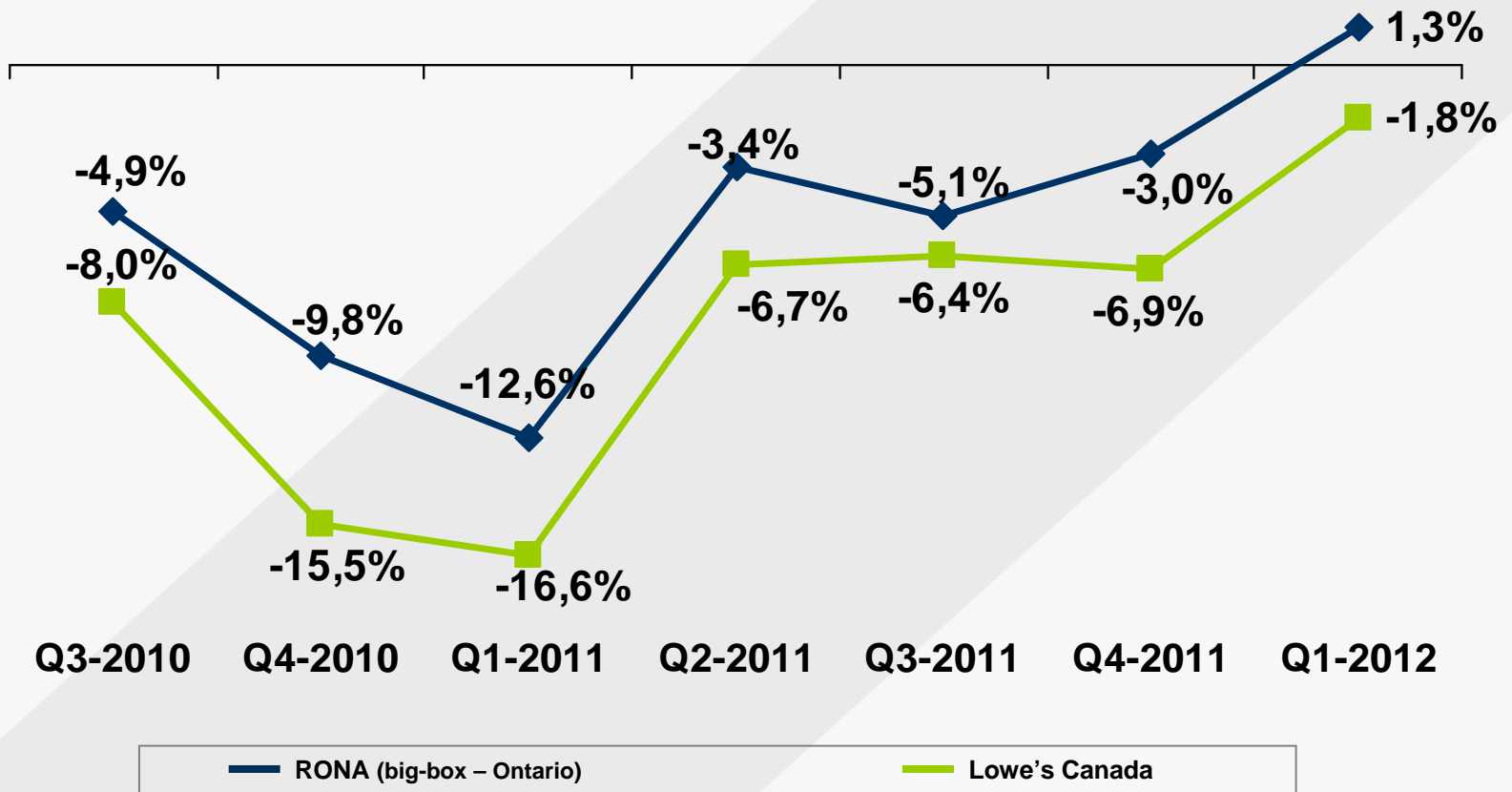


RONA'S SAME-STORE SALES VS. MAIN PUBLICLY TRADED COMPETITORS



BENCHMARKING WITH MAIN CANADIAN PEERS

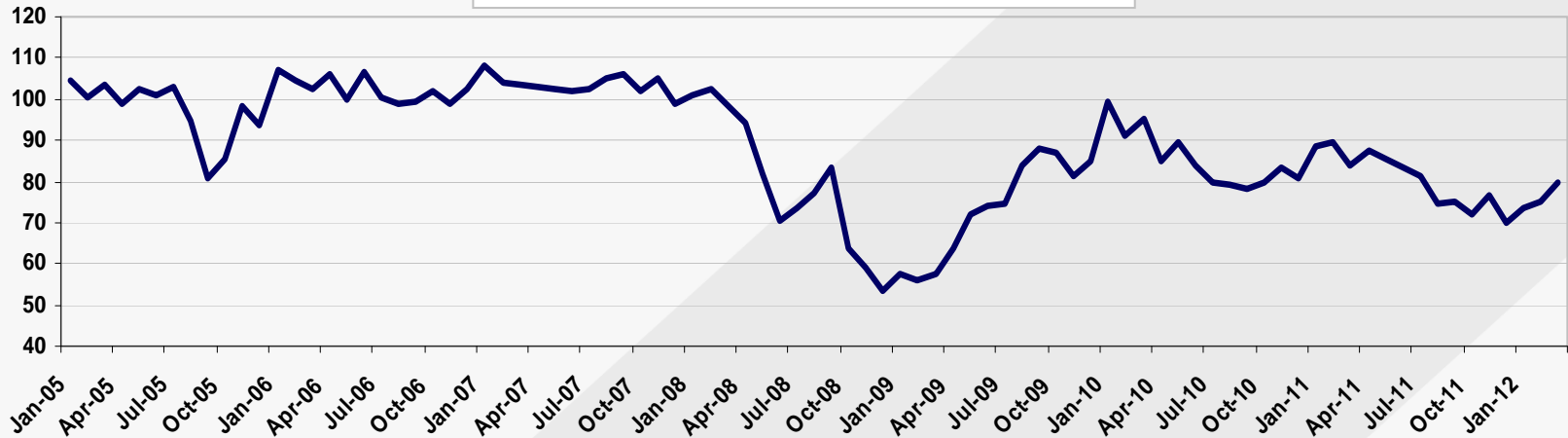
Same-store sales – Last 7 quarters
Quarters ending October, January, April, and July



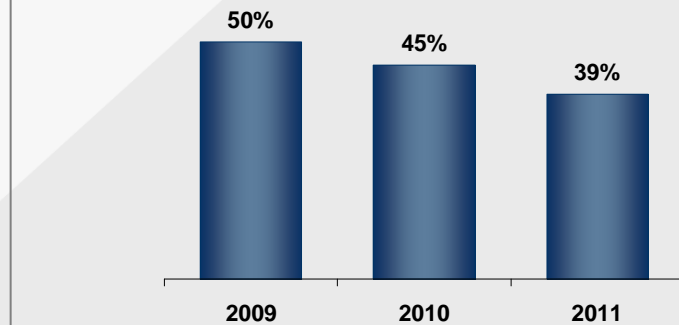
Sources: Industry sources and RONA reports

CONSUMERS REMAIN PRUDENT

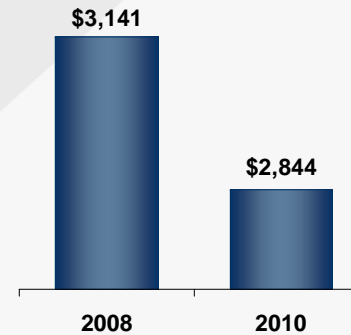
Consumer confidence index



Proportion of consumers who realized a renovation project in the last 12 months



Average amount spent annually





FINANCIAL STRATEGY

FIRST QUARTER HIGHLIGHTS

- Sales: **↑** 1.8%
- Same-store sales: **↓** 0.8%
- EBITDA: **↑** 38%
- EBITDA margin: **↑** 31 b.p.
- Net loss per share: \$0.10 vs. \$0.13



THREE FINANCIAL OBJECTIVES

**1.
Improve our
efficiency**

**2.
Optimize our
capital structure**



**3.
Increase our return
on capital (ROC)**

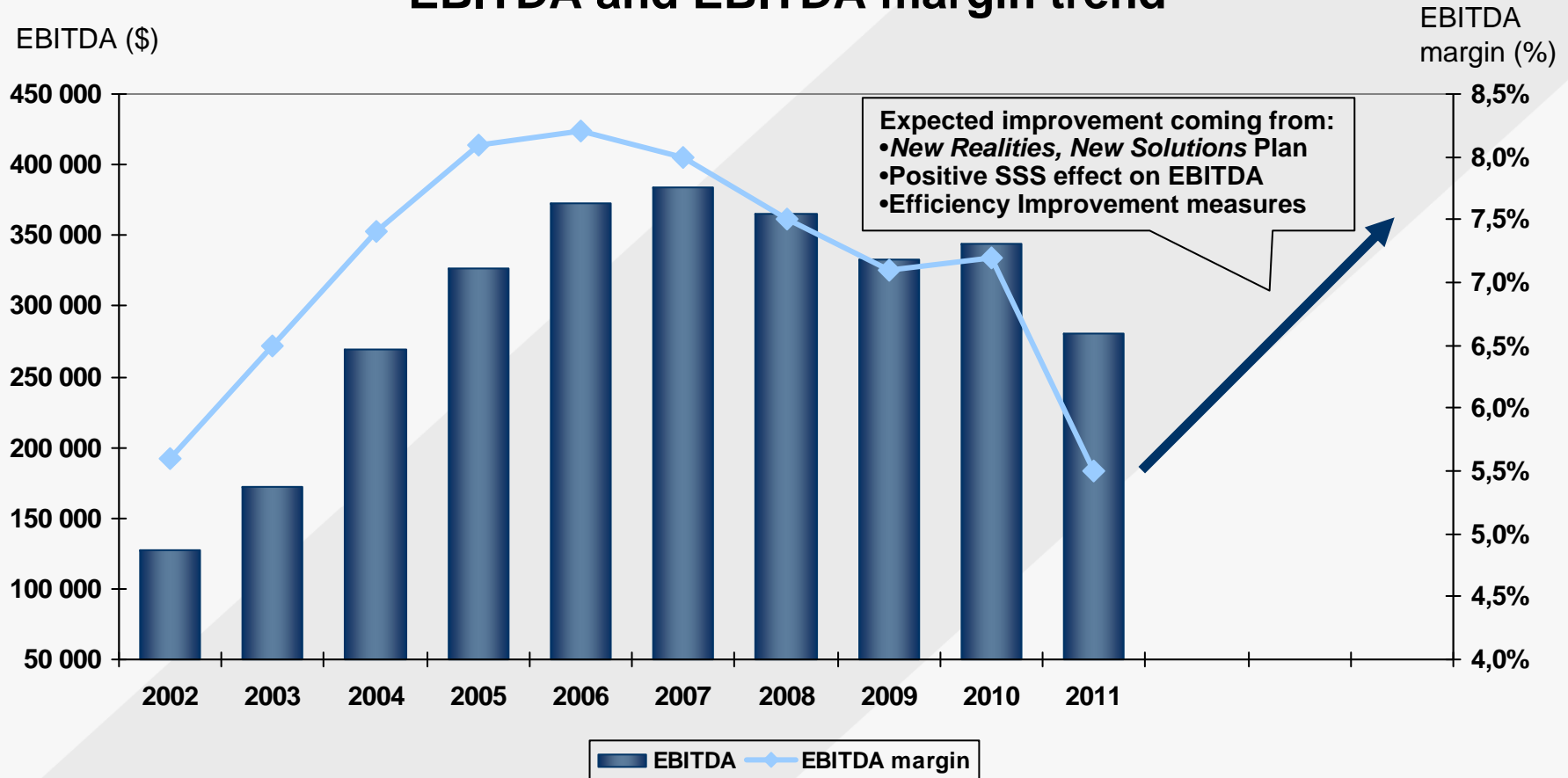
1. IMPROVE EFFICIENCY: ACHIEVEMENTS VS. FINANCIAL PRIORITIES

Q1-2012 Achievements vs. 2012 Financial Priorities

| Financial Priorities | Q1-2012 Achievements | In Line with Priorities |
|--|----------------------|-------------------------|
| 1. Improve efficiency | | |
| Improve same-store sales | -0.8% vs. -12.6% | ✓ |
| Increase in adjusted gross margin in dollars | ↑ \$1.3 M | ✓ |
| Reduce selling and administration expenses for comparable operations | ↓ \$9.4 M or 3.4% | ✓ |
| Increase EBITDA margin | 1.19% vs. 0.88% | ✓ |

1. IMPROVE EFFICIENCY: EXPECTED IMPROVEMENT IN EBITDA AND EBITDA MARGIN

EBITDA and EBITDA margin trend



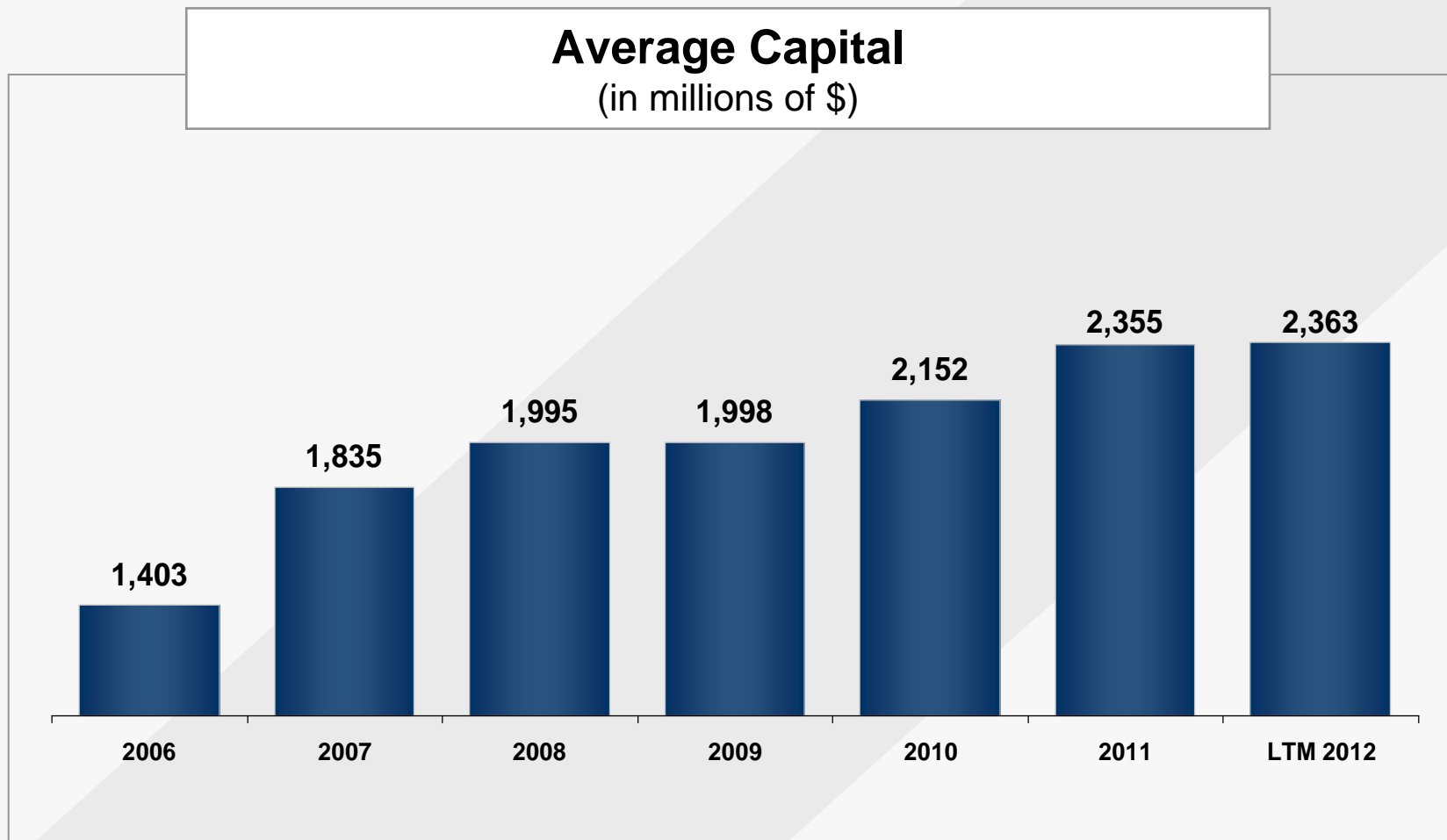
Note: excluding unusual items

2. OPTIMIZE OUR CAPITAL STRUCTURE

Q1-2012 Achievements vs. 2012 Financial Priorities

| Financial Priorities | Q1-2012 Achievements | In Line with Priorities |
|--|----------------------|-------------------------|
| 2. Optimize capital structure | | |
| Sell non-strategic assets | \$1.3 M | ✓ |
| Investments in property, plant & equipment = amortization and depreciation | \$17.0 M < \$23.4 M | ✓ |
| Optimize working capital (reduction in comparable inventories) | ↓ \$72 M | ✓ |
| Repurchase common shares | 5.3 M or \$48.9 M | ✓ |

2. OPTIMIZE OUR CAPITAL STRUCTURE



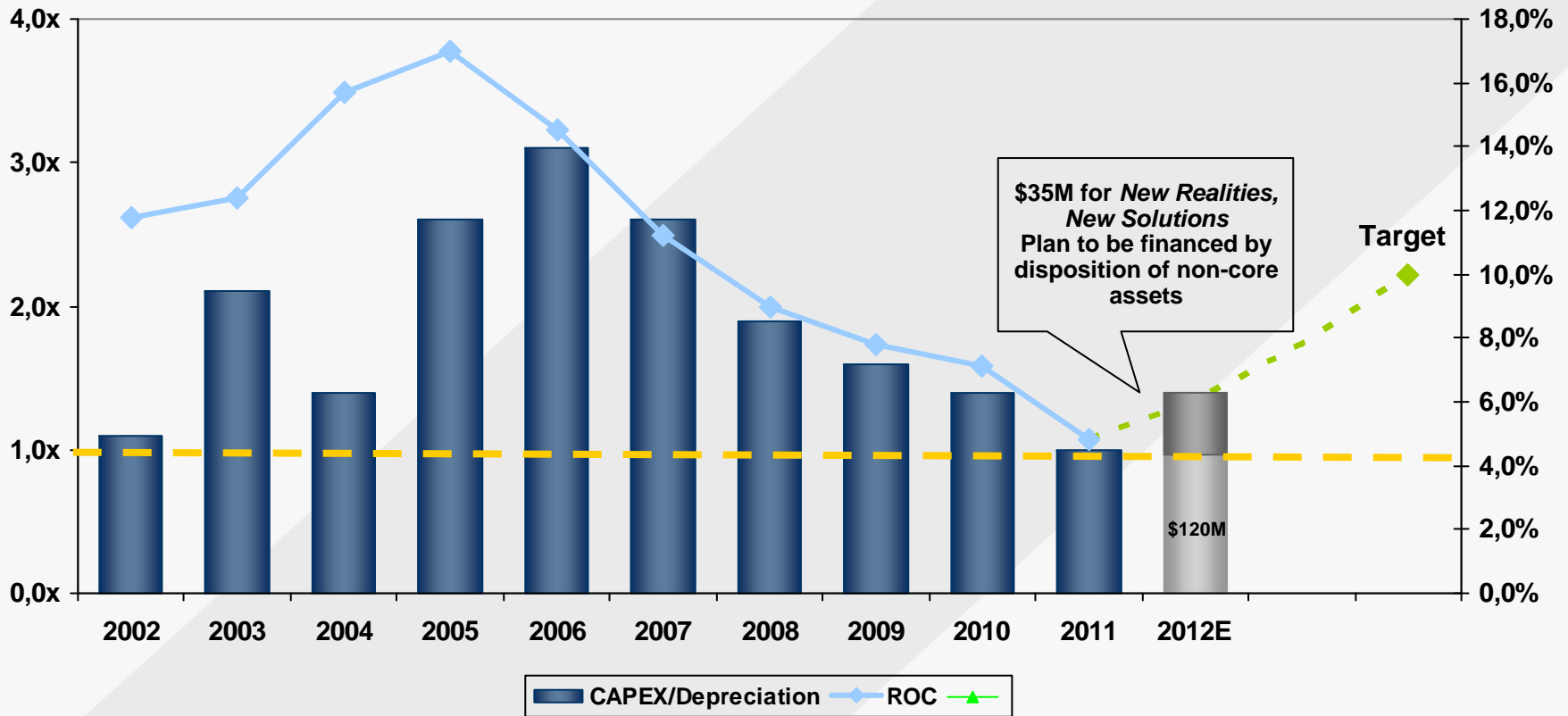
3. RETURN ON CAPITAL: ACHIEVEMENTS VS. OBJECTIVES

Q1-2012 Achievements vs. 2012 Financial Priorities

| Financial Priorities | Q1-2012 Achievements | In Line with Priorities |
|---|----------------------------------|-------------------------|
| 3. Increase return on capital | | |
| Increase after-tax operating income (EBIT) (past 4 quarters) | ↑ \$4.3 M or 3.7% vs. Q4-2011 | ✓ |
| Disciplined capital management (average of past 5 quarters) | ↑ \$7.7 M or 0.3% vs. Q4-2011 | ✓ |
| Increase average return on capital (past 4 quarters), excluding unusual items | 5.1% vs. 5.0% at the end of 2011 | ✓ |

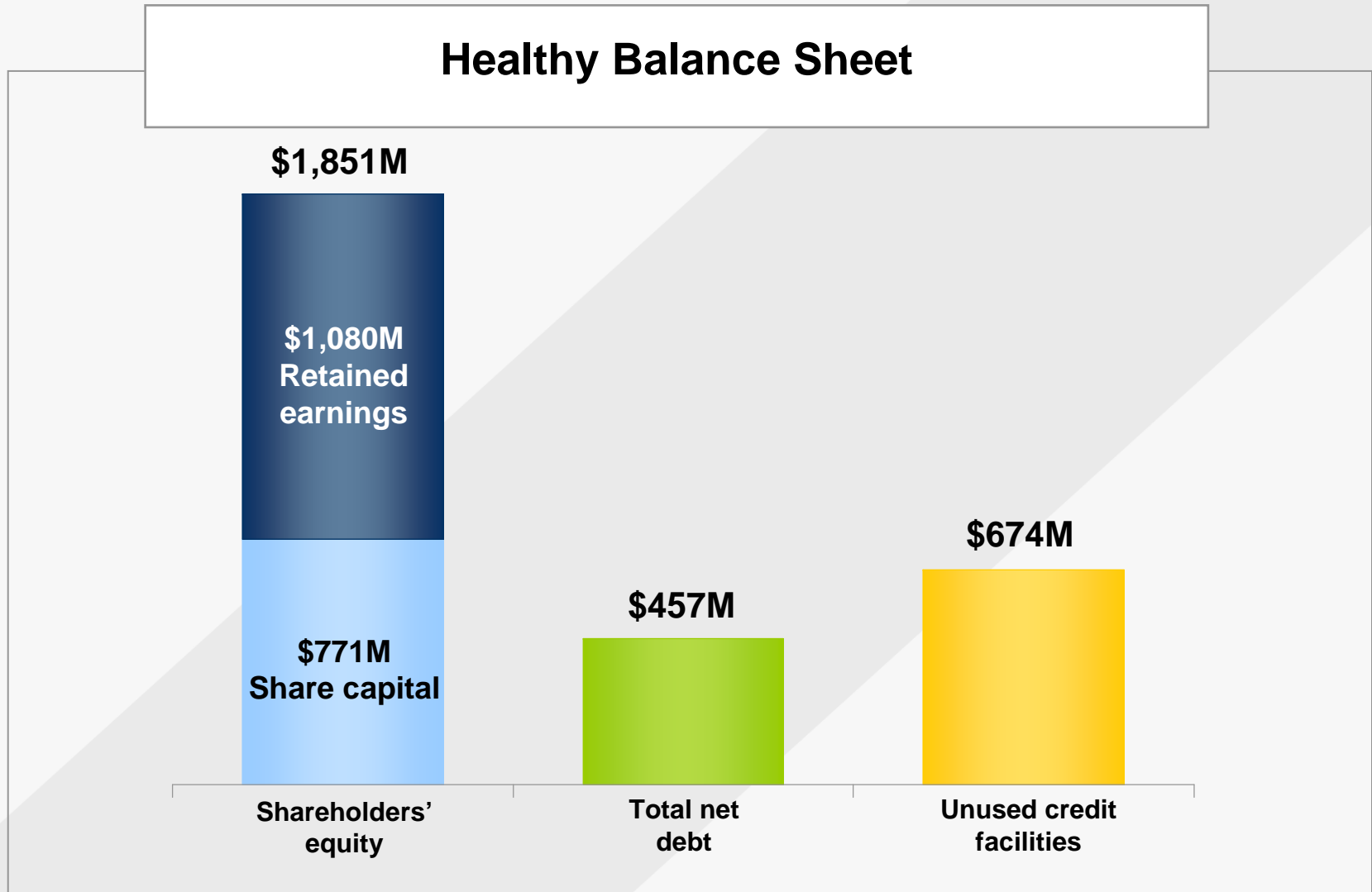
3. RETURN ON CAPITAL: DOUBLE-DIGIT TARGET

Return on capital and CAPEX on depreciation



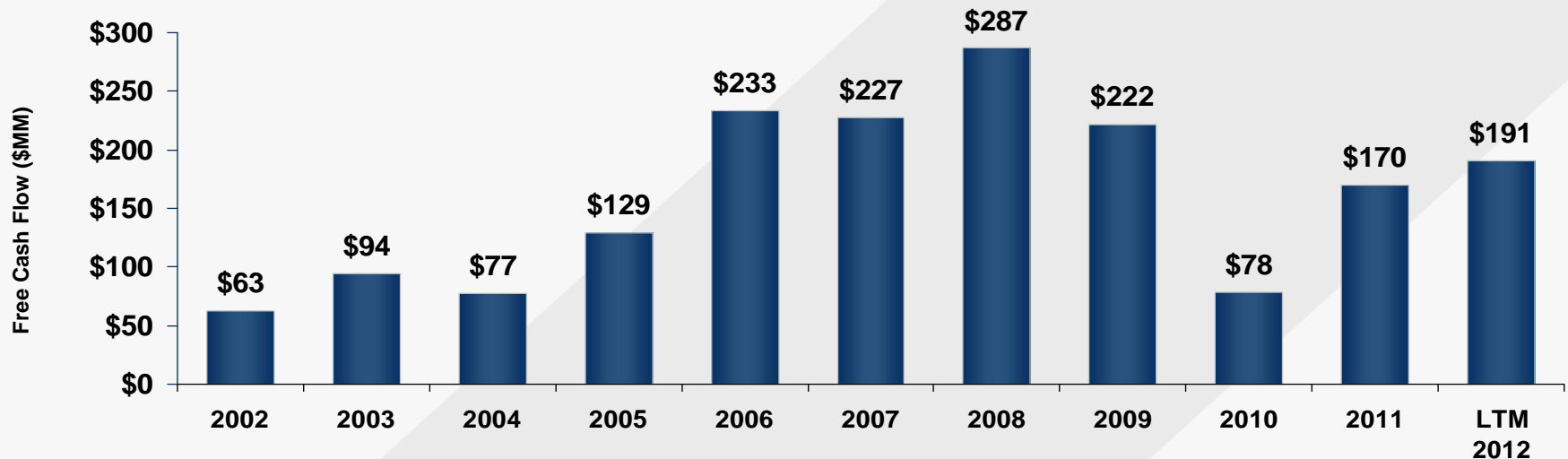
STRONG FINANCIAL FLEXIBILITY

Healthy Balance Sheet



SUSTAINABLE FREE CASH FLOW GENERATION

Free Cash Flow ⁽¹⁾



- > **Important year-over-year increase from initiatives put forward in H2/2011**
 - > Resulting from improved financial performance as well as better working capital management and reduction in CAPEX and other investments

⁽¹⁾ Cash flow from operating activities (after net change in working cap.) less maintenance capital expenditures



**2012 BUSINESS PLAN:
*NEW REALITIES, NEW SOLUTIONS***

NEW REALITIES, NEW SOLUTIONS

1. New digital platform

- New site RONA.ca launched on May 28, 2012

2. Rollout of the new proximity and satellite store concepts in 20% of our store network

- Strong interest in subleasing current locations
- 10 new sites identified for proximity and satellite stores
- Expansion of Georgetown store, in Ontario
- Satellite store in South East Calgary, Alberta
- First new concept proximity store in Stony Plain, Alberta
- Gradual redeployment from 5 out of 10 big-box stores identified stores for closure

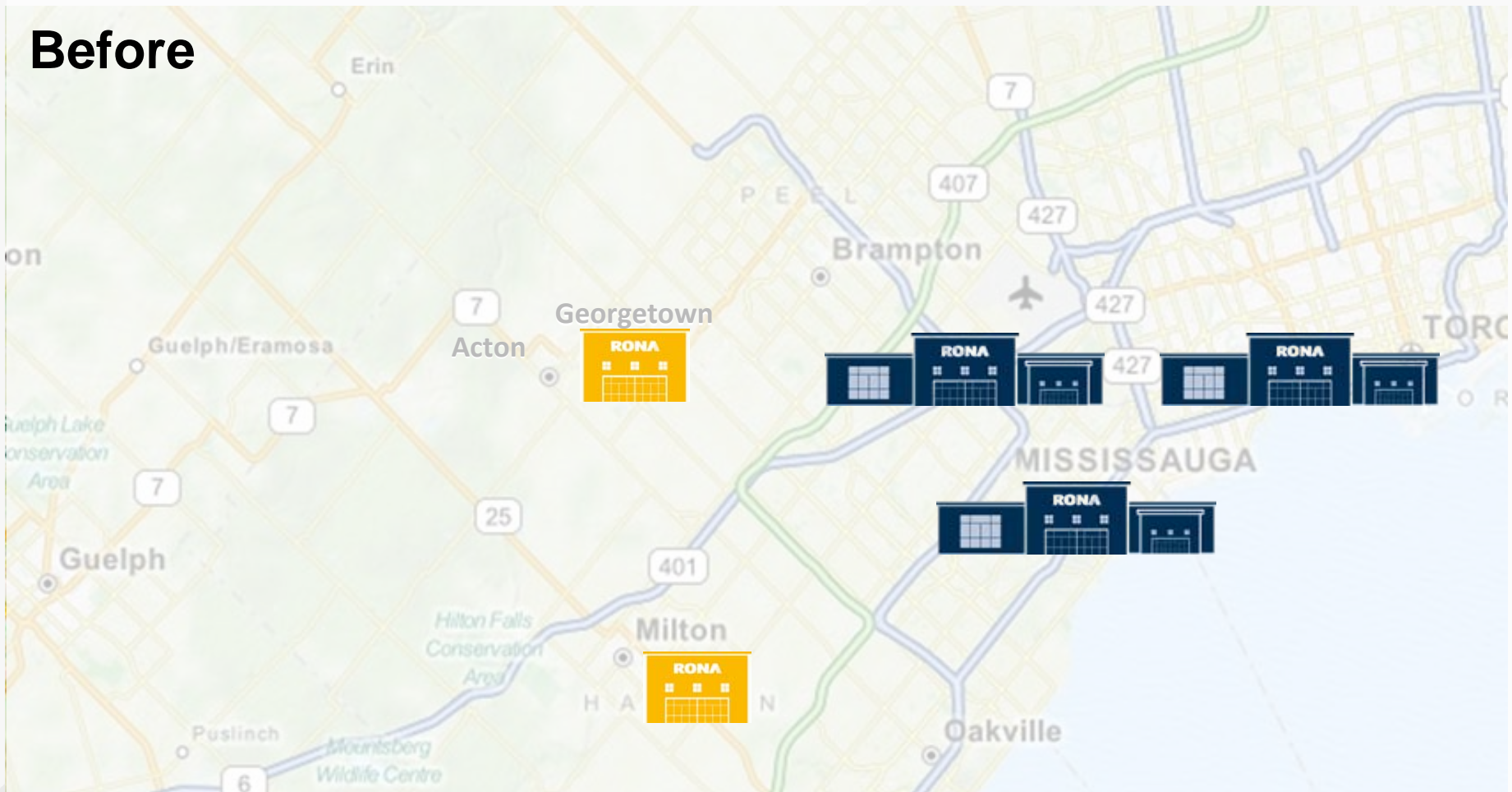
NEW REALITIES, NEW SOLUTIONS

3. Development of our Commercial and Professional Market division
 - 2 new branches in Ontario
 - 2 new retail showrooms in Quebec
 - A new 120,000 s.f. distribution center in British Columbia
4. Opening of 5 proximity stores by existing dealers, adding 140,000 square feet of sales area
5. Recruitment of new dealer with stores in Oshawa, Ajax and Peterborough, Ontario, generating close to \$30M in sales

CLOSER TO CANADIAN CONSUMERS

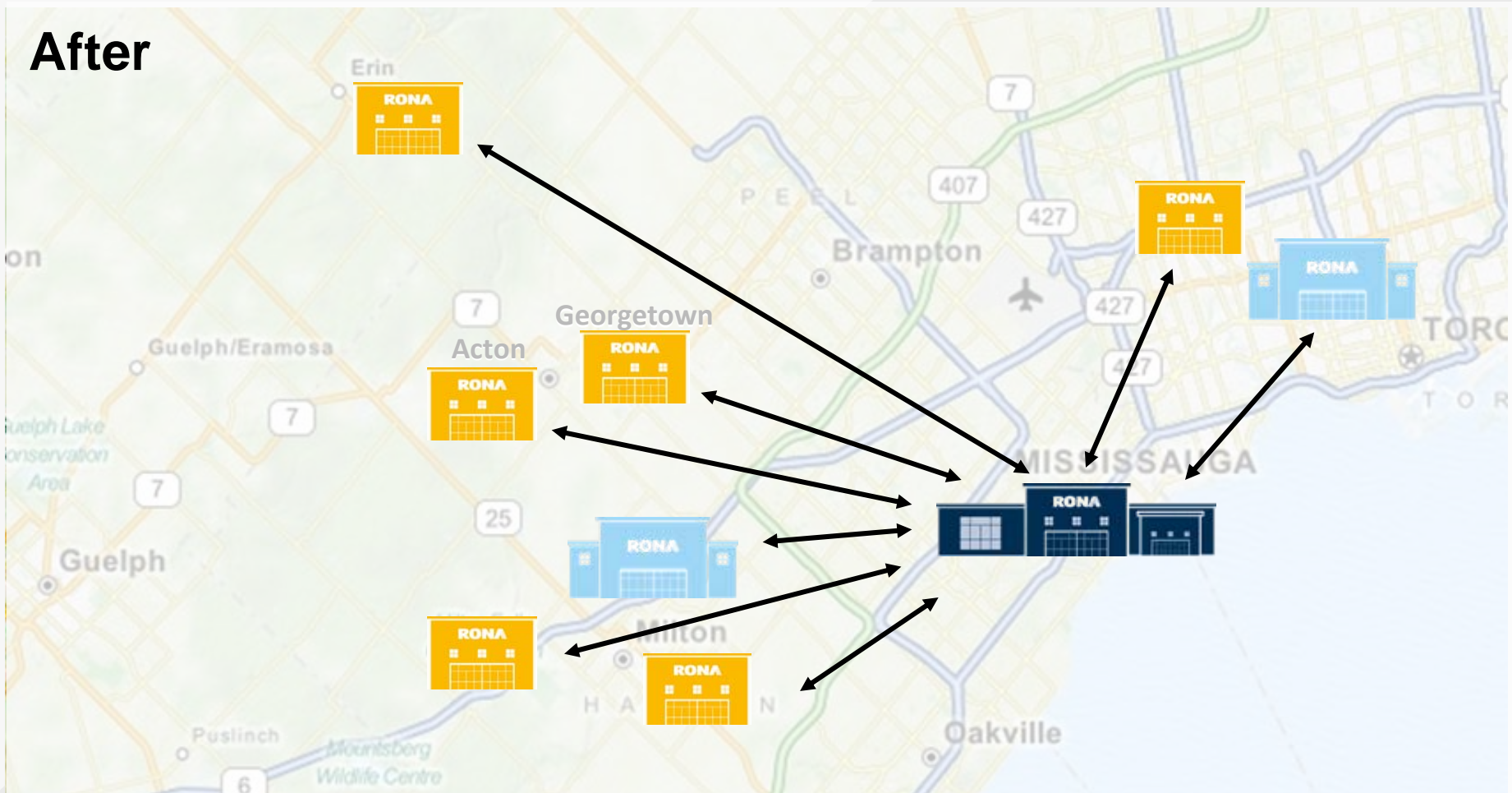
- Illustration of the redeployment strategy in the Mississauga area

Before



CLOSER TO CANADIAN CONSUMERS

- Reduction of our footprint by 40% and increase in sales per square foot by 75%



NEW PROXIMITY STORE CONCEPT



NEW SATELLITE STORE CONCEPT

Granby, QUEBEC
Georgetown, ONTARIO



BENEFITS OF THE PLAN

➤ Increase the EBITDA run rate by:

- \$10 million starting in Q4/2012
- \$30 million in 2013
- Over \$40 million in 2014
- IRR close to 20%
- Expected CAPEX of \$70M to be financed with disposition of non-core assets

➤ In line with 3 financial priorities now central to our decision making process:

- **Improve efficiency** → closure of 10 under-performing stores
- **Optimize capital structure** → sell non core assets
- **Increase return on capital** → better performing new proximity and satellite store formats and new tools for recruitment and dealer projects

➤ In line with our goal to reach above 10% return on capital



**CONCLUSION:
WHY INVEST IN RONA TODAY?**

TOP 3 REASONS TO INVEST TODAY

- 1. Canadian player poised for growth through multi-format footprint and operational leverage** – improving retail sales trends recently observed combined with leaner cost structure and strong free cash flow generation
- 2. Strong focus on 3 financial objectives to enhance shareholders value** – improve efficiency, optimize capital structure and increase ROC
- 3. 2012 action plan and new initiatives to create significant value not reflected in actual valuation** – full ramp-up EBITDA impact of over \$40 million (15% increase over current EBITDA level)

Significant upside potential from current market context, further fueled by new action plan creating shareholders' value

A person is lying on their back in a field of tall, golden-brown grass. They are holding a white paper cutout of a house with two windows and a chimney. The person's legs are bent and their feet are visible. In the background, there are rolling hills under a clear sky. The overall scene is bright and sunny.

RONA

QUESTIONS