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CanWel Building Materials Group Ltd.

Q2 Management's Discussion and Analysis

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CanWel Building Materials Group Ltd.

Management's Discussion and Analysis

July 30, 2020

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted CanWel Building Materials Group Ltd. (the "Company"), in the quarter ended June 30, 2020 relative to the same quarter of 2019. This discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (the "2019 Consolidated Financial Statements"). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of interim financial statements.

This MD&A and the associated Unaudited Interim Condensed Consolidated Financial Statements for the period ending June 30, 2020 (the "Interim Financial Report") contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company and its subsidiaries. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings "Business Overview", "Outlook", "Commitments and Contingencies", "Sales and Gross Margin", "Dividend Policy" and "Liquidity and Capital Resources". When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the inverse or negative of these terms or other similar terminology. Forward-looking information in the Interim Financial Report includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, interest rates, economic data and housing starts. Additionally, the ultimate impact of COVID-19 on the Company's quarterly and full-year 2020 results is difficult to quantify as it will depend on, *inter alia*, the duration and impact of the pandemic, the impact of government policies, and the pace of economic recovery. These statements are based on management's current expectations regarding future events and operating performance, are based on information currently available to management, speak only as of the date of this Interim Financial Report and are subject to risks which are described in the Company's current Annual Information Form dated March 31, 2020 ("AIF") and the Company's public filings on the Canadian Securities Administrators' website at www.sedar.com ("SEDAR") and as updated from time to time, and would include, but are not limited to, dependence on market economic conditions, risks related to the impact of local, national, and international health concerns, including but not limited to the novel coronavirus COVID-19, sales and margin risk, acquisition and integration risks and operational risks related thereto, competition, information system risks, availability of supply of products, risks associated with the introduction of new product lines, product design risk, product liability risk, environmental risks, volatility of commodity prices, inventory risks, customer and vendor risks, contract performance risk, availability of credit, credit risks, performance bond risk, currency risks, insurance risks, risks related to climate change, interest rate risks, tax risks, risks of legislative changes, international trade and tariff risks, resource industry risks, resource extraction risks, risks relating to remote operations, forestry management and silviculture, fire and natural disaster risks, key executive risk and litigation risks. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include, but are not limited to, assumptions regarding the performance of the Canadian and the United States ("US") economies, interest rates, exchange rates, capital and loan availability, commodity pricing, the Canadian and the US housing and building materials markets; international trade matters; post-acquisition operation of a business; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment and natural resources; and the extent of the Company's future acquisitions and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation; availability or more limited availability of access to equity and debt capital markets to fund, at acceptable costs, the Company's future growth plans, the implementation and success of the integration of the acquisitions, the ability of the Company to refinance its debts as they mature; the direct and indirect effect of the US housing market and economy; exchange rate fluctuations between the Canadian and US dollar; retention of key personnel; the Company's ability to sustain its level of sales and earnings margins; the Company's ability to grow its business long-term and to manage its growth; the Company's management information systems upon which it is dependent are not impaired; the Company's insurance is sufficient to cover losses that may occur as a result of its operations as well as the general level of economic activity, in Canada and the US, and abroad, discretionary spending and unemployment levels; the effect of general economic conditions; market demand for the Company'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. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in this Interim Financial Report is qualified by these cautionary statements. Although the forward-looking information contained in this Interim Financial Report is based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this Interim Financial Report may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this Interim Financial Report. In addition, there are numerous risks associated with an investment in the Company's common shares and senior unsecured notes, which are also further described in the "Risks and Uncertainties" section in this Interim Financial Report and in the "Risk Factors" section of the Company's AIF, and as updated from time to time, in the Company's other public filings on SEDAR.

The forward-looking statements contained in this Interim Financial Report are made as of the date of this report, and should not be relied upon as representing the Company's views as of any date subsequent to the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

The information in this report is as at July 30, 2020, unless otherwise indicated. All amounts are reported in Canadian dollars.

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1. 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 the Company may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as management believes it is a useful indicator of a Company's ability to meet debt service and capital expenditure requirements and because the Company interprets 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".
2. 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 the Company may not be comparable to similarly-titled measures reported by other companies. Adjusted EBITDA is presented as management believes it is a useful indicator of the Company'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".
3. Reference is also made to free cash flow of the Company. This is a non-IFRS measure generally used by Canadian companies as an indicator of financial performance. The measure as calculated by the Company might not be comparable to similarly-titled measures reported by other companies. Management believes that this measure provides investors with an indication of the cash available for distribution to shareholders of the Company. The Company defines free cash flow as cash flow from operating activities excluding changes in non-cash working capital, and after payment of lease liabilities and maintenance of business capital expenditures.

Business Overview

The Company is a leading wholesale distributor of building materials and home renovation products and provider of wood pressure treating services in Canada, and regionally in the Western United States mainland and Hawaii. The Company services the new home construction, home renovation and industrial markets by supplying the retail and wholesale lumber and building materials industry, hardware stores, industrial and furniture manufacturers and similar concerns. The Company's operations also include timber ownership and management of private timberlands and Crown forest licenses, full-service harvesting and trucking operations, and post-peeling and pressure treating for the agricultural market through CanWel Fibre Corp. ("CFC"). In 2017, the Company acquired the Honsador Building Products group of companies ("Honsador"), as described below, with an incumbent position in the State of Hawaii, further expanding the Company's presence in the US building distribution and treating markets. In 2018, the Company continued with its expansion and growth plans, completing the purchase of a partially constructed lumber pressure treating plant near Portland, Oregon on June 12, 2018 and a lumber pressure treating plant in Woodland, California on December 3, 2018. On April 1, 2019, the Company completed the acquisition of Lignum Forest Products LLP ("Lignum") (the "Lignum Acquisition"), a well-established brand in the lumber and forestry distribution market in Western Canada and the US.

Global Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (specifically identified as "COVID-19") a global pandemic (the "Pandemic"), resulting in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of stay at home orders, mandated non-essential business closures, travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and significant economic uncertainty.

At this time, as part of a supply chain for the construction industry, the Company has been classified as an essential service for the majority of its operations in Canada and the US, and therefore has not been required to shut down. However, the Company has taken specific health and safety measures in response to COVID-19, including limiting the number of employees, customers and others on its premises, mandatory self-imposed quarantine periods for employees, team separation and staggered work hours, temporary suspension of all non-essential business travel, heightened hygienic and disinfecting practices, technology enabled remote work initiatives and other safety protocols.

Additionally, the Company has taken steps to mitigate the Pandemic's impact on its customers, operations and cash flows by optimizing its working capital, implementing salary and working hours reductions, initiating temporary employee layoffs, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and reducing dividends (for further information, see "Dividend Policy"). Management is actively monitoring the Pandemic, economic and regulatory developments, and their impact on the Company's operations, continually adapting to the changing operating environment.

Purchase of Lignum Forest Products LLP

On April 1, 2019, the Company completed the acquisition of all issued and outstanding partnership interests of Lignum, a well-established brand in the lumber and forestry distribution market in Western Canada and the US. This acquisition further solidified and complemented the Company's North American distribution capabilities and reach with existing and new customers.

Further information regarding this acquisition is contained in Note 4 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2020.

Normal Course Issuer Bid

On November 22, 2019, the Company renewed the Normal Course Issuer Bid ("NCIB"). Under the terms of the renewed NCIB, the Company may purchase for cancellation up to 5,995,340 of its common shares at market prices. At June 30, 2020, the Company had not repurchased any of its common shares under the renewed NCIB.

Increase to Revolving Loan Facility

On December 6, 2019, the Company renewed and amended its existing revolving loan facility. The maximum credit available has been increased from $300 million to $360 million with a revised maturity date of December 6, 2024. Concurrent with the renewal of the revolving loan facility, the maturity date of the non-revolving term loan was also extended to December 6, 2024.

Seasonality

The Company's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season, particularly in the Canadian market. The Company generally experiences higher sales in the second and third quarters compared to the first and fourth quarters. In addition, forestry operations and harvesting activities can be compromised by inaccessibility to some sites during wet seasons, extreme winter weather conditions and periods of extreme heat and low humidity, resulting in decreased harvest and customer delivery levels. This creates a timing difference between free cash flow earned and dividends paid. While the Company has leveled dividends to provide a regular income stream to shareholders over the course of a year, the second and third quarters have historically been the Company's most profitable.

Housing Starts

The seasonally adjusted annualized rate for overall Canadian housing starts for the quarter ended June 30, 2020 was 192,707, versus 218,372 in the comparative period of 2019, a decrease of 11.8%[(1)]. The seasonally adjusted annualized rate for single detached units, a more relevant indicator for the Company, amounted to 41,365 for the second quarter of 2020 versus 46,448 in the comparative period of 2019, a decrease of 10.9%.

The seasonally adjusted annualized rate for overall US housing starts reached a high of 1,186,000 units in the second quarter of 2020 versus 1,281,000 in the same period of 2019, a decrease of 7.4%[(2)].

Construction Materials Pricing

The following table provides average quarterly pricing for lumber, plywood and oriented strand board ("OSB"), as reported by Natural Resources Canada:

	2020		2019				2018	
(In Canadian $)	**30 - Jun**	**31 - Mar**	**31 - Dec**	**30 - Sep**	**30 - Jun**	**31 - Mar**	**31 - Dec**	**30 - Sep**
Lumber	**540**	558	538	509	480	513	481	697
Plywood	**470**	438	421	452	454	507	464	527
OSB	**363**	343	271	258	262	285	323	464

After generally increasing since the summer of 2019, lumber, plywood and OSB prices experienced a sharp decline in March 2020, but largely recovered during the second quarter of 2020.

The Company generally prices its products in the competitive construction materials market so that the Company's profitability is based on cost plus value-added services such as wood pressure treating, distribution, short-term financing and other services provided. As a result, the Company's sales levels are impacted by the construction materials costs of its products.

1. As reported by CMHC. For further information, see "Outlook".
2. As reported by the US National Mortgage Association (Fannie Mae). For further information, see "Outlook".

The Company's gross margins are impacted by the relative level of construction materials pricing (such as whether prices are higher or lower compared to other periods), as well as the trend in pricing (such as whether the price is increasing or decreasing within a period). Depending on whether the product is sold at a fixed price or is tied to the current market, the impact of pricing levels and pricing trends will have differing effects on each category of product.

Management employs mitigation strategies to minimize the potential impacts of future construction materials price volatility. These strategies include, but are not limited to, the use of vendor managed inventories, direct shipments from the manufacturer to the customer, and the Company's internal policy of optimizing inventory levels to maintain its high standard of customer service levels and minimizing excess inventory otherwise exposed to market fluctuations.

Results of Operations

Comparison of the Quarter Ended June 30, 2020 and June 30, 2019

Overall Performance

The following table shows the Company's segmented results for the quarters ended June 30:

	Three months ended June 30, 2020				Three months ended June 30, 2019			
(in thousands of dollars)	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	404,405	8,505	-	**412,910**	373,085	12,619	-	**385,704**
Inter-segment	-	981	(981)	-	-	602	(602)	-
	404,405	9,486	(981)	**412,910**	373,085	13,221	(602)	**385,704**
Specified expenses								
Depreciation and amortization	9,169	1,864	-	**11,033**	8,768	1,862	-	**10,630**
Finance costs	3,925	323	-	**4,248**	5,373	637	-	**6,010**
Net earnings (loss)	13,619	(911)	-	**12,708**	8,517	(710)	-	**7,807**

1. Includes inter-segment eliminations and income and expenses that are not allocated to reportable business segments.

Sales and Gross Margin

Sales for the quarter ended June 30, 2020 were $412.9 million compared to $385.7 million in the comparative period in 2019, representing an increase of $27.2 million or 7.1%, due to the factors discussed below.

Despite the general economic impact of the Pandemic, sales for the Distribution segment increased by $31.3 million or 8.4%, demonstrating the Company's continued resilience and steady overall end-market demand for its products. The year-over-year increase in the Company's sales is attributable to improvements in both sales volumes and pricing. Quarantine-related home improvement activities resulted in increased demand from consumers spending more time and efforts on home renovation and repair projects. Additionally, construction materials pricing generally increased during the second quarter of 2020, as the economy started to re-open in certain jurisdictions that previously had restricted activity.

Sales for the Forestry segment decreased by $3.7 million or 28.3%. The decrease in sales relative to the same quarter of 2019 was largely driven by decreased demand for timber from regional sawmill customers, reflecting production curtailments experienced across the industry during 2019 and the first half of 2020.

The Company's sales in the quarter were made up of 67% of construction materials, compared to 62% during the same quarter last year, with the remaining balance of sales resulting from specialty and allied products of 28% (2019 - 31%) and forestry and other of 5% (2019 - 7%).

Gross margin dollars increased to $58.9 million in the quarter compared to $54.4 million in the same quarter of 2019, an increase of $4.5 million. Gross margin percentage was 14.3% in the quarter, an increase from the 14.1% achieved in the same quarter of 2019. The year-over-year increase in gross margins is mainly attributable to the aforementioned improvements in sales and construction materials pricing during the second quarter of 2020.

Expenses

Expenses for the quarter ended June 30, 2020 were $37.2 million as compared to $37.6 million for the same quarter in 2019, a decrease of $425,000 or 1.2%, due to the factors discussed below. As a percentage of sales, expenses were 9.0% in the quarter, compared to 9.7% during the same quarter in 2019.

Distribution, selling and administration expenses decreased by $868,000, or 3.2%, to $26.1 million in the second quarter of 2020 from $27.0 million in the same period of 2019. During the quarter, the Company continued to take steps to mitigate the Pandemic's impact, including, but not limited to, implementing salary and working hours reductions and evaluating ongoing cost savings opportunities, ultimately resulting in lower distribution, selling and administration expenses. As a percentage of sales, these expenses were 6.3% in the quarter, compared to 7.0% in the same quarter in 2019.

Depreciation and amortization expenses increased by $403,000 or 3.8%, from $10.6 million to $11.0 million, largely as a result of certain previously acquired assets within the Distribution segment having been placed in use. Depreciation and amortization expense for the Forestry segment was consistent with the same period last year.

Operating Earnings

For the quarter ended June 30, 2020, operating earnings were $21.7 million compared to $16.8 million in the comparative period of 2019, an increase of $4.9 million or 29.2%, due to the foregoing factors.

Finance Costs

Finance costs for the second quarter of 2020 were $4.2 million compared to $6.0 million in the second quarter of 2019, a decrease of $1.8 million or 29.3%. Finance costs for the Distribution segment were $1.4 million lower than the same quarter in 2019, partly due to lower interest rates on the Company's variable rate revolving loan facility, and partly due to lower average borrowings. The decrease in the average revolving loan facility was largely the result of the Company successfully reducing its working capital levels in response to the Pandemic, as the Company reduced its total loans and borrowings by $89.9 million relative to June 30, 2019.

Finance costs for the Forestry segment decreased by $314,000, as a result of lower interest rates on the Company's variable rate loan facilities, as well as lower average borrowings due to scheduled principal repayments made in the period.

Earnings before Income Taxes

For the quarter ended June 30, 2020, earnings before income taxes were $17.5 million, compared to $10.7 million in the same quarter of 2019, an increase in earnings of $6.8 million due to the foregoing factors.

Provision for Income Taxes

For the quarter ended June 30, 2020, provision for income taxes was $4.8 million compared to $2.9 million in the same quarter of 2019, an increase of $1.9 million. This amount is a function of the pre-tax earnings generated in the quarter and the expected taxes payable on these earnings.

Net Earnings

As a result of the foregoing factors, net earnings for the quarter ended June 30, 2020 were $12.7 million compared to $7.8 million in the same quarter of 2019, an increase in earnings of $4.9 million, due to the foregoing factors impacting the overall financial performance of the Company.

Comparison of the Six Months Ended June 30, 2020 and June 30, 2019

Overall Performance

The following table shows the Company's segmented results for the six months ended June 30:

	Six months ended June 30, 2020				Six months ended June 30, 2019			
(in thousands of dollars)	**Distribution $**	**Forestry $**	**Adjustments and eliminations[(1)] $**	**Consolidated $**	**Distribution $**	**Forestry $**	**Adjustments and eliminations[(1)] $**	**Consolidated $**
Revenue								
External customers	721,551	18,104	-	**739,655**	639,392	28,255	-	**667,647**
Inter-segment	-	1,604	(1,604)	**-**	-	1,006	(1,006)	**-**
	721,551	19,708	(1,604)	**739,655**	639,392	29,261	(1,006)	**667,647**
Specified expenses								
Depreciation and amortization	17,596	3,734	-	**21,330**	17,343	3,745	-	**21,088**
Finance costs	8,523	767	-	**9,290**	9,833	1,293	-	**11,126**
Net earnings (loss)	15,095	(1,538)	-	**13,557**	8,441	(990)	-	**7,451**

1. Includes inter-segment eliminations and income and expenses that are not allocated to reportable business segments.

Sales and Gross Margin

Sales for the six-month period ended June 30, 2020 were $739.7 million versus $667.6 million in the comparative period in 2019, representing an increase of $72.0 million or 10.8%, due to the factors discussed below.

Sales for the Distribution segment increased by $82.2 million or 12.8%, largely as a result of the previously discussed quarantine-related home improvement activities during the second quarter of 2020. Additionally, the increase in sales for the six-month period ended June 30, 2020 versus the same prior last year is partially due to the inclusion of this year's results from the Lignum Acquisition, which was acquired on April 1, 2019 and consequently included only three months of activity in the comparative six-month period.

Sales for the Forestry segment decreased by $9.6 million or 32.6%. The decrease in sales relative to the same period of 2019 was largely driven by decreased demand for timber from regional sawmill customers, reflecting production curtailments experienced across the industry during 2019 and the first half of 2020.

The Company's sales by product group in the period were made up of 65% of construction materials, compared to 60% during the same period last year, with the remaining balance of sales resulting from specialty and allied products of 30% (2019 - 33%) and forestry and other of 5% (2019 - 7%).

Gross margin dollars were $102.4 million in the six-month period ended June 30, 2020 versus $95.5 million in the comparative period of 2019, an increase of $6.9 million. Gross margin percentage was 13.8% in the period, a decrease from the 14.3% achieved in the comparative period of 2019. The year-over-year increase in gross margin dollars combined with a slight decrease in gross margin percentage is mainly attributable to this year's inclusion of results from the Lignum Acquisition. Lignum generally achieves a lower margin percentage on its construction materials sales compared to the Company's overall sales mix, which includes generally higher margined categories, such as specialty and allied products. Lignum was acquired on April 1, 2019 and consequently included only three months of operations in the comparative 2019 period. Additionally, the Company's margins in the first half of 2020 benefited from the previously discussed improvements in construction materials pricing during the second quarter of 2020.

Expenses

Expenses for the six-month period ended June 30, 2020 were $74.4 million versus $74.0 million for the same period in 2019, an increase of $383,000 or 0.5%, due to the factors discussed below. As a percentage of sales, expenses were 10.1% in the period, versus 11.1% during the comparative period in 2019.

Distribution, selling and administration expenses increased by $140,000, or 0.3%, to $53.1 million in the first six months of 2020, from $52.9 million in the comparative period of 2019, largely due to additional expenses relating to the Lignum Acquisition, which was acquired on April 1, 2019 and consequently included only three months of operations in the comparative 2019 period. This increase was partially offset by a decrease in non-essential operating expenditures, as the Company implemented the previously discussed cost-reduction measures in response to the Pandemic.

Depreciation and amortization expenses increased by $242,000 or 1.1%, from $21.1 million to $21.3 million. Depreciation and amortization expenses for the Distribution segment increased by $253,000, with the Forestry segment remaining consistent with the prior year period.

Operating Earnings

For the six-month period ended June 30, 2020, operating earnings were $28.0 million versus $21.4 million in the comparative period of 2019, an increase of $6.6 million or 30.8%, due to the foregoing factors.

Finance Costs

Finance costs for the period were $9.3 million, versus $11.1 million for the comparative period in 2019, a decrease of $1.8 million or 16.5%. Finance costs for the Distribution segment were $1.3 million lower than the same period in 2019, partly due to lower interest rates on the Company's variable rate revolving loan facility, and partly due to lower average borrowings. The decrease in the average revolving loan facility was largely the result of reducing the Company's working capital levels in response to the Pandemic, as the Company reduced its total loans and borrowings by $89.9 million relative to June 30, 2019.

Finance costs for the Forestry segment were $526,000 lower than the same period in 2019, as a result of lower interest rates on the Company's variable rate loan facilities, as well as lower average borrowings due to scheduled principal repayments made in the period.

Earnings before Income Taxes

For the six-month period ended June 30, 2020, earnings before income taxes were $18.7 million, versus $10.2 million in the comparative period of 2019, an increase of $8.5 million due to the foregoing factors.

Provision for Income Taxes

For the six-month period ended June 30, 2020, provision for income taxes was $5.1 million compared to $2.7 million in the same period of 2019, an increase of $2.4 million. This amount is a function of the pre-tax earnings generated in the period and the expected taxes payable on these earnings.

Net Earnings

As a result of the foregoing factors, net earnings for the six-month period ended June 30, 2020 were $13.6 million versus $7.5 million in the comparative period of 2019, an increase of $6.1 million, as discussed above.

Summary of Quarterly Results

For the Quarters ended:

	2020			2019			2018[4]	
($ and shares millions, per share in dollars)	**30 - Jun**	**31 - Mar**	**31 - Dec**	**30 - Sep**	**30 - Jun**	**31 - Mar**	**31 - Dec**	**30 - Sep**
Sales	**412.9**	326.7	293.4	373.2	385.7	281.9	264.0	350.2
EBITDA	**32.8**	16.5	18.4	25.0	27.3	15.1	8.1	20.1
Adjusted EBITDA[1]	**32.8**	16.5	18.4	25.3	27.5	15.1	8.9	20.1
Adjusted EBITDA % of sales[1]	**7.9**	5.1	6.3	6.8	7.1	5.4	3.4	5.7
Earnings (Loss) before income taxes	**17.5**	1.2	2.8	9.0	10.7	(0.5)	(0.1)	12.5
Net earnings (loss)	**12.7**	0.9	3.4	6.4	7.8	(0.4)	0.4	8.5
Adjusted net earnings (loss)[2]	**12.7**	0.9	3.4	6.7	7.9	(0.4)	0.9	8.5
Net earnings (loss) per share[3]	**0.16**	0.01	0.04	0.08	0.10	(0.0)	0.00	0.11
Adjusted net earnings (loss) per share[2][3]	**0.16**	0.01	0.04	0.09	0.10	(0.0)	0.01	0.11
Dividends declared per share	**0.14**	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Outstanding shares[3]	**77.8**	77.8	77.8	77.7	77.7	77.7	77.7	77.7

1. Adjusted EBITDA refers to EBITDA before directly attributable acquisition related costs.
2. Net earnings (loss) before directly attributable acquisition related costs.
3. Weighted average basic and diluted shares outstanding in the period.
4. Company adopted IFRS 16, Leases on January 1, 2019. Comparative periods in 2018 have not been restated.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
(in thousands of dollars)	**$**	**$**	**$**	**$**
Net earnings	**12,708**	7,807	**13,557**	7,451
Provision for income taxes	**4,791**	2,851	**5,121**	2,723
Finance costs	**4,248**	6,010	**9,290**	11,126
Depreciation of property, plant and equipment	**3,737**	3,496	**6,872**	6,821
Amortization of right-of-use assets	**5,588**	5,416	**11,003**	10,842
Amortization of intangible assets	**1,708**	1,718	**3,455**	3,425
Share-based compensation	**35**	19	**35**	19
EBITDA	**32,815**	27,317	**49,333**	42,407

EBITDA

For the quarter ended June 30, 2020, EBITDA was $32.8 million compared to $27.3 million in the comparative quarter of 2019, an increase of $5.5 million or 20.1%, largely due to the improvements in both sales volumes and construction materials pricing as a result of the aforementioned quarantine-related home improvement activities during the second quarter of 2020.

For the six months ended June 30, 2020, EBITDA was $49.3 million, compared to $42.4 million for the first six months of 2019, an increase of $6.9 million or 16.3%, largely as a result of the previously discussed quarantine-related home improvement activities during the second quarter of 2020.

Financial Condition

Liquidity and Capital Resources

During the six-month period ended June 30, 2020, the Company generated $6.4 million in cash, versus generating $8.3 million in the same period of 2019. The following activities during the period were responsible for the change in cash.

Operating activities generated $42.2 million in cash, before non-cash working capital changes, compared to $31.3 million during the same quarter of 2019.

During the six-month period ended June 30, 2020, changes in non-cash working capital items used $16.6 million in cash, compared to $93.2 million in the same period in 2019. In response to the economic uncertainty caused by the Pandemic, the Company continued to successfully adjust its non-cash working capital levels during the second quarter of 2020, resulting in a significant year-over-year decrease in cash consumed.

The Company generally experiences higher levels of non-cash working capital during the first and second quarters, and a decrease in non-cash working capital during the third and fourth quarters, due to ordinary seasonal factors relating to the Company's business cycle. The change in working capital in the six-month period was comprised of an increase in trade and other receivables of $131.1 million, a decrease in inventory of $74.7 million, a decrease in prepaid expenses and deposits of $72,000, and a net increase in trade and other payables and performance bond obligations of $39.8 million.

In the six-month period ended June 30, 2020, financing activities consumed $17.8 million of cash, compared to generating $88.2 million in the same period in 2019. The revolving loan facility increased by $19.2 million, compared to $124.3 million in the same period in 2019. The significant year-over-year decrease in net advances from the revolving loan facility is a result of the previously discussed reduction in non-cash working capital levels during the second quarter of 2020 in response to the Pandemic. The Company was not in breach of any of its lending covenants during the six months ended June 30, 2020.

Shares issued during the period generated $319,000 of cash compared to $317,000 in 2019. Scheduled repayments related to the non-revolving term loan consumed $1.3 million, consistent with 2019. Net repayment of the equipment loans amounted to $1.6 million, compared with $1.1 million in 2019. Payment of lease liabilities, including interest, consumed $12.6 million of cash compared to $11.4 million in 2019, mainly due to certain additional lease contracts entered into during the period. There were no common shares repurchased during the six-month period ended June 30, 2020, compared to $616,000 in cash consumed to repurchase common shares under the NCIB in 2019.

Dividends paid to shareholders amounted to $21.8 million, consistent with the same period in 2019.

Investing activities consumed $1.4 million of cash, compared to $17.9 million in the same period in 2019. Investing activities in 2019 included the Lignum Acquisition and the related cash and cash equivalents acquired, for a net amount of $14.1 million, with no acquisitions in the six-month period ended June 30, 2020. The remaining decrease in investing activities is largely the result of the Company minimizing its capital expenditures in response to the Pandemic. Cash purchases of property, plant and equipment relating to the Distribution segment were $1.2 million, compared to $1.8 million in 2019. Cash purchases of property, plant and equipment relating to the Forestry segment were $170,000, compared to $1.9 million in 2019.

The Company's lease obligations require monthly installments and these payments are all current.

In response to the Pandemic, the Company has taken steps to bolster its cash flows, including but not limited to, managing cash flow by reducing working capital levels and capital expenditures, implementing salary and working hours reductions, initiating temporary employee layoffs, evaluating ongoing cost savings opportunities, deferring certain scheduled debt, finance lease and statutory payments (as may be applicable, with bilateral agreement), and deferring or reducing anticipated capital expenditures. These liquidity measures, combined with the Company's continuing cash flows from operations, are expected to be sufficient to meet its operating requirements and remain compliant with its lending covenants.

The Company updated its dividend policy during the second quarter of 2020, further described in the "Dividend Policy" section of this Interim Financial Report.

Total Assets

Total assets of the Company were $958.5 million as at June 30, 2020, versus $894.4 million as at December 31, 2019, an increase of $64.1 million. Current assets increased by $61.6 million, mainly due to seasonal increases of $131.9 million in trade and other receivables, partially offset by a decrease in inventory of $69.4 million in inventory. The decrease in inventory is attributable to the Company's continued success in optimizing non-cash working capital levels in response to the Pandemic.

Long-term assets within the Distribution segment were $381.4 million as June 30, 2020, compared to $374.7 million as at December 31, 2019, an increase of $6.7 million, primarily as a result of remeasurements of right-of-use assets due to revised lease term assumptions. Long-term assets within the Forestry segment were $112.7 million as at June 30, 2020, compared to $117.0 million as at December 31, 2019, a decrease of $4.3 million, mainly due to depreciation taken on property, plant and equipment and timber harvested.

Total Liabilities

Total liabilities were $632.4 million as at June 30, 2020, versus $567.6 million at December 31, 2019, an increase of $64.8 million. This increase was mainly a result of a seasonal increase in trade and other payables of $37.4 million, an increase in the revolving loan facility of $21.1 million in order to finance the working capital requirements of the Company and an increase in lease liabilities of $6.5 million, largely as a result of remeasurements due to revised lease term assumptions.

Outstanding Share Data

As at July 30, 2020, there were 77,935,719 common shares issued and outstanding.

Dividends

The following dividends were declared and paid by the Company:

($ thousands, per share in dollars)	2020 Declared Record date	Per share $	Amount $	Payment Date	2019 Declared Record Date	Per share $	Amount $	Payment Date
Quarter 1	Mar 31, 2020	0.14	10,897	Apr 15, 2020	Mar 29, 2019	0.14	10,876	Apr 15, 2019
Quarter 2	Jun 30, 2020	0.14	10,898	Jul 15, 2020	Jun 28, 2019	0.14	10,877	Jul 15, 2019
		0.28	**21,795**			**0.28**	**21,753**	
Quarter 3					Sep 30, 2019	0.14	10,887	Oct 15, 2019
Quarter 4					Dec 31, 2019	0.14	10,887	Jan 15, 2020
						0.56	**43,527**	

Dividend Policy

The Board of Directors reviews the Company's dividend policy periodically in the context of the Company's overall profitability, free cash flow, capital requirements, general economic conditions and other business needs.

Looking forward, the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future. Accordingly, on June 15, 2020, the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from $0.14 to $0.12 per share.

Hedging

The Company undertakes sale and purchase transactions in foreign currency as part of its Canadian operations and therefore, is subject to gains and losses due to fluctuations in foreign exchange rates.

The Company at times uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign currency risk through the use of futures contracts and options. These derivative financial instruments are designated as fair value through profit and loss, with changes in fair value being recorded in Other income (loss) in net earnings.

When held by the Company, foreign currency and lumber derivative instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored by senior management, the risk of credit loss on these financial instruments is considered low.

Related Party Transactions

The Company has transactions with related parties in the normal course of operations at agreed amounts between the related parties.

Certain distribution facilities used by the Company to store and process inventory are leased from a company in which Amar Doman, a director and officer, and Rob Doman, an officer of the Company, have a minority interest and the land and buildings of certain of the treatment plants are leased from entities solely controlled by Amar Doman. All lease rates were market tested in advance of the signing of the lease agreements and were determined to be at market rates. Lease payments to such related parties were $2.0 million in the six months ended June 30, 2020, versus $1.8 million in 2019. The minimum payments under the terms of these leases are as follows: $1.9 million for the remainder of 2020, $3.5 million in 2021, $3.1 million in 2022, $3.2 million in 2023, $3.2 million in 2024 and $19.8 million thereafter.

During the six months ended June 30, 2020, the Company was charged professional fees in relation to regulatory, corporate finance and compliance consulting services of $261,000 (2019 - $270,000) by a company owned by Rob Doman. As at June 30, 2020, payables to this related party were $112,000 (December 31, 2019 - $159,000). Additionally, fees of $415,000 (2019 - $591,000) were paid for services related to strategic and financial advice to a company solely controlled by Amar Doman. As at June 30, 2020, payables to this related party were $33,000 (December 31, 2019 - $96,000).

During the period the Company purchased $1.5 million (2019 - $2.1 million) of product from a public company in which Amar Doman has an ownership interest and is also a director and officer. These purchases are in the normal course of operations and are recorded at exchange amounts. As at June 30, 2020, payables to this related party were $129,000 (December 31, 2019 - $18,000).

During the period the Company did not purchase any product from a company controlled by Siegfried Thoma, a director of the Company (2019 - $395,000). In the comparative prior year period, these purchases were made in the normal course of operations and were recorded at exchange amounts.

Additional information regarding these related party transactions is contained in Note 17 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2020 and Note 24 of the 2019 Consolidated Financial Statements.

Commitments and Contingencies

Future and Contractual Obligations

In addition to various debt facilities, the Company has lease commitments for certain transportation equipment, rental of most of its distribution centres and treatment plant properties in Canada and the US, and for vehicles, warehouse equipment, and a computer hosting contract.

The following table shows, as at June 30, 2020, the Company's contractual obligations, including estimated interest, within the periods indicated:

Contractual Obligations (in thousands of dollars)	Total $	Remainder of 2020 $	2021-2022 $	2023-2024 $	Thereafter $
Revolving loan facility[1]	**255,562**	2,356	9,422	243,784	-
Non-revolving term loan[2]	**24,002**	1,715	6,620	15,667	-
Unsecured notes[3]	**73,393**	1,918	7,650	63,825	-
Promissory notes[4]	**3,286**	1,638	1,648	-	-
Equipment term loan and line[5]	**6,204**	2,369	1,769	1,620	446
Leases[6]	**166,646**	12,622	45,545	36,302	72,177
Total contractual obligations	**529,093**	22,618	72,654	361,198	72,623

1. Interest has been calculated based on the average borrowing under the facility for the six-month period ended June 30, 2020 utilizing the interest rate payable under the terms of the facility at June 30, 2020. This facility matures on December 6, 2024.
2. Annual principal payments are amortized over 15 years, with interest payable quarterly.
3. Interest has been calculated at 6.375%, payable semi-annually. The notes mature on October 9, 2023.
4. Additional information is contained in Note 13 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ending June 30, 2020.
5. Monthly principal repayments amortize over 5 years, with interest payable monthly. Equipment line principal repayments commenced on August 1, 2019, with maturity on July 1, 2025.
6. Additional information is contained in Note 8 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ending June 30, 2020.

Claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

Guarantees

The Company has issued letters of credit totaling $1.4 million as at June 30, 2020 (December 31, 2019 - $1.4 million) in respect of historical obligations, pre-dating 1999, for a non-registered executive pension plan for former executives.

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience, forecasted cash flow estimates and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant areas requiring estimates are goodwill and related impairment testing, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, recoverability of trade and other receivables, certain actuarial and economic assumptions used in the determination for the cost and accrued benefit obligations of employee future benefits, assessing whether an arrangement contains a lease, determining the lease term, determining the discount rate to value the lease, valuation of timber, determination of reforestation provision and judgments regarding aggregation of reportable segments.

In light of the economic uncertainty due to the Pandemic, it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates. However, management does not believe it is likely that any such differences will materially affect the Company's financial condition.

Goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at June 30, 2020 relates to the Company's acquisitions of various businesses. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the value in-use of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the fair value of each cash-generating unit, including a discount rate, a growth rate and after-tax cash flows. When the carrying amount of the cash-generating unit exceeds its value in-use, the value in-use of goodwill related to the cash-generating unit is reduced by the excess of this carrying value and recognized as an impairment loss.

Timber

At each reporting date, timber is valued at fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in net earnings for the period. Significant judgment is used in determining the fair value with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, log pricing, timing of harvest and harvest volume assumptions, the discount rate used, and the resulting net present value of future cash flows for standing timber.

Reforestation and Environmental Provisions

Management uses judgment in determining the value of the reforestation and environmental provisions. Due to the general long-term nature of these liabilities, the most significant areas of uncertainty in estimating the provisions are the future costs that will be incurred, the inflation rate, and the risk-adjusted discount rate.

Employee Future Benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

i. Discount rate

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity profiles that are similar to the underlying cash flows of the defined benefit obligation.

ii. Other assumptions

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates.

Inventory Valuation

Under IFRS, inventories must be recognized at the lower of cost or their Net Realizable Value ("NRV"), which is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. IFRS requires that the estimated NRV be based on the most reliable evidence available at the time the estimates are made of the amounts that inventories are expected to realize. The measurement of an inventory write-down to NRV is based on the Company's best estimate of the NRV and of the Company's expected future sale or consumption of the Company's inventories. Due to the economic environment and continued volatility in the homebuilding market, there is uncertainty as to whether the NRV of the inventories will remain consistent with those used in the Company's assessment of NRV at period end. As a result, there is the risk that a write-down of on hand and unconsumed inventories could occur in future periods. Also, a certain portion of inventory may become damaged or obsolete. A slow moving reserve is recorded, as required, based on an analysis of the length of time product has been in inventory and historical rates of damage and obsolescence.

Inventory includes harvested timber, the cost of which is based on its fair value less costs to sell, and forms a component of the carrying value of log inventory. Harvested timber is subsequently processed into logs and carried at the lower of cost or NRV. Significant judgment is used in determining the fair value of timber with reference to independent third party valuators and recent comparatives of standing timber sales.

Allowance for Doubtful Accounts

It is possible that certain trade receivables may become uncollectible, and as such an allowance for these doubtful accounts is maintained. The allowance is based on the estimated recovery of trade receivables and incorporates current and expected collection trends. These estimates will change, as necessary, to reflect market or specific industry risks, as well as known or expected changes in the customers' financial position.

Income Taxes

At each reporting date, a deferred income tax asset may be recognized for all tax deductible temporary differences, unused tax losses and income tax reductions, to the extent that their realization is probable. The determination of this requires significant judgment. This evaluation includes review of the ability to carry-back operating losses to offset taxes paid in prior years; the carry-forward periods of the losses; and an assessment of the excess of fair value over the tax basis of the Company's net assets. If based on this review, it is not probable such assets will be realized then no deferred income tax asset is recognized.

Management believes the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results may differ from these estimates.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer.

The Company is managed as two reportable business segments which offer different products, require different production processes, and are based on how financial information is produced internally for the purposes of making operating decisions. The following summary describes the operations of each of the Company's reportable segments:

a) *Distribution* – wholesale distribution of building materials and home renovation products, including value-added services such as lumber pressure treating; and

b) *Forestry* – timber ownership and management of private timberlands and Crown forest licenses, harvesting and trucking operations, and value-added services such as post-peeling and post and pole pressure treating operations.

Changes in Accounting Standards

The significant accounting policies as disclosed in Note 3 of the 2019 Consolidated Financial Statements have been applied consistently in the preparation of these financial statements.

Disclosure Controls and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's management, including the Chief Executive Officer and Chief Financial Officer, acknowledges responsibility for the design and operation of disclosure controls and procedures and internal control over financial reporting, and the requirement to evaluate the effectiveness of these controls on an annual basis.

Changes in Internal Control over Financial Reporting

There have been changes in the Company's internal controls over financial reporting ("ICFR") during the six-month period ended June 30, 2020, as a result of a large number of employees transitioning to remote work arrangements in response to the Pandemic. However, there were no material changes in the design of the Company's ICFR that have affected, or are reasonably likely to materially affect, its ICFR.

Risks and Uncertainties

The Company is subject to normal business risks associated with similar firms operating within the building materials industry in Canada and the US, which are described in greater detail in the Company's AIF dated March 31, 2020, the Company's MD&A contained in the 2019 Consolidated Financial Statements and the Company's public filings on www.sedar.com, which the reader is encouraged to review, and which are or may be updated from time to time, after the date therein. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Outlook

The global impact of the Pandemic has been rapidly evolving and the disruption from this outbreak is adversely impacting many industries. The Pandemic could have a continued adverse impact on economic and market conditions and trigger a period of sustained global economic slowdown. The rapid development and fluidity of this situation precludes any meaningful attempts to predict the ultimate adverse impact of COVID-19 on the Company's operations.

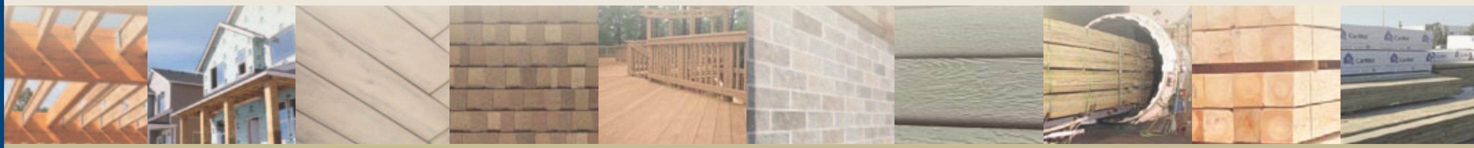
Despite the challenging global economic conditions during the second quarter of 2020, demand for residential building materials in Canada and the US has been much stronger than was expected when the Pandemic was first declared in March 2020. As a result, the Company has benefited significantly from quarantine-related home improvement activities. Nevertheless, COVID-19 presents uncertainty and risk with respect to the Company's future performance and financial results. The Company is actively managing these risks; however, due to the uncertainty regarding the duration and extent of the Pandemic, the severity of the operational and financial impacts on the Company will depend on, among other things, how long and diverse the disruptions in a variety of areas prove to be, including but not limited to, government and institutional regulation, legislation, capital and credit markets, Canadian, US and overall global economies, the Company's customers, suppliers and supply chains, and the Company's labour force.

At this time, the Company expects any potential impacts of the Pandemic to be temporary, and that the demand for its products will sustain beyond the Pandemic, as governments in Canada and the US have identified investment in housing and infrastructure as a key source of economic stimulus, during the eventual recovery phase. In the interim, the Company continues to maintain a high level of vigilance and focus on the Pandemic and its disruptive impacts, and actively manage the risks. Management continues to employ mitigation strategies to minimize, among other things, the potential impacts of construction materials price volatility. These strategies include, but are not limited to, the use of vendor managed inventories, direct shipments from the manufacturer to the customer, and the Company's internal policy of optimizing inventory levels to maintain its high standard of customer service levels and minimizing excess inventory otherwise exposed to market fluctuations. The Company is also continuing to execute on its strategy to increase the proportion of value added products, such as pressure treated wood, in its overall sales.

The Bank of Canada's ("BoC") July 2020 monetary policy report indicated that the number of new COVID-19 cases in Canada has fallen sharply from its April high, and the economic recovery has begun in all provinces and territories and across many sectors. Consequently, economic activity has picked up notably, as measures to contain the virus were relaxed, which however are now being closely monitored as new case reporting is increasing, particularly in the US. The BoC expects a sharp rebound in economic activity in the reopening phase of the recovery, followed by a more prolonged recuperation phase, which will be uneven across regions and sectors. As a result, Canada's economic output will likely take some time to return to its pre-COVID-19 levels.

Historically, the rate of new housing starts has been an indicator of the Company's business performance and the volume of building materials that it sells. According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts in the second quarter of 2020 was 192,707 compared to 218,372 in the same period last year. Prior to the Pandemic, the CMHC reported that it expected housing starts for both single-detached and multi-unit housing would stabilize in 2020 and 2021 after declining in 2019 and reach somewhere between 194,000 and 204,300. However, this is subject to change given the uncertainty around the COVID-19 situation. According to the US Census Bureau, seasonally-adjusted housing starts reached a high of 1,186,000 units in June 2020, strengthening compared to May 2020 and April 2020, but down from 1,281,000 units in the same period last year. According to the Fannie Mae Economic and Strategic Research Group (Fannie Mae), housing starts are expected to decrease to 1,169,000 for 2020 and 1,210,000 for 2021. Despite the anticipated slowing of new housing starts in 2020, there are early indications that residential repair and remodeling activities could remain stable or potentially strengthen, as homeowners redirect discretionary spending away from traditional areas of travel and entertainment during the Pandemic. Management believes a significant proportion of the Company's sales are driven by repair and remodel market.

The Company's priority in the near term is the health and safety of its employees, compliance with all necessary regulations and health guidelines during the Pandemic, and mitigating the impacts of the Pandemic, with a focus on cash flow, consisting of the optimization of working capital, the reduction of operating costs and the minimizing capital expenditures.



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Trading Symbols:

CWX, CWX.NT.A