



**2012 ANNUAL SHAREHOLDERS' MEETING  
May 9, 2012**

**SPEAKING NOTES FOR ROBERT DUTTON  
PRESIDENT AND CEO**

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Thank you, Dominique.  
Fellow shareholders and RONA colleagues,  
Members of the Board of Directors,  
Ladies and gentlemen:

Dominique has just reviewed the results for 2011 and the first quarter of 2012 so I won't elaborate on that any further. Instead I'd like to talk to you today about how we're seeing consumers change, and how we intend, in response to that change, to adapt the way we serve consumers today.

Specifically, I'd like to take the opportunity at this annual meeting to go back over the *New Realities, New Solutions* plan we announced in February. As Dominique explained so well, this plan is in fact a major part of the growth anticipated in our financial results. But over and above the direct short-term and medium-term results, this plan will position RONA well in advance of the industry and better achieve the full potential of our unique business model by reaching even more Canadian customers.

**1. Our plan responds to a profound transformation in the marketplace**

Let's be clear about the basic assumptions that led us to introduce the plan. First, *New Realities, New Solutions* is not a one-off response to a tough economic situation. Let's be very clear about that.

Yes, the situation is tough. Yes, the down in the market is hitting our entire industry. There is no doubt about that either.

But *New Realities, New Solutions* isn't a response to the slump. Our response has to do with the financial discipline and goals which Dominique has just described.

*New Realities, New Solutions* is rather the current embodiment of what has always been the RONA mantra: we are the consumer experts, not just experts in store formats or distribution chains.

This is the approach that led us in the past to develop a network where multiple store formats, multiple offers and multiple ownerships formulas can live happily together.

Being the consumer experts is also the reason why we recently regionalized our operations – since each of Canada’s major regions has its own special features we must adapt to.

*New Realities, New Solutions* reflects this concern for consumers.

With our portfolio of stores and formats, and our network of affiliate dealer-owners and corporate stores, we’re continually working on research, experiments and innovation.

Unlike the competition, RONA can then adapt continuously to consumer expectations. Far from being a short-term response, *New Realities, New Solutions* is exactly this kind of adaptation to evolving consumer expectations and needs.

So what, exactly, have these consumers become?

In the past few years, as we all know already, they’ve become more demanding than ever. Our market studies on this confirm our own experience with consumers in store. This isn’t new.

Our research indicates, however, that regardless of the region in Canada, proximity is the number one factor of choice for consumers when they select their store. Proximity matters more than product selection, more than price – more, even, than quality of service. And let me add that with an aging population, and higher and higher fuel prices, the proximity factor is only going to become more and more important as time goes on.

Consumers are also becoming more and more individualistic. Not only do they want impeccable service, they want service that’s adapted to their own specific needs – service that’s an added value for them. Taken to the extreme, every consumer thinks of themselves as being a market segment with a population of one.

More than ever, consumers are also very well informed. They have more sources of information than ever. They can get informed online or in the store. But they use both of these modes of research with different ends in mind. Because the more they can compare prices, specs, consumer feedback and expert reports online, the more they’ll need to go to the store and see the real thing, feel it, touch it and try it out – which they can’t do online. Not yet, anyway.

So we’re doing business with a consumer who’s demanding, impatient, and keen on proximity and service. In fact, proximity nowadays is part of service. We have to be near our customers. Physically and psychologically.

The RONA network long ago opted to create multiple store formats. From now on, we will also multiply our points of contact with consumers. No consumer should ever be more than 10 minutes away from our “bricks” – one of our points of sale.

Because “clicks” will never replace “bricks.” And fortunately in our business, we didn’t have to choose bricks over clicks or clicks over bricks. We decided to make the best possible use of both to deliver the best in customer service.

There are lots and lots of things that can be shopped for online. Some consumers are comfortable with this way of shopping. Especially for items they know already. This is true of tools, furniture and building materials. Other things need to be examined in person. And some people, as well, prefer to see, touch and handle an item before they buy it. Obviously, you’re not going to buy an entire kitchen layout online. As for advice and expertise, some consumers find it’s okay to have a chat online with one of our experts, while others will prefer to meet them face to face.

Which is why *New Realities, New Solutions* will reinforce both modes of contact with our customers: online and in person.

## **2. Multiply points of contact**

*New Realities, New Solutions* isn’t a fallback strategy, nor is it an exit strategy for certain markets. On the contrary, we’re going to double our efforts to serve all markets in Canada. What *New Realities, New Solutions* will do is multiply the points of contact between RONA and consumers.

“Contact” is the operative word in our strategy. When you multiply the square footage of your retail sales space, you’re mainly satisfying the needs of merchandise. If you want to satisfy customer needs, multiply your points of contact with them. Consumers want proximity. And that’s what we’re giving them.

In Quebec, of course, we already have hundreds of points of contact between RONA and our customers: 309 physical points of contact, to be exact, which is the number of our stores here. And that’s how close we need to make RONA for customers everywhere in Canada. But in a new way.

*New Realities, New Solutions* is based on three lines of attack, all focused on multiplying our points of contact with consumers: strengthening our product offer online, optimizing our proximity stores and re-deploying our store network so as to fit a new model in approximately 20% of our network.

First, a stronger product offer online. We’re going to multiply the points of virtual contact with consumers as well as the points of physical contact.

To this end, our new digital platform will be available on all media: website, blog, online flyers, social media, and online management of customer relations.

Not only will we multiply our points of contact, we'll also offer them more value online. Consumers will be much better able to window-shop online and get informed about products and prices than they can at present. They'll have online access to expert advice from professionals. And thanks to our analytical and customer relations management tools, we'll be able to personalize our knowledge of consumers in order to individualize the information we provide, including ideas and even promotions. We're still not at the one-person market segment yet, but we're getting closer.

So much for virtual proximity. Now let's talk about physical proximity, which our customers value more than ever.

The performance of proximity stores corroborates our research findings. Our TOTEM stores in Alberta, especially, are turning in a remarkable performance. Sales per square foot are higher than in all our other stores. Average shopping basket value is 40% higher than we're seeing in the rest of the network. And customers are registering unparalleled levels of satisfaction with the quality of service. TOTEM and our other proximity stores offer the consumer a true value-added shopping experience.

With our proximity stores, we're realizing that you don't necessarily need 50,000 products on 9-foot-high shelves in 140,000-square-foot location to deliver a value-added shopping experience. What you do need is a store layout that makes it easy for people to find what they're looking for: product categories, service aisle ends and, most importantly, staff on hand to serve you. A true value-added experience calls for a store format that meets this objective. It requires contact with a staff person who inspires trust through their know-how and product knowledge.

With shelves at lower levels than in big box stores, our new proximity store allows consumers to see where they are in the store and where the various product categories are. Also, to see where the service locations are, with staff there to help them. They save time, they save unnecessary steps and they have a more productive contact with store staff.

We're going to the customer. Not only inside the store, but in a geographical sense as well. Let me show you what I mean in how we're reorganizing our market in Mississauga. As you can see, we aren't abandoning the market. Just the opposite. We're going from 5 to 9 points of physical contact, and at the same time we're reducing the total retail sales space by 40%. Instead of 3 big box stores and 2 satellites, we're going to have one big box, 2 proximity stores and 6 satellites, all carefully coordinated to provide the best possible service. For example, consumers in Erin or Acton will have access to the personalized

service you get in a small store, but with all the products available at the Mississauga big box store. They'll have the best of both worlds, and they won't have to go all the way to Mississauga to get it.

Of course, this retail sales space redeployment will optimize our investment in the region. But more importantly, it will more than multiply our ability to serve customers by bringing us closer to them.

At a conservative estimate, if we do no more than maintain our total sales in this market, we could increase our sales per square foot by close to 75%.

Our plan, then, offers consumers new solutions by giving them a better experience in store, thanks to a more shopper-friendly physical layout, and by encouraging more contact with store staff.

In short, while satisfying our need for return on investment, the *New Realities, New Solutions* plan will succeed most of all in meeting new consumer expectations:

- By multiplying their possible points of contact with RONA
- By offering them a choice of several types of contact points, depending on their needs
- And by delivering added value through their in-store shopping experience

*New Realities, New Solutions* is based on real life...and months of preparation.

The plan is based, first of all, on years of knowledge accumulated in TOTEM and RONA proximity stores.

Secondly, it's based on major experimentation with our store concepts. In 2011 we tested our proximity store model, with success, in Edmonton, Repentigny and St.John's. We tested the satellite store model in Granby and Georgetown. We tested the paint boutique concept in our three STUDIO pilot stores in Quebec. We've tested our new products categories, such as work clothing, small appliances and shelving tools. In all cases, consumers responded positively. So we're launching our plan with confidence, and this confidence is based on real-life knowledge.

And so, far from being a short-term response, *New Realities, New Solutions* will alter our relationship with consumers for years to come. We're redefining the hardware and home renovation customer experience.

At the same time, we're also developing our commercial and professional sector. In this area too, the key word is "contact." In 2012, our Noble subsidiary that specializes in the sector will see the number of its outlets grow from 55 to 64,

including two showrooms, BLAN in Montreal and Eaudace in nearby Longueuil – both of which specialize in high-end plumbing accessories.

Later on today, we'll be holding a conference on our first-quarter financial results, where we'll report on how the various initiatives related to the *New Realities, New Solutions* plan are moving ahead. I'd like to share the main points with you this morning.

Just two months after its launch, we have very strong demand for sites available for sublet. We're also looking for 10 sites where we can redeploy the volume of business from certain big box stores over to our proximity and satellite stores. We'll be opening a satellite store shortly in Douglasdale, Alberta, as well as our very first new-concept proximity store in Stony Plain, Alberta, this summer. We've also recruited a new dealer-owner, Millwood, with three proximity stores in Oshawa, Ajax and Peterborough, Ontario.

These various initiatives will allow us to begin the gradual redeployment of sales volume from 5 of the 10 big box stores we're closing, as we announced back in February – that is, the stores in Brampton, Mississauga and Whitby, Ontario, as well as in Calgary North and West Edmonton.

We'll also move the sales volume from our traditional store in Peterborough to the existing Millwork, Ontario store in the region, a store belonging to a dealer-owner we recruited at the end of April.

We've also made substantial progress with our digital platform, launching a brand-new integrated advertising campaign on various platforms, and finalizing our RONA.ca website, scheduled for launch in the next few weeks.

Our commercial and professional sector, on the other hand, has now opened two new points of sale in Ontario, plus two new plumbing supply boutiques in Quebec and a 120,000-square-foot distribution centre in Langley, BC.

Last but not least, five of our dealer-owners have opened new proximity stores during the past quarter. That's another 140,000 square feet of retail sales space and proof positive of their commitment to RONA and their confidence in our future.

As you can see, we are off to a terrific start. In fact, the *New Realities, New Solutions* plan is the outcome of major consultations with store managers, dealer-owners and employees in order to adapt our business model to new realities while generating the greatest possible strength from that model and the expertise we've gained through our acquisitions in the past few years.

This is a plan that really is based on teamwork and contributions by all employees, and I can tell you, having recently met with them across the country,

from coast to coast, that they're more ready than ever to make this plan a success.

Many of our employees, store managers and dealer-owners are also shareholders, and believe me they want to achieve an outstanding return on their investment in the years ahead every bit as much as the shareholders here this evening or joining us on the internet.

In conclusion, on behalf of RONA's store managers and employees, on behalf of my colleagues on the board of directors, I want to thank two board members who have reached retirement age: Jocelyn Tremblay, who has been a member of the board since 1998, and Jean Gaulin, a board member since 2004 and chairman of the board since 2007. Their wisdom and sound advice have been tremendously valuable and we're all extremely grateful for their contributions. Thank you both, very much!

I'll now turn the mike over to Jean Gaulin now for the question and answer period.

Thank you.