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DOMAN BUILDING MATERIALS GROUP LTD. ANNOUNCES SECOND QUARTER 2022 FINANCIAL RESULTS

Q2 2022 Financial Highlights⁽¹⁾:

- Revenues increased by 15.0% to \$870.7 million
- Gross Margin at 11.8%
- Adjusted EBITDA⁽³⁾ amounted to \$52.1 million
- Net Earnings⁽⁴⁾ amounted to \$20.7 million
- Quarterly dividend of \$0.14 per share paid⁽⁴⁾

VANCOUVER, CANADA – August 4, 2022 – Doman Building Materials Group Ltd. (“Doman” or “the Company”) (TSX:DBM; DBM.NT.A) announced today its second quarter 2022 financial results⁽¹⁾ for the period ended June 30, 2022.

For the three-month period ended June 30, 2022⁽¹⁾, consolidated revenues increased by 15.0% to \$870.7 million, compared to \$756.8 million in 2021, partially due to contributions from the Company’s 2021 acquisitions. The Company’s sales by product group in the quarter were made up of 77% construction materials, with the remaining balance of sales resulting from specialty and allied products of 20%, and other of 3%.

Gross margin dollars decreased to \$102.7 million, compared to \$131.2 million in 2021. Gross margin percentage was 11.8%, representing a decrease from the 17.3% achieved in the same quarter of 2021.

Revenues and gross margin were negatively impacted due to the recent underlying construction material pricing trends, with prices peaking as a result of inflationary pressures at the end of the first quarter of 2022, but then declining sharply again during the second quarter. The recent jump in interest rates and the expectation of a slowing North American housing market also cooled consumers’ demand, and resulted in further downward pressure on pricing during the second quarter.

EBITDA⁽²⁾ and Adjusted EBITDA⁽³⁾ for the second quarter amounted to \$52.1 million, compared to EBITDA and Adjusted EBITDA of \$90.4 million, and \$94.0 million, respectively, during the same period in 2021. Adjusted EBITDA in the second quarter of 2021 included \$3.6 million in non-recurring acquisition related costs. Net earnings for the three-month period ended June 30, 2022 were \$20.7 million versus \$53.1 million in the comparative period of 2021.

The Company declared a \$0.14 per share⁽⁴⁾ quarterly dividend during the second quarter, which was paid on July 15, 2022, to shareholders of record at the close of business on June 30, 2022.

For the six-month period ended June 30, 2022⁽¹⁾, the Company generated EBITDA and Adjusted EBITDA of \$130.2 million, respectively, on revenues of \$1.7 billion. Gross margin and gross margin percentage during the period amounted to \$235.3 million, and 13.7%, respectively. This compares to 2021 EBITDA and Adjusted EBITDA of \$150.4 million and \$154.0 million respectively, on revenues of \$1.3 billion. Gross margin and gross margin percentage during the 2021 period amounted to \$221.6 million and 17.4%. Net earnings for the six-month period ended June 30, 2022 were \$62.8 million versus \$87.2 million in the comparative period of 2021.

"We continue to see market demand albeit at more normalized levels and we are seeing the expected benefits of our larger and growing footprint in the U.S. In the 12 months since we acquired Hixson Lumber, our balance sheet has strengthened substantially, with reductions in debt approaching \$100 million," commented Amar S. Doman, Chairman of the Board. "Despite our record top-line results, the severe downward pricing trend going into, and during the quarter impacted our margins, however we are confident that we will see margin stability and improvement as the pricing environment levels off."

Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(in thousands of dollars)	\$	\$	\$	\$
Net earnings	20,749	53,088	62,777	87,245
Provision for income taxes	5,406	18,862	16,868	30,813
Finance costs	9,579	6,480	17,970	10,059
Depreciation and amortization	16,369	11,940	32,587	22,275
EBITDA	52,103	90,370	130,202	150,392
Acquisition costs	-	3,590	-	3,590
Adjusted EBITDA	52,103	93,960	130,202	153,982

About Doman Building Materials Group Ltd.

Doman is headquartered in Vancouver, British Columbia and trades on the Toronto Stock Exchange under the symbol DBM and is a leading North American distributor of building materials and is Canada's only fully integrated national distributor in the building materials and related products sector. Doman operates several distinct divisions: CanWel Building Materials with multiple treating plant, planing facilities and distribution centres coast-to-coast in all major cities and strategic locations across Canada; founded in 1959, Hixson Lumber Company in the central United States, with 19 treating plants, two specialty planing mills and five specialty sawmills located in eight states, headquartered in Dallas, Texas, distributing, producing and treating lumber, fencing and building materials; California Cascade in the western United States near Portland, Oregon, San Francisco and Los Angeles, California with treating facilities and distribution of building materials, lumber and renovation products; founded in 1935, the Honsador Building Products Group in 14 locations in the State of Hawaii, with treating facilities, truss plants and distribution of a wide range of building materials, lumber, renovation and electrical products. In addition, through its CanWel Fibre division, the Company operates a vertically integrated forest products company based in Western Canada, operating from British Columbia to Saskatchewan, also servicing the US Pacific Northwest. CanWel Fibre owns approximately 117,000 acres of private timberlands, strategic licenses and tenures, log harvesting and trucking operations, several post and pole peeling facilities and two pressure-treated specialty wood production plants and a specialty sawmill. Please see our filings on SEDAR under Doman Building Materials Group Ltd. (formerly, CanWel Building Materials Group Ltd.) for additional information.

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Certain statements in this press release may constitute “forward-looking” statements. When used in this press release, forward-looking statements often but not always, can be identified by the use of forward-looking words such as, including but not limited to, “may”, “will”, “would”, “should”, “expect”, “believe”, “plan”, “intend”, “anticipate”, “predict”, “remain”, “estimate”, “potential”, “forecast”, “budget”, “schedule”, “continue”, “could”, “might”, “project”, “targeting”, “future” and other similar terminology or the negative or inverse of such words or terminology. Forward-looking information in this news release includes, without limitation, statements with respect to: the ultimate impact (express or implied) of: a) fluctuations in commodity and construction materials pricing; b) the performance of recently acquired businesses; and c) the novel coronavirus COVID-19 (“COVID-19”) pandemic, on the Company’s operational and financial results and on consumer behavior and economic activity, including but not limited to the first quarter and full-year 2022 results, which impact is difficult to estimate or quantify as it will depend on, inter alia, the duration of the contagion, the impact of government policies, and the pace of economic recovery. These forward-looking statements reflect the current expectations of Doman’s management regarding future events and operating performance, but involve other known and unknown or unpredictable risks, uncertainties and other factors which may cause the actual results, performance or achievements of Doman, including but not limited, to sales, earnings, cash flow from operations, EBITDA(2) generated, dividends generated or paid by Doman, including whether at the rate as of the date hereof or some other dividend rate in the future which may be lower than either of the preceding rates discussed therein, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Actual events could differ materially from those projected herein and depend on a number of factors. These factors include but are not limited to those set out in the Company’s annual information form dated March 31, 2022, and other public filings. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. In addition, a number of material factors or assumptions were utilized or applied in making the forward looking statements, and may include, but are not limited to, assumptions regarding the performance of the Canadian and U.S. economies, the relative stability of or level of interest rates, inflation, exchange rates, volatility of commodity prices, availability or more limited availability of access to equity and debt capital markets to fund, at acceptable costs, Doman’s future growth plans, the implementation and success of the integration of Doman’s acquisitions and customer and supplier retention, the ability of Doman to refinance its debts as they mature, the Canadian and United States housing and building materials markets; the direct and indirect effect of the U.S. housing market and economy; exchange rate fluctuations between the Canadian and US dollar; retention of key personnel; Doman’s ability to sustain its level of sales and earnings margins; Doman’s ability to grow its business long term and to manage its growth; Doman’s management information systems upon which it is dependent are not impaired or compromised by breaches of Doman’s cybersecurity; Doman’s insurance is sufficient to cover losses that may occur as a result of its operations; international trade and tariff risks, political risks, the amount of Doman’s cash flow from operations; tax laws; and the extent of Doman’s future acquisitions and capital spending requirements or planning as well as the general level of economic activity, in Canada and the U.S., and abroad, discretionary spending and unemployment levels; the effect of general economic conditions, including market demand for Doman’s products, and prices for such products; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters and unemployment levels. There is a risk that some or all of these assumptions may prove to be incorrect. These and other factors could cause or contribute to actual results differing materially from those contemplated by forward-looking statements. Accordingly, readers should not place undue reliance on any forward-looking statements or information. These forward-looking statements speak only as of the date of this press release. We caution that the foregoing factors that may affect future results are not exhaustive. When relying on our forward-looking statements to make decisions with respect to Doman, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Neither Doman nor any of its associates or directors, officers, partners, affiliates, or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in these communications will actually occur. You are cautioned not to place undue reliance on these forward looking statements. Except as required by applicable securities laws and legal or regulatory obligations, Doman is not under any obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

- (1) Please refer to our Q2 2022 MD&A and Financial Statements for further information. Our Q2 2022 Financial Statements filings are reported under International Financial Reporting Standards (“IFRS”).
- (2) In the discussion, reference is made to EBITDA, which represents earnings from continuing operations before interest, including amortization of deferred financing costs, provision for income taxes, depreciation and amortization. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS, and therefore the measure as calculated by Doman may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as we believe it is a useful indicator of a company’s ability to meet debt service and capital expenditure requirements and because we interpret trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation of EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to “Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA”.
- (3) In the discussion, reference is made to Adjusted EBITDA, which is EBITDA as defined above, before certain non-recurring or unusual items. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS. The measure as calculated by Doman may not be comparable to similarly-titled measures reported by other companies. Adjusted EBITDA is presented as we believe it is a useful indicator of Doman’s ability to meet debt service and capital expenditure requirements from its regular business before non-recurring items. Adjusted EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation from Adjusted EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to “Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA”.
- (4) On June 15, 2022, Doman declared a quarterly dividend of \$0.14 per share, which was paid on July 15, 2022 to shareholders of record on June 30, 2022. Please refer to our Q2 2022 MD&A and Financial Statements for more information.