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ROna Inc.: Was Being bought out the best option?[[1]](#endnote-1)

Normand Turgeon and JoAnne Labrecque wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In July 2012, U.S. giant Lowe’s Companies, Inc. (Lowe’s) submitted an unsolicited bid to the board of directors of Canadian giant RONA Inc. (RONA), a home improvement and construction products retailer. Its goal was to conquer the Canadian market more quickly. The response of RONA’s independent merchants was unequivocal: No, thank you.[[2]](#endnote-2) RONA’s board rejected the unsolicited takeover,[[3]](#endnote-3) and Lowe’s withdrew its offer in September 2012.[[4]](#endnote-4) Those who opposed the transaction were relieved.[[5]](#endnote-5) When Lowe’s made a second attempt to buy the company, in February 2016, the offer was accepted. Negotiations followed, and the deal was completed in March 2016. RONA officially became part of Lowe’s Companies Canada, ULC (Lowe’s Canada), a subsidiary of Lowe’s, in May 2016.[[6]](#endnote-6)

However, one year later, in April 2017, the debate reignited when the results of a survey indicated that Lowe’s suppliers were dissatisfied with Lowe’s purchasing practices.[[7]](#endnote-7) The survey revealed that 10 per cent of RONA’s suppliers had seen a drop in their sales of more than 20 per cent after the takeover.[[8]](#endnote-8) Opponents and supporters of the RONA acquisition, by then a done deal, debated in public.[[9]](#endnote-9) Further, in early April 2018, a political document written by the former Quebec economy minister, the late Jacques Daoust, indicated that “the sale of the provincial government’s stake in the RONA hardware chain to American interests haunted him to the end of his life.”[[10]](#endnote-10) It looked like the scars left by Lowe’s acquisition of RONA had not healed properly. Did RONA have another viable option at the time of acquisition other than being bought out by Lowe’s? What, if anything, should Lowe’s say or do in response to Daoust’s comments, which had recently been made public?

FoundiNG RONA 1.0 (1939–1969): A VISION, A MISSION, A SUCCESS

The founding of Les Marchands en Quincaillerie Ltée. (Les Marchands en Quincaillerie) in 1939 brought about the birth of RONA. This group of half a dozen merchants aimed to change the retail hardware and iron products trade in Quebec. One of the wholesale group’s most important goals was to provide its members with a continuous supply of products. In 1951, the group had about 100 members, and the wholesale value of sales to members of the group was CA$1.758 million.[[11]](#endnote-11) Quincaillerie Ro-Na Inc./Ro-Na Hardware Inc. emerged in 1960 and took charge of the group’s advertising and sales promotion. In 1965, Les Marchands en Quincaillerie entered into strategic alliances with Hollinger Hardware (Ontario), Falcon Hardware (Manitoba), and Link Hardware (Alberta). Together, they created a new commercial entity called United Hardware Wholesalers Limited/Les Quincaillers Grossistes Associés Ltée. to group purchases of products that they sold exclusively to their members. The head office was located in Calgary, Alberta. In August 1969, Quincaillerie Ro-Na Inc./Ro-Na Hardware Inc. was dissolved and Les Marchands en Quincaillerie Ltée. was re-named Marchands Ro-Na Inc. (Marchands Ro-Na).[[12]](#endnote-12)

BECOMING RONA 2.0 (1970–2012): THE SKY’S THE LIMIT, OR IS IT?

In the early 1970s, Marchands Ro-Na established a new head office in Boucherville, a suburb of Montreal, Quebec. To optimize supply and distribution operations, it built a new warehouse equipped with state-of-the-art technology. Revenues rose sharply, reaching $204 million in 1980. Subsequently, Marchands Ro-Na acquired 36 Botanix nurseries with a turnover of $18 million in 1982. It entered into a strategic alliance with Home Hardware Stores Ltd. (Home Hardware) in 1984. In 1988, it merged its activities with Groupe Dismat Inc. and took the name Groupe Ro-Na Dismat Inc. (Ro-Na Dismat). By 1989, sales had reached $560 million, and Ro-Na Dismat had 616 affiliated members.[[13]](#endnote-13)

The 1990s marked big changes for this company as well as for the whole retail sector. In May 1992, Robert Dutton, who had joined the company as a retail price analyst in 1978, became Ro-Na Dismat’s new chief executive officer (CEO). An outstanding communicator, Dutton eagerly took up the challenge of creating a common and unifying vision for the company.[[14]](#endnote-14)

Not long after Dutton took office, a competitor proposed a new store concept and opened the first Réno-Dépôt, a warehouse store. Dutton was quick to respond to this offensive and opened the first RONA L’entrepôt in 1994. This store concept offered both renovation and décor products and targeted a largely female clientele. To differentiate it from other Ro-Na Dismat stores, this store adopted different banners. For example, RONA Express and RONA Express Lumber replaced the banners Dismat and Le Quincailleur; however, these two new banners then disappeared. Dutton observed new shopping trends, and the company invested in an informational website.[[15]](#endnote-15)

In 1998, the retailer finally adopted the legal name RONA Inc. (RONA), and between 2000 and 2010, RONA made several acquisitions, opened new franchise stores, and added affiliated stores to its network (see Exhibit 1). The goal was to consolidate the Canadian market. At the end of 2012, RONA had 822 stores in Canada (291 corporates, 20 franchises, and 511 affiliates), including about 500 in Quebec. RONA was present in all store types and had consolidated sales of $4.9 billion.[[16]](#endnote-16) With a staff of 28,000, RONA was the Canadian leader in the wholesale and retail distribution of home improvement, hardware, construction, plumbing, home décor, garden furniture, horticulture, and gardening products.[[17]](#endnote-17)

Elbowing its Way into the Big League

RONA operated across Canada in a retail market that was highly segmented based on characteristics such as size, the variety of products and services offered, price promotion, and location. Retail store sizes ranged from approximately 1,400 to 9,290 square metres (15,000–100,000 square feet). Very large big-box stores boasted offerings of up to 40,000 stock-keeping units (SKUs) and a multitude of services; mid-sized stores (e.g., “mom and pop” hardware stores) offered fewer products and services; and specialty stores (e.g., lumber yards) had fewer still. The warehouse store segment emphasized price promotions, offering fewer products and services but unbeatable prices. Express stores (proximity stores) served urban areas. RONA controlled 19 per cent of the market, ahead of Home Depot of Canada Inc. (Home Depot) and Lowe’s Canada in 2012. General merchandise retailers held 22 per cent and were dominated by Canadian Tire Corporation, Ltd. (Canadian Tire), at 13 per cent.[[18]](#endnote-18) Other smaller hardware chains and independent hardware stores shared what was left (see Exhibit 2). Quebec remained the largest market for RONA (see Exhibit 3).

Canadian Competition

Below is a brief portrait of RONA’s competitors across Canada.

Home Depot

This company made inroads in Canada in 1994 by acquiring five Aikenhead’s Home Improvement Warehouse retail outlets from Molson Inc.[[19]](#endnote-19) It opened its first Home Depot store in Quebec in 2000. By the end of 2012, Home Depot had 180 big-box stores, including 22 in Quebec. Its main strategic goals were to focus on an excellent customer experience; an integrated management system (i.e., supply and availability); competitive prices; and a wide range of products (e.g., major appliances). The company’s transactional website in Canada also benefited from the many upgrades made to its U.S. site.[[20]](#endnote-20)

Lowe’s Canada

Lowe’s entry in the Canadian market in 2007 was ambitious. The company opened three big-box stores in Ontario in one day. A few weeks later, it opened three more big-box stores—again, in Ontario—and then gradually expanded into western Canada. However, Lowe’s goal of 100 retail outlets was too difficult to achieve because its two main competitors, RONA and Home Depot, had already taken the best commercial sites. As a result, the performance of Lowe’s Canada did not measure up to the parent company’s expectations. At the end of 2012, Lowe’s Canada was operating 34 big-box stores and had no presence in Quebec or the Maritimes (New Brunswick, Nova Scotia, and Prince Edward Island). Lowe’s stores in Canada adopted the marketing approach of the U.S. parent company. They offered quality products at competitive prices and focused on superior customer service. The company stood out by selling major appliances and running an efficient transactional website. Lowe’s stores in Canada were committed to improving the brand experience by leveraging the total value offered to customers.[[21]](#endnote-21)

Home Hardware

This 100-per-cent Canadian retailer was a co-operative of more than 1,000 independent dealer–owned stores across Canada. Home Hardware operated under four banners: Home Hardware, Home Hardware Building Centre, Home Building Centre, and Home Furniture. It was present in the market with both mid-sized home hardware stores (Home Hardware, Home Hardware Building Centre), and specialist stores (Home Building Centre and Home Furniture). Home Hardware was Canada’s largest independent home improvement group; its annual revenues were estimated at $5 billion at the end of 2012. Its market positioning, based on the advertising slogan “Home owners helping home owners,” demonstrated its commitment to strong, personalized customer service. Home Hardware’s strategic alliance with RONA, signed in 1984, dissolved in the mid-2000s.[[22]](#endnote-22)

Groupe BMR Inc. (BMR)

BMR’s 180 independent, affiliated merchants operated in Quebec, Ontario, and the Maritimes. With annual sales estimated at $1.3 billion, BMR was an important banner. The group was mostly present outside major urban centres and operated traditional hardware stores, express stores, and specialist stores. Its business model was based on economies of scale that benefited the group members coupled with personalized service that delighted its clientele of individual customers and entrepreneurs.[[23]](#endnote-23)

Ace Canada

Over the years, Ace Hardware Corporation (Ace) had become one of the largest independent hardware retailers in the world. Users had to purchase the Ace trademark from a supplier chosen by Ace International, one of its divisions. In 2010, the Canadian hardware buying group TIM-BR Marts Ltd. acquired CanWel Hardware from CanWel Building Materials Group Ltd., a hardware buying group. As part of this acquisition, TIM-BR Marts Ltd. obtained the Ace brand licence in Canada. At the end of 2012, about 100 ACE Canada proximity hardware stores were operating across the country.[[24]](#endnote-24)

La Coop fédérée Unimat (Unimat)

Unimat, previously known as Co-op, was a division of La Coop fédérée, a food industry juggernaut with more than $5 billion in revenues. In 2003, its 178 hardware stores of various sizes changed their names to Unimat (a contraction of “united” and “material”). Almost all were independent retailers operating mid-sized hardware stores; there also were some specialist stores (i.e., in the agricultural sector). The Unimat banner was mainly present in suburbs and rural regions. It had stores in Quebec, Ontario, and New Brunswick, and at the end of 2012, its revenues were around $300 million.[[25]](#endnote-25)

Regional Players in the Home Market

Canac-Grenier Marquis Ltée (Canac)

This small chain of hardware stores operated 21 mid-sized branches in the Quebec City region. Its expansion strategy was mostly based on acquiring smaller competitors and opening new stores. Canac offered excellent personalized customer service, which was the cornerstone of its market positioning. At the end of 2012, Canac wanted to expand outside its natural geographic market and was eying the metropolitan Montreal market.[[26]](#endnote-26)

Groupe Patrick Morin Inc. (Patrick Morin)

This small group was founded in 1960 in Lanaudière, one of many fast-growing bedroom communities near Montreal. Executives from the second generation of this family-owned company renamed the organization Patrick Morin Group. At the end of 2012, it had 17 mid-sized Patrick Morin hardware stores whose main objective was to offer the best products and services. Its sales by the end of 2012 were around $175 million.[[27]](#endnote-27)

Other Competition

RONA also faced competition from large and small general merchandise retailers, specialist stores, and others. The presence of indirect competitors such as Costco Wholesale Canada Ltd. and Walmart Canada Corp., which sold tools and hardware products, was not to be underestimated. IKEA Canada Limited Partnership was another very strong competitor in the kitchen and bathroom renovation market. Canadian Tire, with over 450 stores across Canada, offered a broad range of hardware products; small appliances; and seasonal products such as summer furniture, horticulture, and gardening supplies. At the end of 2012, Canadian Tire’s revenues were growing significantly; 40 per cent came from hardware, furniture, and horticulture products.[[28]](#endnote-28)

Small general merchandise retailer chains (e.g., Rossy and Les Magasins Korvette Ltée.) and small independent retailers operating traditional general stores that actively sold various products were also part of the competitive landscape. There was also a large variety of specialty retailers selling home improvement products and services across Canada. For example, Wolseley Canada Inc. sold plumbing products; Westburne Canada, a division of Rexel Canada Electrical Inc., sold electrical equipment and products; and Sherwin-Williams Canada Inc. sold paints and coatings.

Dollar stores such as Dollarama Inc. and Dollar Tree Stores Canada Inc. offered small hardware items, electronics, and seasonal and decorative products at very low prices. Moreover, e-commerce platforms, including Amazon.com Inc., Alibaba Group, and used-item sales websites such as eBay Inc. and its fully owned subsidiary, Kijiji, also had a notable impact. Décor stores (e.g., Benjamin Moore & Co. Ltd. and HomeSense), tool rental stores (e.g., United Rentals Inc. and Simplex Equipment Rental), and tool-lending libraries in Toronto and Vancouver were also active in the marketplace.[[29]](#endnote-29)

ENVIRONMENTAL FACTORS

Sales in the home improvement and construction products sector were influenced by a number of economic factors, including the macroeconomic environment, government policies, and changes in the climate and in consumer behaviour. These are outlined below.

Macroeconomic Environment

Retail sales in this sector were cyclical in nature, affected by economic booms and busts. In a note issued at the end of 2012, the Conference Board of Canada estimated that the Canadian economy would struggle to grow because of the weakness of its major trading partners.[[30]](#endnote-30) In addition, consumer confidence was precarious. The small increase in disposable income per household, the low savings rate of Canadians, and the strong rise in indebtedness delayed major purchases. A decrease in the number of housing starts was reflected in the 2012 census data, which showed the lowest level of housing construction in 10 years. The economic environment had changed dramatically in Canada, and Quebec in particular, in 2004 and 2005, which had fuelled unprecedented growth. Overall, the economic outlook at the time did not herald major growth changes in this retail sector.[[31]](#endnote-31)

Government Policies

Following the financial crisis of 2008–2009, federal and provincial governments in Canada proactively used fiscal and budgetary tools to encourage Canadians to spend more on renovation and construction projects. Municipal bodies also jumped on the bandwagon. In a context of aging housing stock, many programs were developed and tax credits were offered. Nevertheless, consumers’ purchasing intentions in Quebec were weak, and a decrease in discretionary spending was expected.[[32]](#endnote-32)

Climate

For several years, global climate change had caused atypical temperature differences between seasons. When spring temperatures were too low, consumers shifted or even cancelled their purchases of seasonal products, particularly summer furniture and horticultural products. However, summer heat waves boosted the sales of air conditioning equipment.[[33]](#endnote-33)

Changing Consumer Habits

The seasonal nature of renovation and construction affected sales. Also, while baby boomers (people born between 1946 and 1964) were getting older and wanted to make their homes more comfortable, they often had lower incomes during this period of life. Consumer values were also evolving and producing greater demand for ecologically responsible practices such as lower pollution and better management of residual materials, and this added costs for businesses and consumers.[[34]](#endnote-34)

Another factor that had started to affect the market was the online shopping craze. In 2012, 56 per cent of Internet users in Canada purchased goods or services online.[[35]](#endnote-35) Social media also raised challenges. For example, many consumers visited websites to compare prices and shared their information online. This had negative consequences for the sales, operating costs, and profits of stores that lacked a strong online presence.[[36]](#endnote-36)

THE RESULT (PART 1): RONA 2.0 CAtching LOWE’S EYE

Although results from its operations were positive, RONA 2.0’s financial performance slumped due to fending off Lowe’s takeover proposal and stiffer competition in large urban areas.[[37]](#endnote-37) The returns were below the historical average, and the value of RONA’s shares hit a low at $10.[[38]](#endnote-38) Lowe’s took action and submitted an unsolicited bid of $1.76 billion, or $14.50 per share, on July 8, 2012.[[39]](#endnote-39) Several political and economic observers frowned on the offer (for example, Raymond Bachand, minister of finance of the government of Quebec, declared that the offer “[did] not seem to be in the interest of Quebec or Canada”), and on July 26, RONA’s board of directors rejected the offer. Dutton was dismissed as CEO on November 8, 2012. [[40]](#endnote-40)

TRANSFORMING INTO RONA 3.0 (2013–2016): ADDING VALUE?

The first important change the company made at this point was to replace acting CEO Dominique Boies with Robert Sawyer, a chief of operations from food distribution. Sawyer was appointed CEO in March 2013.[[41]](#endnote-41) The board of directors was also shuffled, and Robert Chevrier, a restructuring specialist, was named chair.[[42]](#endnote-42) Chevrier felt that an offer in the range of $25–$30 per share would be “testable” with the shareholders.[[43]](#endnote-43) The clearly stated goal of the board and the executive managers was to return to profitability in order to increase shareholder value. A series of business decisions ensued.

In June 2013, RONA took the following measures: It announced the closure of 11 big-box stores (eight in Ontario and three in British Columbia). It cut its advertising, marketing, merchandising, and distribution budgets by 50 per cent, saving $60 million. It eliminated 325 jobs in administrative centres, including teams dedicated to training affiliate retailers and the information technology sector. It also sold the commercial and professional market division for an estimated $215 million. This division, albeit profitable, was considered too far from the heart of RONA’s operations.[[44]](#endnote-44)

In November 2013, RONA completed the acquisition of Matériaux Coupal Inc.[[45]](#endnote-45) In 2014, RONA obtained the right from TIM-BR Marts to use the Ace Hardware brand in Canada. RONA thus gained access to Ace’s retail operations, websites, and Shanghai distribution centre. President and CEO Robert Sawyer argued that, thanks to this international agreement, the Ace brand would help RONA expand its presence in Canada.[[46]](#endnote-46) That same year, RONA also completed the acquisition of R. Marcil & Frères Inc.[[47]](#endnote-47)

In February 2015, RONA received some surprising news: La Coop fédérée had acquired BMR. Already the owner of Unimat, La Coop fédérée had consolidated its position and become the second-largest player in Quebec. Coincidentally or not, RONA revised its pricing and product mix strategies to be more competitive. It reviewed the market positioning of its Réno-Dépôt division to better reach professional contractors and experienced renovators. In addition, the company continued to develop its proximity stores.[[48]](#endnote-48)

In July 2015, RONA announced the buy-back of 20 franchise stores: 18 in Quebec and two in the Ottawa region. The estimated value of the transaction was around $215 million. Following this transaction, RONA had 233 corporate and 275 affiliate stores in Canada.[[49]](#endnote-49)

The company re-engineered some administrative functions and set four marketing objectives: (1) put customers at the centre of decisions; (2) achieve the best performance in store; (3) have the best team in action; and (4) boost shareholder growth and return.[[50]](#endnote-50) The restructuring improved RONA’s financial performance by 15 per cent in 2015. However, it was not enough. Rumours suggested that RONA did not have sufficient cash to make the required investments in information technology, electronic commerce, and omnichannel retailing.[[51]](#endnote-51)

THE RESULT (PART 2): RONA 3.0, RIPE FOR THE PICKING

Lowe’s returned on February 3, 2016, with a second unsolicited offer of $3.2 billion, or $24 per common share and $20 per preferred share (see Exhibit 4). It also made four more commitments. It would keep the head office in Boucherville, Quebec; maintain RONA’s multiple retail store banners; retain nearly all the current employees; and continue local and ethical procurement. These strong arguments convinced the board and shareholders to accept the deal.[[52]](#endnote-52) A few months later, the Canadian government approved the transaction.[[53]](#endnote-53)

DOING BUSINESS AS RONA 4.0: ABSORBED INTO LOWE’S CANADA

On May 24, 2016, RONA’s shares disappeared from the stock market. On the same day, the trading volume of Lowe’s U.S. stock in the United States was high; it ended the day 6.19 per cent lower than the previous day. Although Lowe’s U.S. had just added a pan-Canadian giant to its Lowe’s Canada commercial operations (see Exhibit 5), shareholders appeared to be concerned about integration problems. The resounding failure of Target’s acquisition of Zeller’s stores in Canada may have explained their apprehension. Lowe’s acquisition of RONA made the news again, and again it sparked comments by political and business representatives in Quebec (see Exhibit 6).

By April 2017, life was different for RONA stakeholders. Opponents to the transaction saw their concerns materialize. For example, the results of a survey showed that 10 per cent of RONA’s suppliers had been negatively affected by the transaction: their revenues from sales to Lowe’s Canada had plunged by more than 20 per cent.[[54]](#endnote-54)

In early October 2017, the president of Lowe’s Canada responded in an interview: “I would like in five years [for] people [to] say that it was not a bad deal, this story. That we have created value in Quebec.”[[55]](#endnote-55) This candid wish begged the question: Was being bought out the best option for RONA?

EXHIBIT 1: RONA IN BUYING MODE (2000–2010)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Companies Acquired** | **Number of Stores** | **Comments** | **Province of Operation** |
| 2000 | Cashway Building Centres | 66 | Third-largest player | Ontario |
| 2001 | Revy Group | 51 | Acquired three banners: Revy, Revelstoke, and Lansing chain stores | Ontario, the Prairie provinces, and British Columbia |
| 2003 | Réno-Dépôt (The Building Box) | 20 | Large warehouse store | Ontario, Quebec |
| 2003 | R. Marcil & Frères | 17 | A regional chain of stores in the Laurentian region  (RONA acquired 51 per cent) | Quebec |
| 2004 | Totem Building Supplies | 17 + 1 distribution centre | Leader in sales of renovation products | Alberta |
| 2006 | Matériaux Coupal | 9 | Specialized in the sale of lumber and materials for contractors  (RONA acquired 51 per cent) | Quebec |
| 2006 | Chester Dawe Limited | 8 | A trade network and a roof truss manufacturing plant | Newfoundland and Labrador |
| 2006 | Curtis Lumber Co. Ltd. | 6 | A major supplier of building, renovation, and hardware supplies | British Columbia |
| 2006 | Mountain Building Centres Limited (TIM-BR Mart) | 3 | Lumber and construction products accounted for about 70 per cent of this chain’s sales | British Columbia |
| 2007 | Noble Trade Inc. | 19 + 1 distribution centre | Wholesaler of plumbing and heating products for institutional clients | Ontario |
| 2007 | Dicks Lumber and Building Supplies Ltd. | 3 | Operated as a separate entity from RONA | British Columbia |
| 2010 | Piercey’s | 5 | Large lumber yards | Nova Scotia |
| 2010 | TruServ Canada | 2 distribution centres | Large distributor and retailer of hardware, home renovation, and gardening products  Served over 600 affiliated and non-affiliated stores | Manitoba, Ontario |
| 2010 | Don Park Limited | 14 + 1 distribution centre + 3 manufacturing facilities | Specialist in heating, ventilation, and air conditioning | Ontario |

Source: Created by the authors based on “RONA, Inc.,” Reference for Business, accessed April 19, 2018, www.referenceforbusiness.com/history/Qu-Ro/RONA-Inc.html.

EXHIBIT 2: MARKET SHARE OF RONA, CANADA (2012)

|  |  |
| --- | --- |
| **Company** | **Market Share (%)** |
| Independent vendors | 50 |
| RONA | 19 |
| Home Depot | 16 |
| Canadian Tire | 13 |
| Lowe’s | 2 |

Source: Created by the authors based on Y. Ostaficzuk, “Les enjeux du commerce de détail: le cas RONA [The Stakes of the Retail Trade: The RONA Case],” (Montréal, QC: HEC Montreal, August 8, 2013).

EXHIBIT 3: SALES BREAKDOWN OF RONA BY REGION, CANADA (2012)

|  |  |
| --- | --- |
| **Region** | **Sales Breakdown (%)** |
| Quebec | 45 |
| Western Canada | 29 |
| Ontario | 24 |
| Atlantic Provinces | 2 |

Source: Created by the authors based on Y. Ostaficzuk, “Les enjeux du commerce de détail: le cas RONA [The Stakes of the Retail Trade: The RONA Case],” (Montréal, QC: HEC Montreal, August 8, 2013).

EXHIBIT 4: CHANGE IN RONA SHARE PRICE  
AFTER THE FIRST PURCHASE OFFER FROM LOWE’S (in CA$)

|  |  |  |
| --- | --- | --- |
| **Date** | **Event** | **Share Price (at Closing)** |
| March 9, 2013 | New chief executive officer announced (Robert Sawyer) | $10.98 |
| April 9, 2015 | Highest share price on the market since the 2012 offer | $16.85 |
| February 2, 2016 | Eve of the announcement of Lowe’s second offer | $11.77 |
| February 3, 2016 | Lowe’s announcement ($24 per common share and $20 per preferred share) | $23.99 |

Source: Created by the authors based on “RONA INC. (RON),” 4-Traders, accessed April 18, 2018, www.4-traders.com/RONA-INC-1411507/.

EXHIBIT 5: RONA AND LOWE’S AT TIME OF DEAL (February 2, 2016)

|  |  |  |  |
| --- | --- | --- | --- |
| **RONA Banners** | **Corporate** | **Franchisee/Affiliated** | **Total** |
| RONA Big-Box | 61 | N/A | 61 |
| Réno-Dépôt | 19 | N/A | 19 |
| Proximity | 131 | 260 | 391 |
| Contractor Specialists | 25 | N/A | 25 |
| Total | 236 | 260 | 496 |
| **By Region** |  |  |  |
| West | 72 | 48 | 120 |
| Ontario | 63 | 48 | 111 |
| Quebec | 87 | 151 | 238 |
| Atlantic | 14 | 13 | 27 |
| Total | 236 | 260 | 496 |
| **Lowe’s** |  |  |  |
| Lowe’s Big-Box | 42 (+ 1 in construction) | N/A | 43 |
| West | 10 | N/A | 10 |
| Ontario | 32 (+ 1 in construction) | N/A | 32 |
| Quebec | 0 | N/A | 0 |
| Atlantic | 0 | N/A | 0 |
| Total | 42 | N/A | 42 |

Note: N/A = not available

Source: Adapted by the authors from “RONA: Fact Sheet,” accessed July 18, 2018, http://techstats.ca/pdf/FACT-SHEET-RONA-2016.pdf.

EXHIBIT 6: REACTIONS TO LOWE’S 2016 OFFER

|  |
| --- |
| **A Sample of Proponents’ Arguments**   * Philippe Couillard, premier of Quebec: “Quebec must send the signal that it is an open economy and that we must continue to conquer foreign markets as well. . . . For a RONA, there is a CGI, a Couche-Tard, a Saputo.” * Dominique Anglade, minister of economy, science and innovation, Quebec: “This is a transaction that has been wanted by the leaders of Lowe’s and RONA. What is important for us is that jobs are maintained in Quebec, that suppliers in Quebec can take advantage of this transaction to export in foreign markets and that the head office is maintained in Quebec.” * Robert Sawyer, president and chief executive officer, RONA: “Within five years, if we had not moved, and Lowe’s had opened 20, 30 stores in Quebec, we would have managed decline. . . . Today, I think the long-term solution for the sustainability of RONA is to put both together.”   **A Sample of Opponents’ Arguments**   * Pierre-Karl Péladeau, leader of the official opposition, Quebec National Assembly: “We have lost too many headquarters. Everyone says it, all the commentators say it.” * Normand Bourgault, professor of marketing, University of Quebec in Outaouais: “The sale of RONA to Lowe’s could have some impacts on RONA stores present in smaller markets. It’s probably going to be the start of the disappearance of some proximity stores because Lowe’s is not equipped to serve this kind of store, it’s not in its DNA. These small stores may have to find other affiliations, or come back to RONA, that is to say, to meet again and again and build a new buying group.” * Robert Dutton, former RONA chief executive officer: “The offer is excellent, but we must look at the long-term impacts. It is in favour of shareholders, no one can dispute that. But is it favourable for the stakeholders? For the merchants? For employees? For employees of Quebec manufacturers? I am not sure. Is it supportive for the community?” |

Source: Created by the authors based on “La vente de RONA, signe d’une ‘économie ouverte,’ selon Couillard,” Radio-Canada, February 4, 2016, accessed April 24, 2017, <http://ici.radio-canada.ca/nouvelle/763370/philippe-couillard-rona-lowes-economie-ouverte-uber>; Régys Caron, “Couillard defend la vente de RONA,” *Le Journal de Montréal*, February 4, 2016, accessed April 24, 2017, [www.journaldemontreal.com/2016/02/04/couillard-defend-la-vente-de-rona](http://www.journaldemontreal.com/2016/02/04/couillard-defend-la-vente-de-rona); Régys Caron, “Québec n’empêchera pas l’achat de RONA,” February 3, 2016, accessed April 24, 2017, www.journaldemontreal.com/2016/02/03/vente-de-rona-une-transaction-benefique-pour-le-quebec-selon-la-ministre-anglade; “La vente de RONA à Lowe's était inévitable, selon le quincailler Québécois,” Radio-Canada, February 3, 2016, accessed April 24, 2017, <http://ici.radio-canada.ca/nouvelle/>763117/rona-lowes-achat-quebec-etats-unis; “Vente de RONA: Québec et la Caisse disent oui, Péladeau dit non,” Radio-Canada, February 3, 2016, accessed April 24, 2017, <http://ici.radio-canada.ca/nouvelle/763160/vente-rona-lowes-peladeau-reactions-politiques>; “Vente de RONA: mauvaise surprise pour une propriétaire de l’Outaouais,” Radio-Canada, February 3, 2016, accessed April 27, 2017, <http://ici.radio-canada.ca/nouvelle/763173/rona-vente-reactions-outaouais>; “Vente de RONA: un ex-PDG s’inquiète de l’impact sur l’économie du Québec,” Radio-Canada, April 4, 2016, accessed April 24, 2017, http://ici.radio-canada.ca/nouvelle/774042/vente-rona-ex-pdg-robert-dutton-impact-economique.

ENDNOTES

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