



PRESS RELEASE

ACE HARDWARE REPORTS RECORD 2015 REVENUES, PROFITS AND PATRONAGE DIVIDEND

- *Record fiscal 2015 revenues of \$5.0 billion, an increase of 7.3 percent from last year*
- *Record fiscal 2015 net income of \$156.2 million, an increase of 10.5 percent from last year*
- *Record patronage dividends of \$145.9 million, up 7.8 percent from last year*

Oak Brook, Ill. (February 24, 2016) – Ace Hardware Corporation (“Ace” or the “Company”), the largest retailer-owned hardware cooperative in the world, today reported total fiscal 2015 revenues of \$5.0 billion, an increase of \$344.5 million or 7.3 percent from fiscal 2014. Fiscal 2015 consisted of 52 weeks compared to 53 weeks in fiscal 2014. The 53rd week in fiscal 2014 added approximately \$49.4 million in revenues in 2014. Excluding the 53rd week in fiscal 2014, revenues increased \$393.9 million or 8.5 percent. Net income was \$156.2 million for fiscal 2015, an increase of \$14.9 million or 10.5 percent from fiscal 2014.

The fourth quarter of fiscal 2015 consisted of 13 weeks while the fourth quarter of 2014 contained 14 weeks. Total revenues for the fourth quarter of 2015 were \$1.2 billion, an increase of \$2.4 million or 0.2 percent, from the fourth quarter of 2014. Excluding the extra week in the prior year quarter, fiscal 2015 fourth quarter revenues grew \$51.8 million, or 4.7 percent. Net income was \$12.1 million for the fourth quarter of 2015 compared to \$12.7 million in the fourth quarter of 2014.

"I'm honored to report the third consecutive year of record financial performance for the Company," said John Venhuizen, President and CEO. "My sincere gratitude to the team for delivering shareholders an impressive pre-tax return on equity of 33 percent."

The approximately 3,000 Ace retailers who share daily retail sales data enjoyed a strong fiscal 2015, with increased customer count and average transaction size driving a 4.6 percent same-store-sales increase. Same-store-sales at these stores were up 3.0 percent for the fourth quarter of fiscal 2015. Both percentages exclude the impact of the 53rd week in 2014.

"As the result of the strong 4.6 percent growth in same-store-sales, 158 new domestic stores and the disciplined execution of the entire Ace enterprise, we are delighted to deliver a record \$146 million in patronage dividends," said Venhuizen. "This 7.8 percent increase in patronage dividends, coupled with the \$51 million customers receive in up front "dividends" through reduced handling charges on price sensitive products, brings total 2015 shareholder return to \$197 million."

Revenues

Consolidated revenues for fiscal 2015 totaled \$5.0 billion, an increase of \$344.5 million, or 7.3 percent, as compared to the prior year. Total wholesale revenues were \$4.8 billion, an increase of \$326.6 million, or 7.3 percent, as compared to the prior year. Increases were noted across all departments with outdoor living, electrical and lawn and garden showing the largest gains.

Wholesale merchandise revenues from new domestic stores were \$104.7 million in fiscal 2015. This increase was partially offset by a decrease in wholesale merchandise revenues of \$43.8 million due to domestic store cancellations. Wholesale merchandise revenues to comparable domestic stores increased \$172.8 million in fiscal 2015 compared to fiscal 2014. Note that the new store, cancelled store and comparable store amounts all exclude the impact of non-recurring Paint Studio equipment revenues of \$46.8 million in fiscal 2014 and the impact of the 53rd week of \$49.4 million. Wholesale revenues from the Company's Ace Wholesale Holdings LLC ("AWH") subsidiary contributed \$196.0 million of the increase.

Retail revenues from Ace Retail Holdings ("ARH") were \$251.7 million during fiscal 2015, an increase of \$17.9 million or 7.7 percent. Average ticket price increased 3.3 percent and customer count increased 1.3 percent compared to fiscal 2014 leading to a same-store-sales increase of 4.6 percent. The largest increases were in lawn and garden, consumables and electrical.

Ace added 158 new domestic stores in fiscal 2015 and cancelled 98 stores. This brought the Company's total domestic store count to 4,311 at the end of fiscal 2015, an increase of 60 stores from the end of fiscal 2014.

Consolidated revenues for the quarter ended January 2, 2016 totaled \$1.2 billion. Total wholesale revenues were \$1.1 billion, a decrease of \$2.1 million, or 0.2 percent, as compared to the prior year fourth quarter. The decrease is the result of one less week in the fourth quarter of fiscal 2015 compared to fiscal 2014.

Wholesale merchandise revenues to comparable stores decreased \$3.7 million in the fourth quarter of 2015. Wholesale merchandise revenues to new domestic stores activated in the 2014 and 2015 fiscal year periods contributed \$21.6 million in incremental revenues during the quarter, while wholesale merchandise revenues decreased \$9.7 million due to stores that cancelled their membership in 2014 and 2015. Note that the new store, cancelled store and comparable store amounts all exclude the impact of non-recurring Paint Studio equipment revenues of \$1.5 million in fiscal 2014 and the impact of the 53rd week of \$49.4 million. The Company's AWH subsidiary contributed \$47.5 million of incremental revenue.

Retail revenues from ARH were \$59.8 million in the fourth quarter of 2015. This is an increase of \$4.5 million, or 8.1 percent, from the fourth quarter of 2014. Same-store-sales were up 3.8 percent versus the prior year with lawn and garden, consumables and paint showing the largest increases.

Gross Profit

Wholesale gross profit for fiscal 2015 was \$589.1 million, an increase of \$42.7 million from fiscal 2014. The wholesale gross margin percentage was 12.3 percent of wholesale revenues in fiscal 2015, an increase from fiscal 2014's gross margin percentage of 12.2 percent. The

increase in the wholesale gross margin percentage was primarily driven by additional income received from vendors.

Retail gross profit for fiscal 2015 was \$112.6 million, an increase of \$6.8 million from fiscal 2014. The retail gross margin percentage was 44.7 percent of retail revenues in fiscal 2015, down from 45.3 percent in fiscal 2014. The decrease in the retail gross margin percentage was primarily the result of product mix. Retail gross profit is determined based on the Company's wholesale acquisition cost of product, not ARH's acquisition cost which includes a markup from the Company.

Expenses

Wholesale operating expenses increased \$24.4 million, or 6.0 percent, for fiscal 2015 as compared to fiscal 2014. The increase was primarily driven by additional operating expenses resulting from the AWH acquisition of Jensen-Byrd Co., LLC ("Jensen") in December 2014, increased warehouse costs associated with the higher sales volume as well as increased advertising expenses, partially offset by the settlement of a gain contingency. As a percentage of wholesale revenues, wholesale operating expenses decreased from 9.1 percent of wholesale revenues in fiscal 2014 to 9.0 percent of wholesale revenues in fiscal 2015.

Retail operating expenses of \$95.7 million increased \$4.2 million, or 4.6 percent, in fiscal 2015 as compared to fiscal 2014, primarily as a result of higher expenses associated with ARH's acquisition of five retail stores during the second quarter of 2015 and the opening of a new retail store in the third quarter of 2015. Retail operating expenses as a percent of retail revenues decreased to 38.0 percent of retail revenues in fiscal 2015 from 39.1 percent in fiscal 2014.

The Company recorded \$3.7 million of warehouse facility closure costs in fiscal 2015 as a result of ARH vacating its leased warehouse facility and the settlement of a withdrawal liability for the multi-employer pension fund that covered former union employees at the closed Retail Support Center in Toledo, Ohio.

About Ace Hardware

For more than 90 years, Ace Hardware has been known as the place with the helpful hardware folks in thousands of neighborhoods across America, providing customers with a more personal kind of helpful. In 2015, Ace ranked “Highest in Customer Satisfaction among Home Improvement Retail Stores, Nine Years in a Row,” according to J.D. Power*. With more than 4,800 hardware stores locally owned and operated across the globe, Ace is the largest retailer-owned hardware cooperative in the world. Headquartered in Oak Brook, Ill., Ace and its subsidiaries currently operate 17 distribution centers in the U.S. and also have distribution capabilities in Shanghai, China; Panama City, Panama; and Dubai, United Arab Emirates. Its retailers' stores are located in all 50 states, the District of Columbia and approximately 60 countries. For more information on Ace, visit www.acehardware.com.

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* Ace Hardware received the highest numerical score among retail stores in the proprietary J.D. Power 2015 Home Improvement Retail Store StudySM. Study based on responses from 2,994 consumers measuring six stores and opinions of consumers who purchased a home improvement product or service within the previous 12 months. Proprietary study results are based on experiences and perceptions of consumers surveyed January-February 2015. Your experiences may vary. Visit jdpower.com

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In millions)

	Three Months Ended		Twelve Months Ended	
	January 2, 2016 (13 Weeks)	January 3, 2015 (14 Weeks)	January 2, 2016 (52 Weeks)	January 3, 2015 (53 Weeks)
Revenues:				
Wholesale revenues	\$ 1,104.2	\$ 1,106.3	\$ 4,793.3	\$ 4,466.7
Retail revenues	59.8	55.3	251.7	233.8
Total revenues	<u>1,164.0</u>	<u>1,161.6</u>	<u>5,045.0</u>	<u>4,700.5</u>
Cost of revenues:				
Wholesale cost of revenues	982.3	993.3	4,204.2	3,920.3
Retail cost of revenues	33.6	31.1	139.1	128.0
Total cost of revenues	<u>1,015.9</u>	<u>1,024.4</u>	<u>4,343.3</u>	<u>4,048.3</u>
Gross profit:				
Wholesale gross profit	121.9	113.0	589.1	546.4
Retail gross profit	26.2	24.2	112.6	105.8
Total gross profit	<u>148.1</u>	<u>137.2</u>	<u>701.7</u>	<u>652.2</u>
Distribution operations expenses	33.6	32.6	131.7	119.2
Selling, general and administrative expenses	45.5	40.7	166.1	154.1
Retailer success and development expenses	33.7	29.2	135.0	135.1
Retail operating expenses	23.8	21.7	95.7	91.5
Warehouse facility closure costs	-	0.7	3.7	0.7
Total operating expenses	<u>136.6</u>	<u>124.9</u>	<u>532.2</u>	<u>500.6</u>
Operating income	11.5	12.3	169.5	151.6
Interest expense	(3.2)	(3.3)	(15.8)	(13.1)
Interest income	1.0	0.5	3.4	3.0
Other income, net	1.3	1.5	6.6	6.1
Income tax benefit (expense)	1.5	1.7	(7.5)	(6.3)
Net income	<u>12.1</u>	<u>12.7</u>	<u>156.2</u>	<u>141.3</u>
Less: net income (loss) attributable to noncontrolling interests	<u>(0.5)</u>	<u>-</u>	<u>2.0</u>	<u>0.4</u>
Net income attributable to Ace Hardware Corporation	<u>\$ 12.6</u>	<u>\$ 12.7</u>	<u>\$ 154.2</u>	<u>\$ 140.9</u>
Patronage distributions accrued	<u>\$ 13.2</u>	<u>\$ 12.4</u>	<u>\$ 145.9</u>	<u>\$ 135.3</u>
Patronage distributions accrued for third party retailers	<u>\$ 11.1</u>	<u>\$ 10.7</u>	<u>\$ 141.3</u>	<u>\$ 131.7</u>

ACE HARDWARE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	January 2, 2016	January 3, 2015
Assets		
Cash and cash equivalents	\$ 11.3	\$ 29.8
Marketable securities	47.1	42.2
Receivables, net of allowance for doubtful accounts of \$8.3 and \$6.5, respectively	375.3	381.8
Inventories	714.5	692.9
Prepaid expenses and other current assets	45.1	54.7
Total current assets	1,193.3	1,201.4
Property and equipment, net	318.1	323.0
Notes receivable, net of allowance for doubtful accounts of \$8.7 and \$10.9, respectively	11.8	12.2
Goodwill and other intangible assets	35.3	35.0
Other assets	98.7	85.6
Total assets	\$ 1,657.2	\$ 1,657.2
Liabilities and Equity		
Current maturities of long-term debt	\$ 27.2	\$ 41.5
Accounts payable	552.5	601.6
Patronage distributions payable in cash	57.5	53.7
Patronage refund certificates payable	8.6	6.6
Accrued expenses	172.9	162.5
Total current liabilities	818.7	865.9
Long-term debt	242.2	242.2
Patronage refund certificates payable	41.3	32.3
Other long-term liabilities	58.9	67.0
Total liabilities	1,161.1	1,207.4
Member Retailers' Equity:		
Class A voting common stock, \$1,000 par value, 10,000 shares authorized, 2,734 and 2,751 issued and outstanding, respectively	2.7	2.8
Class C nonvoting common stock, \$100 par value, 6,000,000 shares authorized, 3,756,627 and 3,425,232 issued and outstanding, respectively	375.7	342.5
Class C nonvoting common stock, \$100 par value, issuable to retailers for patronage distributions, 564,155 and 565,068 shares issuable, respectively	56.4	56.5
Contributed capital	20.7	20.6
Retained earnings	28.4	15.5
Accumulated other comprehensive income	0.2	1.7
Equity attributable to Ace member retailers	484.1	439.6
Equity attributable to noncontrolling interests	12.0	10.2
Total equity	496.1	449.8
Total liabilities and equity	\$ 1,657.2	\$ 1,657.2

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Twelve Months Ended	
	January 2, 2016 (52 Weeks)	January 3, 2015 (53 Weeks)
Operating Activities		
Net income	\$ 156.2	\$ 141.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50.2	50.3
Amortization of deferred gain on sale leaseback	-	(1.1)
Amortization of deferred financing costs	0.7	1.1
Loss on early extinguishment of debt	2.2	-
Loss on the disposal of assets, net	0.1	1.5
Provision for doubtful accounts	0.1	1.1
Warehouse facility closure costs	0.8	0.7
Other, net	0.1	0.2
Changes in operating assets and liabilities, exclusive of effect of acquisitions:		
Receivables	(18.3)	(34.8)
Inventories	(17.8)	(133.1)
Other current assets	(3.2)	(15.0)
Other long-term assets	(10.8)	(20.9)
Accounts payable and accrued expenses	(40.4)	66.5
Other long-term liabilities	(9.5)	1.9
Deferred taxes	8.6	(0.8)
Net cash provided by operating activities	<u>119.0</u>	<u>58.9</u>
Investing Activities		
Purchases of marketable securities	(11.5)	(15.9)
Proceeds from sale of marketable securities	5.6	28.5
Purchases of property and equipment	(41.9)	(41.1)
Cash paid for acquired businesses, net of cash acquired	(5.6)	(63.2)
Decrease in notes receivable, net	2.2	2.0
Other	0.1	0.5
Net cash used in investing activities	<u>(51.1)</u>	<u>(89.2)</u>
Financing Activities		
Net borrowings under revolving lines of credit	150.2	99.9
Principal payments on long-term debt	(177.0)	(24.1)
Payments of deferred financing costs	(1.1)	-
Payments of cash portion of patronage distribution	(48.9)	(36.6)
Payments of patronage refund certificates	(6.7)	(0.2)
Proceeds from sale of noncontrolling interests	-	2.0
Repurchase of stock	(3.9)	-
Other	1.0	1.2
Net cash (used in) provided by financing activities	<u>(86.4)</u>	<u>42.2</u>
(Decrease) increase in cash and cash equivalents	<u>(18.5)</u>	<u>11.9</u>
Cash and cash equivalents at beginning of period	29.8	17.9
Cash and cash equivalents at end of period	<u>\$ 11.3</u>	<u>\$ 29.8</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 9.8</u>	<u>\$ 12.3</u>
Income taxes paid	<u>\$ 5.4</u>	<u>\$ 6.2</u>