

September 17, 2013

# MAKING RONA A LEANER, MORE EFFICIENT AND MORE AGILE CORPORATION

SCOTIA BACK TO SCHOOL CONFERENCE

Robert Sawyer, President and CEO



# FORWARD-LOOKING INFORMATION

---

Statements included in the presentation 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](http://www.sedar.com) and at [www.rona.ca](http://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.

# AGENDA

---

- 1. The situation at RONA when I became CEO five months ago**
- 2. Decisions taken since I joined RONA**
  - **Assessment**
  - **Structure**
  - **Recovery plan**
  - **Culture / Vision**
- 3. Conclusion**

# THE SITUATION AT RONA WHEN I BECAME CEO FIVE MONTHS AGO

## UNDERPERFORMING FINANCIAL RESULTS

- Negative retail same-store sales for 11 quarters in a row
- Rapid decrease in earnings: EPS went from \$1.05 in 2010 to \$0.57 in 2012
- Stock price under pressure

## CLIMATE OF UNCERTAINTY

- Unsolicited proposal by Lowe's
- Departure of longstanding CEO
- Interim period : November to April
- Pressure by a major shareholder to make changes to the Board
- Appointment of new Chairman
- Important changes in the Board composition

# DECISIONS TAKEN IN THE PAST 5 MONTHS

## 1. Assessed the business model

### DIFFERENT BUSINESS MODEL (multi-format, multi-ownership, multi-banners)

CANADA (542 STORES*)				
	TOTAL	Corporate	Franchised	Affiliated
Big-box	66	47	19	--
Réno-Dépôt	16	16	--	--
Proximity	439	144	2	293
Contractor	21	21	--	--
TOTAL	542	228	21	293



*\*Excluding 57 Commercial and Professional branches classified as discontinued operations and 160 TruServ bannered stores.*

# DECISIONS TAKEN IN THE PAST 5 MONTHS

## 1. Assessed the business model

### GREAT BRANDS

**RONA**  
L'ENTREPÔT

**RONA**  
HOME & GARDEN

**RONA**

**RÉNO DÉPÔT**

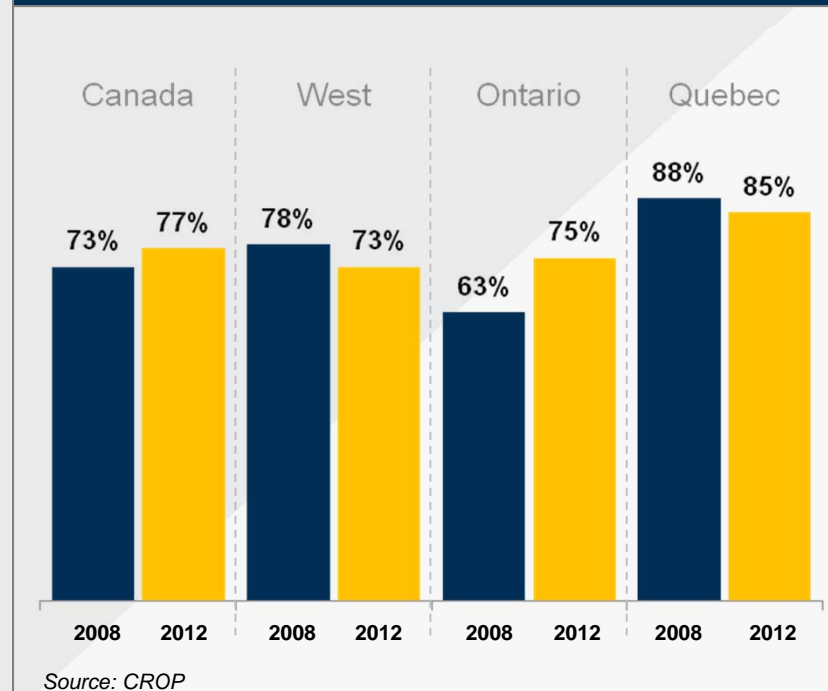
**MATÉRIAUX  
COUPAL**  
LE CHOIX DES ENTREPRENEURS

**DICK'S**  
LUMBER & BUILDING SUPPLIES LTD.

**MARCIL**  
CENTRE DE RÉNOVATION

**TruServ**  
CANADA

### STRONG BRAND AWARENESS

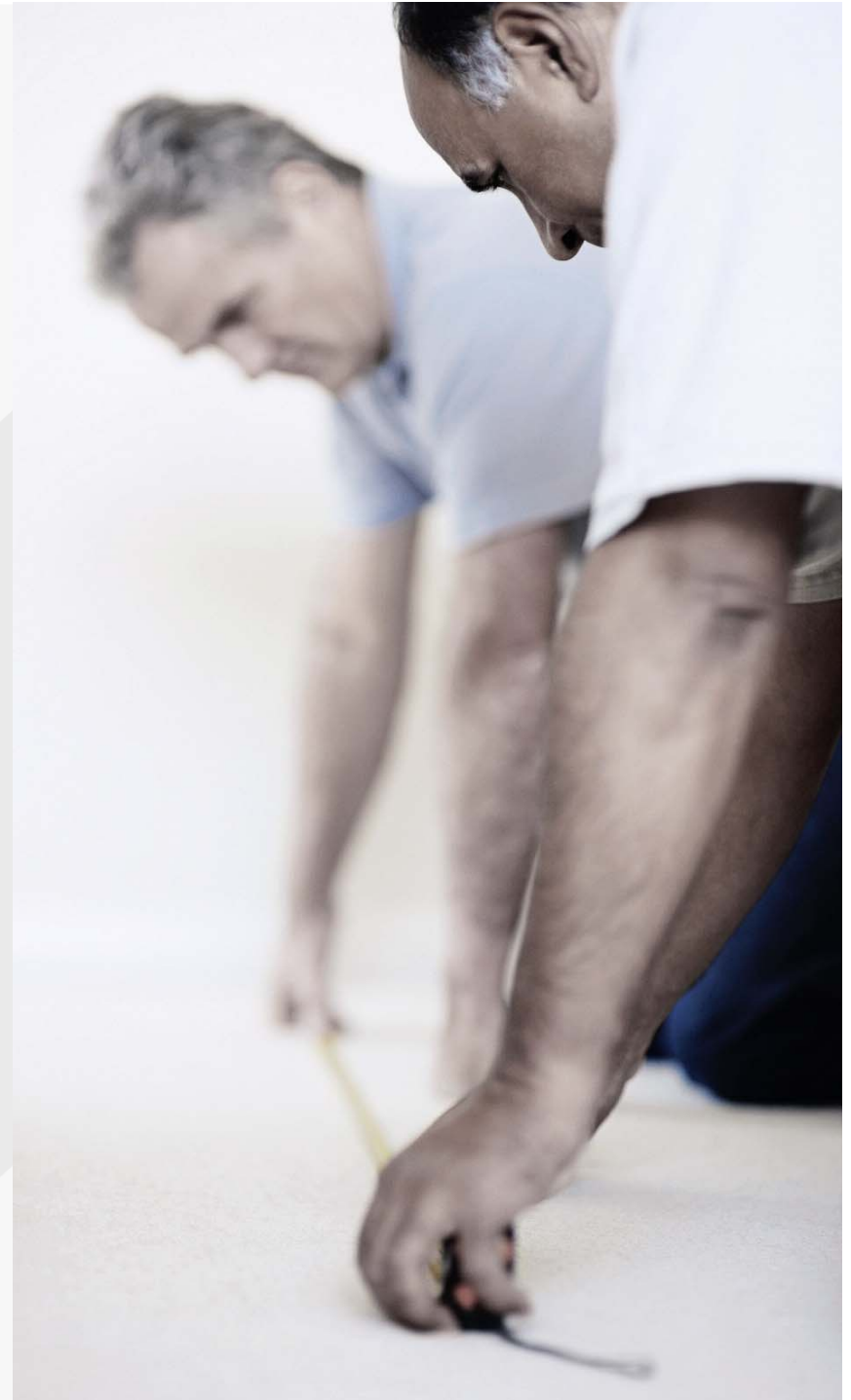




# DECISIONS TAKEN IN THE PAST 5 MONTHS

## 2. Set up an organizational structure that is aligned on delivering the results

- Refined the positioning along four distinct groups



# CLARIFIED OUR POSITIONING: FOUR DISTINCT GROUPS

## **BIG-BOX STORES (50K to 165k square feet)**

47 corporate stores across Canada – 19 franchised stores in Quebec





# CLARIFIED OUR POSITIONING: FOUR DISTINCT GROUPS

**RÉNO-DÉPÔT (About 80K square feet)**  
16 corporate stores in Quebec



# CLARIFIED OUR POSITIONING: FOUR DISTINCT GROUPS

**RONA PROXIMITY STORES (Less than 50K square feet)**  
144 corporate, 2 franchised and 293 RONA affiliates across Canada



# CLARIFIED OUR POSITIONING: FOUR DISTINCT GROUPS

## CONTRACTOR SPECIALISTS

(About 5K to 10K square feet with large lumberyard)

16 corporate stores in Quebec, 5 in BC + about 30% of sales in our total store network across Canada

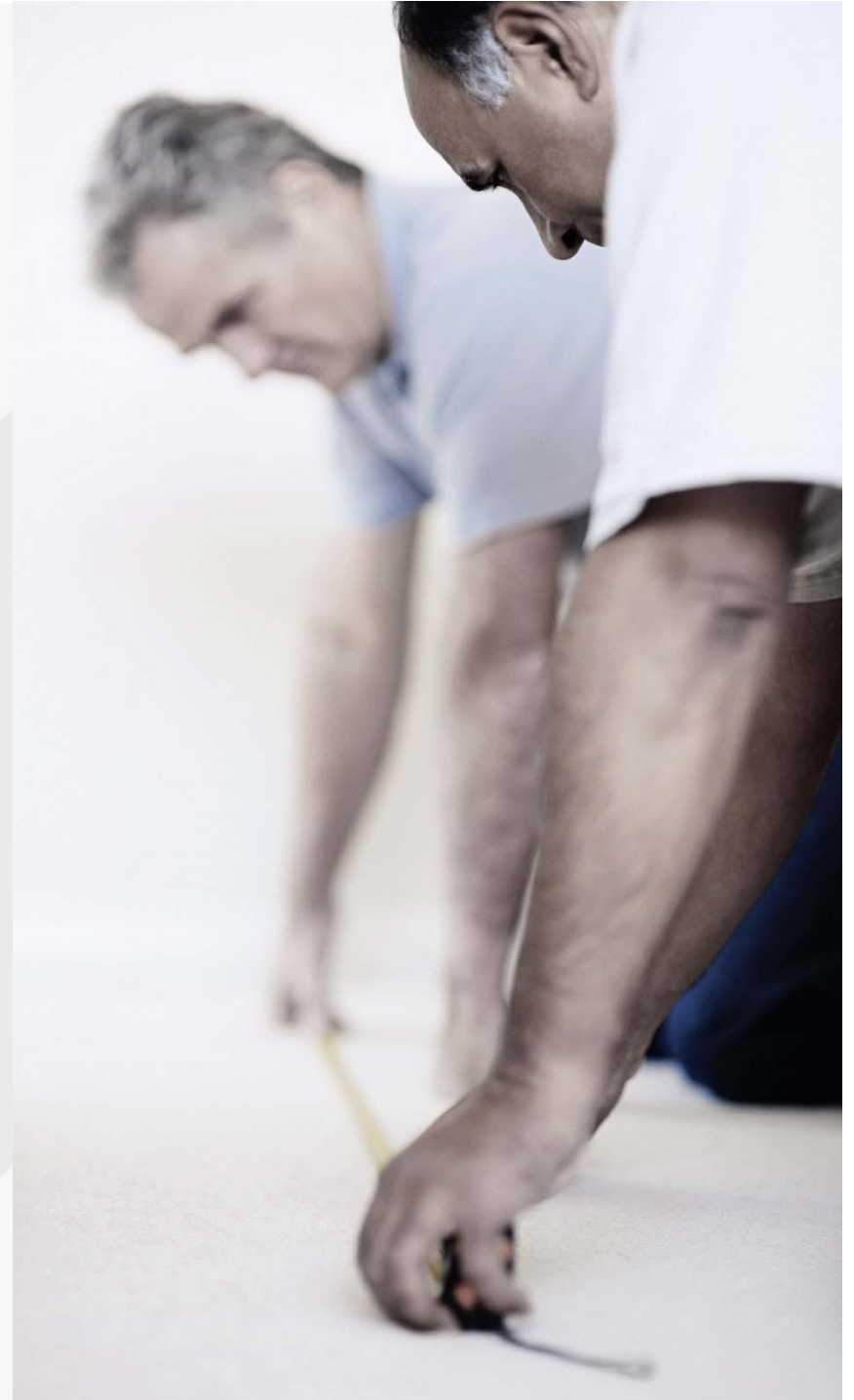


# DECISIONS TAKEN IN THE PAST 5 MONTHS

---

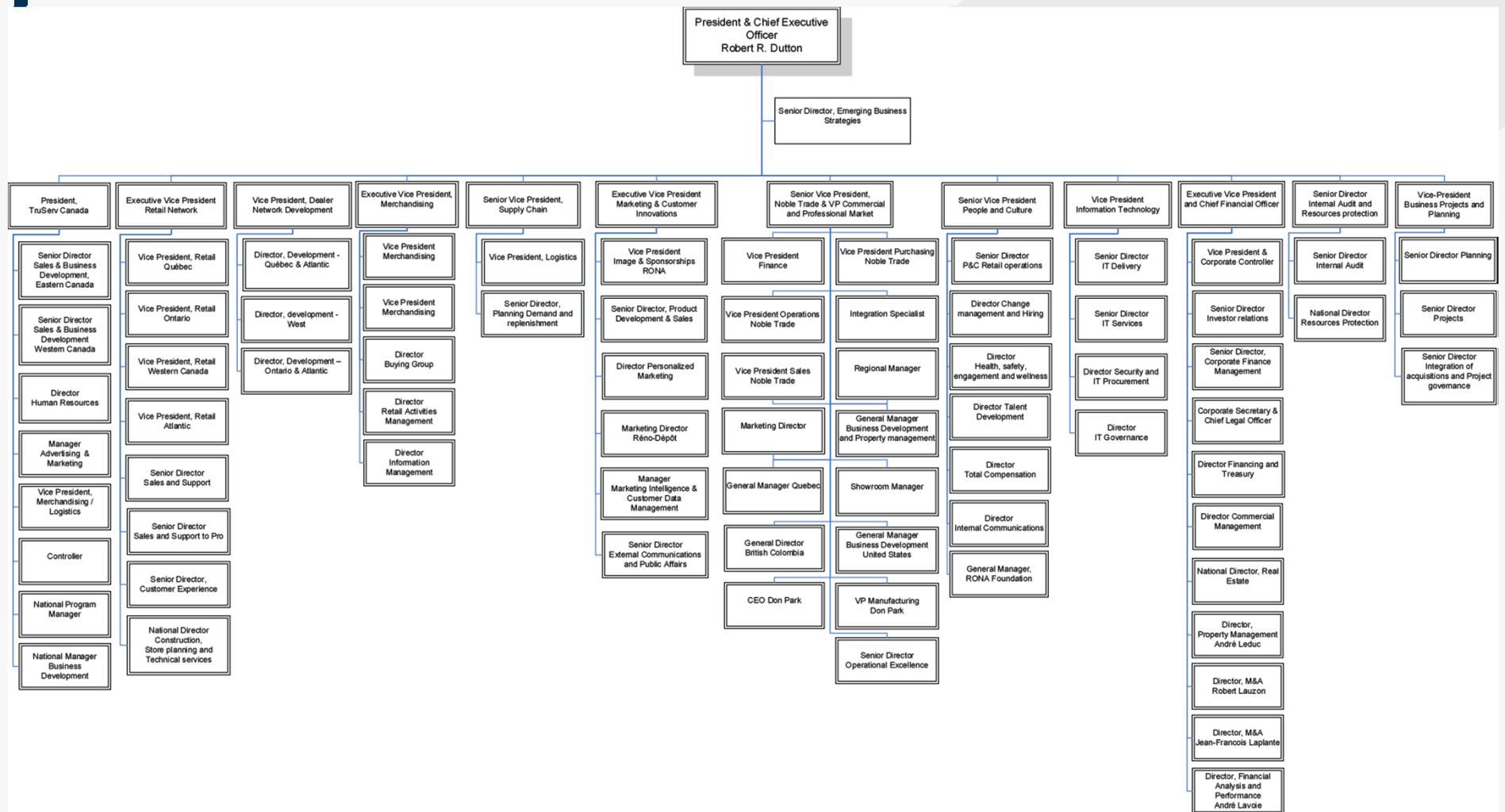
## 2. Set up an organizational structure that is aligned on delivering the results

- Streamlining the structure
- Reorganizing the commercial structure
- Building a strong retail expertise

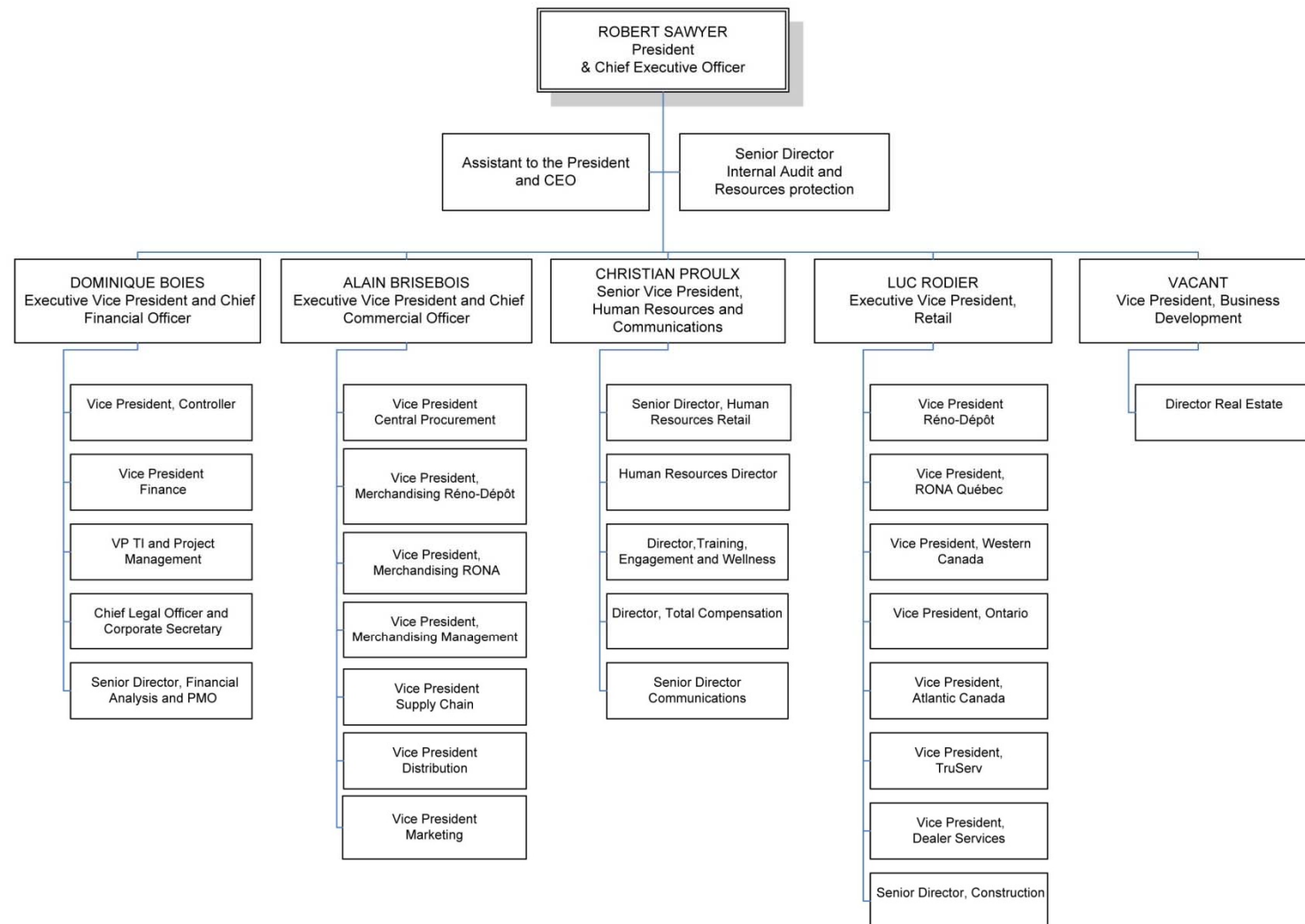




# STRUCTURE UNDER PREVIOUS CEO HAD THIRTEEN DIRECT REPORTS

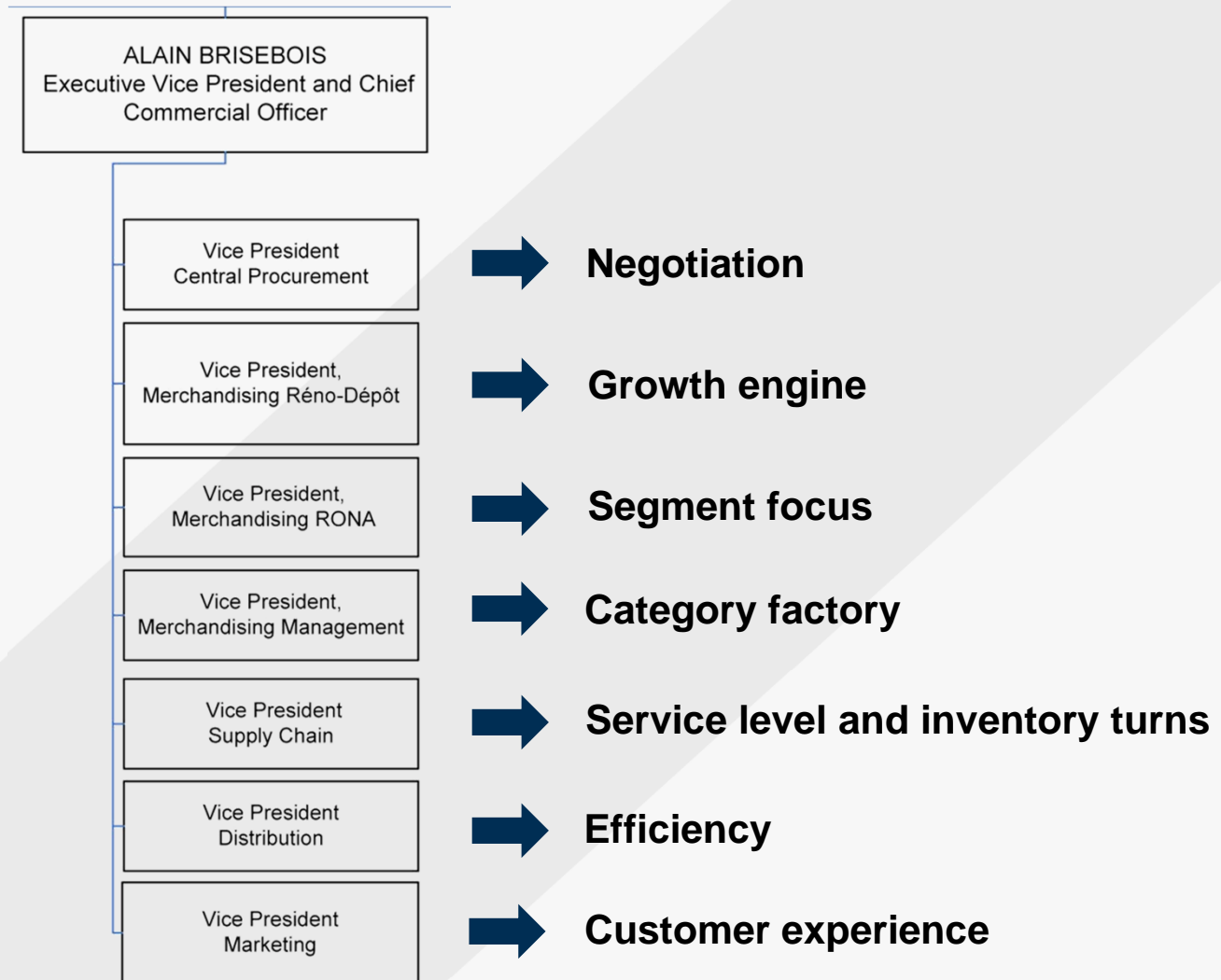


# STREAMLINING THE STRUCTURE AND COMBINING NEW BLOOD WITH EXISTING TALENT





# REORGANIZING THE COMMERCIAL STRUCTURE



# NEW MEMBERS BRING STRONG RETAIL EXPERTISE



**ALAIN BRISEBOIS**, CHIEF COMMERCIAL OFFICER

- Over 30 years experience
- Held strategic positions with large retailers and developed expertise to rapidly improve efficiency in marketing, merchandising and supply chain



**CLAIRE BARA**, VICE PRESIDENT - MARKETING

- Over 20 years experience with large retailers
- On the ground, close to operations, developed innovative marketing programs



**LUCIE GUIMOND**, VICE PRESIDENT - MERCHANDISING

- Over 20 years experience with large retailers
- Result-oriented, strong capacity for handling and delivering multiple priorities in a fast-paced environment

# DECISIONS TAKEN IN THE PAST 5 MONTHS

## 3. Put a recovery plan in place to take costs out and realign our business model

**\$110M cost reduction target announced at the end of June**

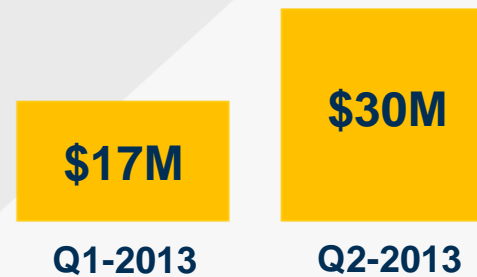
- 325 administrative positions eliminated in April and June
- Reduction in administrative, marketing, merchandising and distribution expenses
- Closure of 11 non-profitable stores

# \$110M COST SAVINGS TARGET

## Expected Savings



## Run Rate Achievements



## DECISIONS TAKEN IN THE PAST 5 MONTHS

- 4. Change the culture and put in place a vision that focuses on four pillars**
  - 1. Make the customer central to our decisions**
  - 2. Provide the best in-store execution**
  - 3. Have the best team**
  - 4. Generate returns and growth for our shareholders**



---

***We have taken fast action to turn around our financial performance.***

***It's now a question of strategy, execution, discipline and time!***

---





## CONCLUSION



# KEY MESSAGE OF TODAY'S PRESENTATION

## WE ARE IN A TRANSFORMATION MODE

1. Challenging market conditions and proactive inventory reduction
2. Positive impact from cost cutting initiatives started in 2013, growing contribution expected in 2014
3. New team starts to positively impact strategic decisions
4. Stronger balance sheet and greater financial flexibility following expected \$218M proceed from disposal of ICI business



# QUESTIONS

**RONA**

