

# Rona Inc

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## Rona's Q3 results miss, cost savings program on track

Shares of Rona (TSE:RON)(TSE:RON.PR.A) were up Tuesday following the release of the company's third quarter results, despite missing profit and revenue estimates as the Canadian home renovation retailer continues to struggle amid unfavourable market conditions.

For the three months that ended September 29, it reported net income of \$30.0 million, or 25 cents per share, up from \$5.5 million, or 5 cents per share a year earlier, but down from \$33.5 million, or 28 cents per share, when excluding one-time items.

Revenue fell 4.3% to \$1.17 billion, due to store closures as well as a 2.4% decrease in same store sales.

Rona was expected to earn \$39.2-million or 30 cents per share in adjusted profit on \$1.25-billion of revenues, according to analysts polled by Thomson Reuters.

The company said same-store sales were affected by a sharp drop in single-family housing starts in Canada, particularly in Quebec, where it declined by 31% during the quarter. Rona earns nearly 50% of its total revenues in Quebec.

The home renovation company also said that it achieved annualized cost savings of \$63 million, of the \$110 million it is planning by year-end. The cost savings are mainly related to workforce reductions, the renegotiation of major administrative services contracts and the closure of underperforming stores, Rona said.

"The \$63 million in annualized cost-savings achieved year-to-date has allowed us to quickly roll out measures that will have an ongoing impact on Rona's financial performance," said president and CEO Robert Sawyer in a statement.

"I am especially proud of the fact that we have reduced our inventory by a total of \$114 million."

Rona, which sold its commercial and professional market division last month for proceeds of \$214 million, approved Tuesday a normal course issuer bid to buy back 8.6 million shares, or 10% of the public float.

The company generated free cash flows of \$151.3 million in the third quarter, up from \$144.4 million a year ago, and ended the period with net debt of \$347.8 million.

Shares of Rona rose 0.5% to C\$12.07 in Toronto in early afternoon trade.

**Market Cap:** \$0.00

### Share Information

**Code:** RON  
**Listing:** TSX  
**Sector:** Retail  
**Website:** [www.rona.ca](http://www.rona.ca)

### Company Synopsis:

*RONA is the largest Canadian distributor and retailer of hardware, renovation and gardening products. RONA operates a network of close to 700 corporate, franchise and affiliate stores of various sizes and formats.*

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