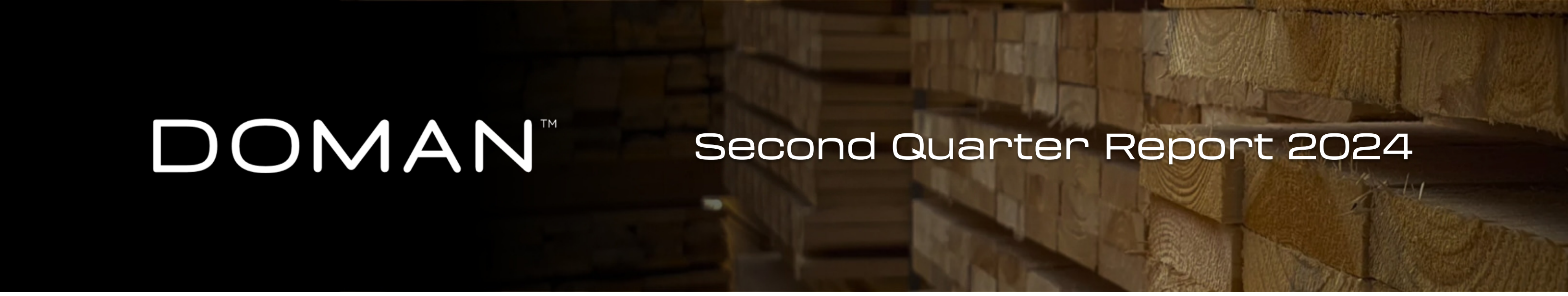
DOMAN™

Doman Building Materials Group Ltd.

Management's Discussion and Analysis

August 9, 2024



Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Doman Building Materials Group Ltd. (the "Company"), in the quarter and six months ended June 30, 2024, relative to the same period of 2023. 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, 2023 (the "2023 Consolidated Financial Statements"), and the Company's annual MD&A for the year ended December 31, 2023. The financial information in this interim MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), applicable to the preparation of interim financial statements.

This MD&A and the associated Unaudited Interim Condensed Consolidated Financial Statements for the quarter and six-month period ended June 30, 2024, (the "Interim Financial Report") contain 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 this Interim Financial Report includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, debt repayment, credit availability, interest rates, economic conditions data and housing starts. Additionally, the ultimate impact of COVID-19 on the Company's results is difficult to quantify, as it will depend on, inter alia, the ongoing 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, and 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 28, 2024, ("AIF") and the Company's public filings on the Canadian Securities Administrators' website at www.sedarplus.ca ("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 geopolitical conflicts, local, national, and international health concerns, including but not limited to COVID-19 or other viruses, epidemics or pandemics, sales and margin risk, acquisition and integration risks and operational risks related thereto, competition, information system risks, technology risks, cybersecurity risks, availability of supply of products, interest rate risks, inflation risks, risks associated with the introduction of new product lines, product design risk, product liability risk, environmental risks, climate change 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, tax risks, risks of legislative or regulatory changes, international trade and tariff risks, operational and safety risks, resource industry risks, resource extraction risks, risks relating to remote operations, forestry management and silviculture, fire and natural disaster risks, key executive risk, supply chain and modern anti-slavery risks, 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, the impact of COVID-19, other viruses, epidemics, pandemics or health risks, interest rates, exchange rates, inflation, 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, including the impacts of climate change, 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 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, ransomed or unavailable; 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; the impact of government policies, domestically and internationally, the impact of government elections, domestically, regionally and internationally, 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 August 9, 2024, unless otherwise indicated. All amounts are reported in Canadian dollars, unless otherwise indicated.

1. In the discussion, reference is made to Earnings before Interest, Tax, Depreciation and Amortization ("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 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 EBITDA and Adjusted EBITDA".
3. In discussion, reference is made to Net earnings before directly attributable acquisition-related costs. 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. Net earnings before directly attributable acquisition-related costs is presented as management believes it is a useful indicator of the Company's operating results. Net earnings before directly attributable acquisition-related costs should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS.
4. In discussion, reference is made to Net debt and Available liquidity. These are not generally accepted capital management measures and do not have standardized meanings under IFRS. Net debt is calculated as total current and non-current debt (including finance leases), less cash and cash equivalents. Available liquidity is calculated as cash and cash equivalents net of bank indebtedness, and unutilized credit capacity under the Company's revolving loan facility. Management believes that Net debt and Available liquidity are key measures of the Company's liquidity.

Business Overview

The Company operates through its wholly owned subsidiaries, distributing various building materials, as well as producing and treating lumber and providing other value-add services across Canada and in the US. The Company services the new home construction, home renovation and industrial markets by supplying the retail and wholesale lumber and building materials industry, big box stores, hardware stores, industrial and furniture manufacturers and similar concerns. The Company's operations also include timber ownership and management of private timberlands and forest licenses, and agricultural post-peeling and pressure treating through its timber division. After acquisition of its California Cascade business in 2015, in 2017 the Company acquired the Honsador Building Products group of companies, 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 lumber pressure treating plant near Portland, Oregon and a lumber pressure treating plant in Woodland, California. In 2019, the Company acquired Lignum Forest Products LLP, a well-established brand in the lumber and forestry distribution market in Western Canada and the US. In 2020, the Company completed the acquisition of a truss manufacturing plant in Kauai, Hawaii. In 2021, the Company completed the acquisition of the business of the Hixson Lumber Sales group, a leading wholesaler and manufacturer of lumber and treated lumber operating in the Central United States, as well as the acquisition of a lumber pressure treating plant in Fontana, California. The Company has recently renamed the majority of its operating divisions under the unified Doman brand.

Annuity Contract

Subsequent to quarter-end, on July 31, 2024, the Company purchased an annuity for $5.6 million through its defined benefit pension plan in order to mitigate its exposure to potential future volatility fluctuations in the related pension obligations and plan assets. Information regarding the Company's pension plan is included in Note 17 of the 2023 Consolidated Financial Statements.

Renewal of Revolving Loan Facility

On April 30, 2024, the Company amended and restated its existing revolving loan facility, extending the maturity date from December 6, 2024, to April 30, 2028. All other material terms, including the maximum available credit of $500.0 million, remained unchanged.

Southeast Forest Products Acquisition

On March 1, 2024, the Company completed the acquisition of certain assets of Southeast Forest Products Treated, Ltd. ("Southeast Forest") through a wholly owned subsidiary of the Company (the "Southeast Acquisition"), a manufacturer of treated lumber operating in Richmond, Indiana and near Birmingham, Alabama. The acquired treating plants are strategically located near Company's existing facilities, significantly expanding and complementing its central US operations, and newly accessing southern and eastern US markets.

The acquisition was made on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Southeast Acquisition.

Further information regarding this acquisition is contained in Note 4 of the Unaudited Interim Condensed Consolidated Financial Statements for the quarter and six-month period ended June 30, 2024.

Early redemption of unsecured notes

On June 30, 2023, the Company completed the early redemption of all $60.0 million of its outstanding senior unsecured notes with a scheduled maturity date of October 9, 2023 (the "2023 Unsecured Notes"), in accordance with the terms of the 2023 Unsecured Notes trust indenture, resulting in the payment of $60.9 million including accrued interest.

Early repayment of non-revolving term loan

On June 29, 2023, the Company completed the early repayment of the balance of its outstanding non-revolving term loan in the amount of $14.1 million, in accordance with the terms of such loan agreement, otherwise having a scheduled maturity date of December 6, 2024.

Seasonality

The Company's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season, depending on the geographical location, which creates a timing difference between quarterly free cash flow earned and the Company's policy of equalizing quarterly dividends paid.

Housing Starts

The seasonally adjusted annualized rate for overall Canadian housing starts for the quarter ended June 30, 2024, was 245,708 versus 243,515 in the comparative period of 2023, an increase of 0.9%. The seasonally adjusted annualized rate for single detached units, a more relevant leading indicator for the Company, amounted to 51,091 in the second quarter of 2024 versus 54,353 in the comparative period of 2023, a decrease of 6.0%[1].

The seasonally adjusted annualized rate for US housing starts was an average of 1,348,000 units in the second quarter of 2024 versus 1,455,000 in the same period of 2023, a decrease of 7.4%[2].

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1. As reported by the Canadian Mortgage and Housing Corporation ("CMHC"). For further information, see "Outlook".
2. As reported by the Fannie Mae Economic and Strategic Research Group ("Fannie Mae"). For further information, see "Outlook".

Construction Materials Pricing

The following tables provide average quarterly pricing for Spruce-Pine-Fir ("SPF"), plywood and oriented strand board ("OSB") in the Canadian markets, and SPF and Southern Yellow Pine ("SYP") in the US markets, respectively[1]:

(in Canadian $)		2024				2023		2022
For the three months ended	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
SPF Lumber[2]	**624**	669	619	642	574	599	675	840
Plywood[3]	**661**	696	645	677	625	682	724	746
OSB[3]	**622**	559	516	649	405	342	390	474

(in US $)		2024				2023		2022
For the three months ended	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
SPF Lumber[2]	**386**	446	399	418	361	386	411	578
SYP Lumber[2]	**308**	389	400	409	450	445	457	659

In Canada, lumber, plywood and OSB prices remained relatively stable through the year ended December 31, 2023, and into the first half of 2024. Average SFP lumber prices for the three months ended June 30, 2024, were $624 per thousand board feet, compared to $574 per thousand board feet in the comparative prior year period, an increase of $50 or 8.7%, while plywood and OSB saw 5.8% and 53.6% year-over-year increases, respectively.

In the US, lumber prices rose slightly in the first quarter due to supply tightness, but have since been pushed back down, as changing expectations for the timing of Federal monetary policy easing, among other factors, resulted in weaker lumber demand. Average SPF lumber prices for the three months ended June 30, 2024, were US$386 per thousand board feet, compared to US$361 per thousand board feet in the comparative prior year period, an increase of US$25 or 6.9%. However, SYP lumber, a more significant product category for the Company in the US, saw a year-over-year decrease of US$142 or 31.6%.

Overall, higher interest rates, the slowing North American housing market and a possible recession have cooled consumers' demand, putting some downward pressure on materials pricing through the second quarter of 2024. As a result, buyers remained conservative, replenishing only when needed and keeping inventories light.

1. As reported by Random Lengths.
2. Per thousand board feet.
3. Per thousand square feet.

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 underlying construction materials costs of its products.

The Company's gross margins are impacted by, among other things, 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 attempt 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, use of lumber futures contracts 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, 2024, and June 30, 2023

Overall Performance

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

	Three months ended June 30, 2024			Three months ended June 30, 2023		
(in thousands of dollars)	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	679,450	10,384	**689,834**	701,759	8,989	**710,748**
Specified expenses						
Depreciation and amortization	16,978	628	**17,606**	16,352	942	**17,294**
Finance costs	12,423	159	**12,582**	9,946	557	**10,503**
Net earnings	16,769	213	**16,982**	29,174	18	**29,192**

Sales and Gross Margin

Sales for the three-month period ended June 30, 2024, were $689.8 million versus $710.7 million in the comparative period of 2023, representing a decrease of $20.9 million or 2.9% due to the factors discussed below.

Sales for the Building Materials segment decreased by $22.3 million or 3.2%, largely due to the impact of the previously discussed slowing in the construction materials market, which was partially offset by the results from the Southeast Acquisition.

The Company's sales in the quarter were made up of 76% of construction materials, compared with 77% last year, with the remaining balance of sales resulting from specialty and allied products of 20% (2023 – 20%) and other sources of 4% (2023 – 3%).

Gross margin dollars were $108.1 million in the three-month period versus $121.2 million in the comparative quarter of 2023, a decrease of $13.1 million. Gross margin percentage was 15.7% in the quarter, compared to 17.0% achieved in the same quarter of 2023.

Expenses

Expenses for the three-month period ended June 30, 2024, were $75.1 million as compared to $72.5 million for the comparative quarter in 2023, an increase of $2.6 million or 3.6%, due to the factors discussed below. As a percentage of sales, expenses were 10.9%, compared to 10.2% during the comparative quarter in 2023.

Distribution, selling and administration expenses increased by $2.3 million or 4.2%, to $57.5 million in the second quarter of 2024 from $55.2 million in the same period of 2023, mainly due to broad inflationary pressures and the results from the Southeast Acquisition. As a percentage of sales, these expenses were 8.3%, compared to 7.8% in the same quarter in 2023.

Depreciation and amortization expenses increased slightly by $312,000 or 1.8%, from $17.3 million to $17.6 million, due to purchases of property, plant and equipment.

Operating Earnings

For the quarter ended June 30, 2024, operating earnings were $33.0 million compared to $48.7 million in the comparative period of 2023, a decrease of $15.7 million or 32.2%, due to the foregoing factors.

Finance Costs

Finance costs for the second quarter of 2024 were $12.6 million, compared to $10.5 million for the same period in 2023, an increase of $2.1 million or 19.8%, largely due to higher average net debt versus the comparative prior year quarter, and slightly higher average interest rates during the quarter on the Company's variable rate loan facilities.

Acquisition Costs

Directly attributable acquisition costs during the second quarter of 2024 were $371,000. These costs included due diligence, legal, environmental, financial, management resources and other advisory services directly attributable to acquisition activities.

Earnings before Income Taxes

For the quarter ended June 30, 2024, earnings before income taxes were $20.0 million, compared to $38.2 million in the comparative prior year quarter, a decrease of $18.2 million or 47.6% due to the foregoing factors.

Provision for Income Taxes

For the quarter ended June 30, 2024, provision for income taxes was $3.0 million compared to $9.0 million in the same quarter of 2023, a decrease in the provision of $6.0 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

Net earnings for the quarter ended June 30, 2024, were $17.0 million compared to $29.2 million for the comparative prior year quarter, a decrease of $12.2 million or 41.8%. Net earnings for the second quarter of 2024 were impacted by the previously discussed non-recurring directly attributable acquisition related costs of $371,000. Adjusted net earnings before these non-recurring costs were $17.3 million, a decrease of $11.9 million or 40.9%, due to the foregoing factors.

Comparison of the Six Months Ended June 30, 2024, and June 30, 2023

Overall Performance

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

	Six months ended June 30, 2024			Six months ended June 30, 2023		
(in thousands of dollars)	**Building Materials $**	**Other $**	**Total $**	**Building Materials $**	**Other $**	**Total $**
Revenue	1,275,246	17,063	**1,292,309**	1,301,373	18,494	**1,319,867**
Specified expenses						
Depreciation and amortization	33,835	1,303	**35,138**	32,669	1,739	**34,408**
Finance costs	23,168	251	**23,419**	20,141	919	**21,060**
Net earnings (loss)	31,657	(301)	**31,356**	43,294	809	**44,103**

Sales and Gross Margin

Sales for the six-month period ended June 30, 2024, were $1.29 billion versus $1.32 billion in the comparative period of 2023, representing a decrease of $27.6 million or 2.1% due to the factors discussed below.

Sales for the Building Materials segment decreased by $26.1 million or 2.0%, largely due to the impact of the previously discussed slowing in the construction materials market, which was partially offset by the results from the Southeast Acquisition.

The Company's sales in the period were made up of 76% of construction materials, consistent with last year, with the remaining balance of sales resulting from specialty and allied products of 20% (2023 – 20%) and other sources of 4% (2023 – 4%).

Gross margin dollars were $208.5 million in the six-month period versus $219.4 million in the comparative period of 2023, a decrease of $10.9 million. Gross margin percentage was 16.1%, compared to 16.6% achieved in the same period of 2023.

Expenses

Expenses for the six-month period ended June 30, 2024, were $147.5 million as compared to $142.9 million for the comparative period in 2023, an increase of $4.6 million or 3.2%, due to the factors discussed below. As a percentage of sales, expenses were 11.4% in the period compared to 10.8% during the comparative period in 2023.

Distribution, selling and administration expenses increased by $3.9 million or 3.6%, to $112.4 million in the first six months of 2024 from $108.5 million in the same period of 2023, mainly due to broad inflationary pressures and the results from the Southeast Acquisition. As a percentage of sales, these expenses were 8.7% in the period, compared to 8.2% in the same period in 2023.

Depreciation and amortization expenses increased by $730,000 or 2.1%, from $34.4 million to $35.1 million, due to purchases of property, plant and equipment.

Operating Earnings

For the six-month period ended June 30, 2024, operating earnings were $61.0 million compared to $76.4 million in the comparative period of 2023, a decrease of $15.4 million or 20.2%, due to the foregoing factors.

Finance Costs

Finance costs for the period of 2024 were $23.4 million, compared to $21.1 million for the same period in 2023, an increase of $2.4 million or 11.2%, largely due to higher average net debt versus the comparative prior year period, and slightly higher average interest rates during the period on the Company's variable rate loan facilities.

Acquisition Costs

Directly attributable acquisition costs during the first half of 2024 were $1.2 million. These costs included due diligence, legal, environmental, financial, management resources and other advisory services directly attributable to acquisition activities.

Earnings before Income Taxes

For the six-month period ended June 30, 2024, earnings before income taxes were $36.4 million, compared to $55.4 million in the comparative period of 2023, a decrease of $19.0 million or 34.3% due to the foregoing factors.

Provision for Income Taxes

For the six-month ended June 30, 2024, provision for income taxes was $5.1 million compared to $11.3 million in the same period of 2023, a decrease in the provision of $6.2 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

Net earnings for the six-month period ended June 30, 2024, were $31.4 million compared to $44.1 million for the same period in 2023, a decrease of $12.7 million or 28.9%. Net earnings for the first half of 2024 were impacted by the previously discussed non-recurring directly attributable acquisition related costs of $1.2 million. Adjusted net earnings before these non-recurring costs were $32.2 million, a decrease of $11.9 million or 26.9%, due to the foregoing factors.

Summary of Quarterly Results

For the Quarters Ended:

($ and shares millions,		2024				2023		2022
per share in dollars)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Sales	**689.8**	602.5	527.4	643.9	710.7	609.1	572.9	744.1
EBITDA	**50.2**	44.8	33.2	52.0	66.0	44.8	32.9	40.0
Adjusted EBITDA[1]	**50.6**	45.6	33.2	52.0	66.0	44.8	32.9	40.0
Adjusted EBITDA % of sales[1]	**7.3**	7.6	6.3	8.1	9.3	7.4	5.7	5.4
Earnings before income taxes	**20.0**	16.4	7.0	25.0	38.2	17.2	5.7	13.3
Net earnings	**17.0**	14.4	10.5	21.2	29.2	14.9	4.3	11.6
Adjusted net earnings[2]	**17.3**	15.0	10.5	21.2	29.2	14.9	4.3	11.6
Net earnings per share[3]	**0.19**	0.16	0.12	0.24	0.34	0.17	0.05	0.13
Adjusted net earnings[2] per share[3]	**0.20**	0.17	0.12	0.24	0.34	0.17	0.05	0.13
Dividends declared per share	**0.14**	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Outstanding shares[3]	**87.2**	87.1	87.0	86.9	87.0	87.1	87.0	87.0

1. Adjusted EBITDA refers to EBITDA before directly attributable acquisition related costs.
2. Net earnings before directly attributable acquisition-related costs.
3. Weighted average basic shares outstanding in the period.

Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
(in thousands of dollars)	$	$	$	$
Net earnings	**16,982**	29,192	**31,356**	44,103
Provision for income taxes	**3,023**	9,012	**5,064**	11,271
Finance costs	**12,582**	10,503	**23,419**	21,060
Depreciation and amortization	**17,606**	17,294	**35,138**	34,408
EBITDA	**50,193**	66,001	**94,977**	110,842
Acquisition costs	**371**	–	**1,188**	–
Adjusted EBITDA	**50,564**	66,001	**96,165**	110,842

EBITDA and Adjusted EBITDA

For the quarter ended June 30, 2024, EBITDA was $50.2 million compared to $66.0 million in the comparative quarter of 2023, a decrease of $15.8 million or 24.0%. EBITDA for the second quarter of 2024 was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of $371,000. Adjusted EBITDA before these non-recurring costs was $50.6 million, compared to $66.0 million in the same period in 2023, a decrease of $15.4 million or 23.4%. The decrease in Adjusted EBITDA was mainly due to the previously discussed overall pricing impact on margins in the quarter and an increase in expenses due to the broad inflationary pressures.

For the six months ended June 30, 2024, EBITDA was $95.0 million compared to $110.8 million in the comparative period of 2023, a decrease of $15.9 million or 14.3%. EBITDA for the first half of 2024 was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of $1.2 million. Adjusted EBITDA before these non-recurring costs was $96.2 million, compared to $110.8 million in the same period in 2023, a decrease of $14.7 million or 13.2%. The decrease in Adjusted EBITDA was mainly due to the previously discussed overall decreased pricing environment, as well as an increase in expenses due to the broad inflationary pressures.

Reconciliation of Net Earnings to Net Earnings before Directly Attributable Acquisition-Related Costs:

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
(in thousands of dollars)	**$**	**$**	**$**	**$**
Net earnings	**16,982**	29,192	**31,356**	44,103
Acquisition costs	**371**	–	**1,188**	–
Income tax recovery on acquisition costs	**(97)**	–	**(309)**	–
Net earnings before directly attributable acquisition-related costs	**17,256**	29,192	**32,235**	44,103

Financial Condition

Liquidity and Capital Resources

Management believes that net debt is a key measure of the Company's liquidity. The Company's net debt as at June 30, 2024, was $807.4 million, compared to $637.3 million as at December 31, 2023, an increase of $170.1 million, which was comprised of the following:

	June 30, 2024	December 31, 2023
(in thousands of dollars)	**$**	**$**
Loans and borrowings[1]	**659,419**	521,946
Lease liabilities[1]	**146,646**	145,294
Cash and cash equivalents	**(2,389)**	(40,213)
Bank indebtedness	**3,708**	10,243
Net debt	**807,384**	637,270

1. Includes current portion of debt.

As at June 30, 2024, the Company had available liquidity of $159.3 million, based on the maximum credit available of $500.0 million under its revolving loan facility:

	June 30, 2024	December 31, 2023
(in thousands of dollars)	**$**	**$**
Cash and cash equivalents	**2,389**	40,213
Bank indebtedness	**(3,708)**	(10,243)
Unutilized credit capacity under the Company's revolving loan facility	**160,647**	297,987
Available liquidity	**159,328**	327,957

During the six months ended June 30, 2024, the Company consumed $32.5 million in cash and cash equivalents, versus $225,000 in the comparative prior period. The following activities during the six-month period accounted for the change in cash.

Operating activities, before non-cash working capital changes, generated $68.9 million in cash, compared to $85.8 million in the same period in 2023. The decrease in operating cash generated was largely a result of the previously discussed lower earnings due to the slowing in the construction materials market.

During the six months ended June 30, 2024, changes in non-cash working capital items consumed $127.8 million in cash, compared to $92.5 million in the same period in 2023. The increase in cash used in non-cash working capital was largely due to a combination of the results from the Southeast Acquisition, as the Company invested in the initial build-up of inventory and trade and other receivables, and an increase in inventory in the Company's legacy operations. Due to the slowing in the construction materials markets, sales volumes during the first half of 2024 were lower than expected, and resulted in slightly higher levels of residential lumber inventory.

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 during the six-month period ended June 30, 2024, was comprised of an increase in trade and other receivables of $137.4 million, an increase in inventory of $8.5 million, a decrease in prepaid expenses and deposits of $555,000, and a net increase in trade and other payables of $17.5 million.

During the six-month period ended June 30, 2024, the Company generated a total of $93.9 million of cash from financing activities, compared to $8.8 million in the same period in 2023.

Payment of lease liabilities, including interest, consumed $13.5 million of cash, largely in line with the same period in 2023. The Company's lease obligations generally require monthly installments, and these payments are all current.

The Company borrowed $132.2 million from its revolving loan facility during the first half of 2024, compared to $120.5 million in the same period in 2023. The year-over-year increase in net advances from the revolving loan facility is largely due to the previously discussed working capital changes, resulting in the Company's increased facility utilization. Management notes that purchase price consideration for the Southeast Acquisition was funded by the Company's cash and cash equivalents on hand, and therefore had no impact on the Company's revolving loan facility.

Shares issued, net of transaction costs, generated $701,000 of cash compared to $609,000 in 2023. The Company also returned $24.4 million to shareholders through dividends paid during the period, largely in line with the same period in 2023.

The Company was not in breach of any of its lending covenants during the six months ended June 30, 2024.

Investing activities consumed $67.5 million of cash, compared to $2.3 million in 2023. Investing activities in the first half of 2024 included the Southeast Acquisition, for total cash consideration of $62.3 million. Additionally, the Company invested net cash of $5.2 million in new property, plant and equipment during the period, compared to $2.3 million in 2023, representing purchases net of proceeds from dispositions. Purchases of property, plant and equipment for the Building Materials segment were $5.0 million, versus $2.1 million in 2023.

The Company takes measures to bolster its cash flows, including but not limited to, managing cash flow by tightly controlling non-cash working capital levels and capital expenditures, evaluating ongoing cost savings opportunities, deferring or reducing anticipated capital expenditures, and adjusting quarterly dividends, as required or deemed prudent by management and the board. These available liquidity measures, combined with the Company's continuing cash flows from operations and credit facilities, are expected to be sufficient to meet its operating requirements and remain compliant with its lending covenants.

Total Assets

Total assets of the Company were $1.61 billion as at June 30, 2024, versus $1.43 billion as at December 31, 2023, an increase of $181.9 million. Current assets increased by $130.5 million. Cash and cash equivalents decreased by $37.8 million, largely due to the Southeast Acquisition. Trade and other receivables increased by $142.1 million and inventory increased by $26.9 million, largely due to regular seasonal factors, as well as the investment in inventory and trade and other receivables as a result of the Southeast Acquisition.

Long-term assets within the Building Materials segment were $801.5 million as at June 30, 2024, compared to $748.9 million as at December 31, 2023, an increase of $52.6 million, largely due to the impact of assets acquired as a result of the Southeast Acquisition.

Total Liabilities

Total liabilities were $995.5 million as at June 30, 2024, versus $844.2 million at December 31, 2023, an increase of $151.3 million. The increase was largely due to the increase in total loans and borrowings of $137.5 million (including the impact of foreign exchange on translation of foreign operations and amortization of deferred financing costs), and an increase in trade and other payables of $19.6 million. The increase in the revolving loan facility was mainly due to the previously discussed increase in working capital due to regular seasonal factors resulting in increased utilization of the revolving loan facility.

Current portion of loans and borrowings decreased by $201.2 million, due to the renewal of the Company's revolving loan facility. The Company's revolving loan facility with a maturity date of December 6, 2024, became current as at December 31, 2023, but was amended on April 30, 2024, extending the maturity date to April 30, 2028.

Outstanding Share Data

As at August 9, 2024, there were 87,285,372 common shares issued and outstanding.

Dividends

The following quarterly dividends of $0.14 per share were declared and paid by the Company:

	2024			2023		
	Declared			Declared		
(in thousands of dollars)	Record date	Amount $	Payment date	Record date	Amount $	Payment date
Quarter 1	Mar 28, 2024	12,200	Apr 12, 2024	Mar 31, 2023	12,165 (1)	Apr 14, 2023
Quarter 2	Jun 28, 2024	12,202	Jul 12, 2024	Jun 30, 2023	12,167	Jul 14, 2023
		24,402			**24,332**	
Quarter 3				Sep 29, 2023	12,183	Oct 13, 2023
Quarter 4				Dec 29, 2023	12,186	Jan 12, 2024
					48,701	

1. Net of $32 dividend refund received with respect to cancelled shares under a historic escrow agreement.

Dividend Policy

The Board of the Company is routinely assessing its dividend policy in the context of overall profitability, free cash flow, capital requirements, general economic conditions and other business needs.

Hedging

From time to time, the Company undertakes sale and purchase transactions in foreign currency as part of its Canadian operations and for US-based merger and acquisition activity, and therefore, is subject to gains and losses due to fluctuations in foreign exchange rates.

The Company may, at times, use derivative financial instruments for economic hedging purposes in managing lumber price risk, interest rate risk and foreign currency risk through the use of futures contracts and options. These derivative financial instruments are measured at fair value through profit and loss, with changes in fair value being recorded in net earnings.

When held by the Company, foreign currency, interest rate and lumber derivative instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for these instruments. As trading activities are closely monitored by senior management, the risk of a material 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 land and buildings of the Company's treatment plants are leased from entities solely controlled by Amar Doman, a director and officer of the Company, and certain distribution facilities used by the Company to store and process inventory are leased from a company controlled by Rob Doman, an officer of the Company, or a close member of that person's family. 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 $2.1 million in the six months ended June 30, 2024, consistent with 2023. The minimum payments under the terms of these leases are as follows: $2.1 million for the remainder of 2024, $3.0 million in 2025, $2.4 million in 2026, $2.4 million in 2027, $2.5 million in 2028, and $8.2 million thereafter.

During the period, fees of $637,000 (2023 – $505,000) were paid for services to companies solely controlled by Amar Doman. As at June 30, 2024, payables to these related parties were $17,000 (December 31, 2023 – $27,000). Additionally, the Company was charged professional fees in relation to regulatory, corporate finance, litigation, and compliance consulting services of $310,000 (2023 – $275,000) by a company owned by Rob Doman, an officer of the Company. As at June 30, 2024, payables to this related party were $146,000 (December 31, 2023 – $82,000).

During the period, the Company purchased $1.2 million (2023 – $1.3 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, 2024, payables to this related party were $66,000 (December 31, 2023 – $123,000).

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, 2024.

Commitments and Contingencies

Future and Contractual Obligations

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

The following table shows, as at June 30, 2024, the Company's contractual obligations, including estimated interest, within the periods indicated:

(in thousands of dollars)	*Face value* $	Total contractual obligation $	Remainder of 2024 $	2025-2026 $	2027-2028 $	Thereafter $
Revolving loan facility[1]	***339,353***	**432,660**	12,272	48,688	371,700	–
Unsecured notes[2]	***324,500***	**358,676**	8,518	350,158	–	–
Leases[3]		**155,994**	14,995	45,545	34,835	60,619
Total contractual obligations		**947,330**	**35,785**	**444,391**	**406,535**	**60,619**

1. Interest has been calculated based on the average borrowing under the facility for the six months ended June 30, 2024, utilizing the interest rate payable under the terms of the facility at June 30, 2024. This facility matures on April 30, 2028.
2. Non-publicly listed notes, in the amount of $324.5 million, with a maturity date of May 15, 2026 and interest rate of 5.25%.
3. Additional information is contained in Note 9 of the Unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2024.

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.

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, valuation of timber, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, assessing whether an arrangement contains a lease, determining the lease term, and determining the discount rate to value the lease.

Business Combinations and 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, which requires making assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets and property, plant and equipment generally require the most judgment. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

Any goodwill resulting from a business combination 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, 2024, 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 recoverable amount 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 recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the recoverable amount of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss.

Timber Valuation

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 year. Significant judgment is used in determining the fair value with reference to independent third-party valuators and recent comparatives of standing timber and carbon offset sales, costs of sustainable forest management, timber pricing, harvest volume and timing assumptions, the discount rate used, and the resulting net present value of future cash flows for standing timber.

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 Company's end markets, 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.

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 deductions, 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.

Leases

When assessing a lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, determining the discount rate to value the lease, the assessment of the likelihood of exercising options and estimation of the fair value of the leased property.

Changes in Accounting Policies

Material accounting policies, as disclosed in Note 3 of the 2023 Consolidated Financial Statements, have been applied consistently in the preparation of the interim condensed consolidated financial statements, except as stated below.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Effective January 1, 2024, the Company adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1). These amendments specify the requirements for classifying liabilities as current or non-current. Beside others, the amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. The adoption of these amendments did not have an impact on the Unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2024.

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 the 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.

Limitations on Scope of Design

The scope of design over disclosure controls and internal controls over financial reporting has been limited to exclude control, policies and procedures of Southeast Forest, which was acquired effective March 1, 2024.

Since acquisition on March 1, 2024, for the period ending June 30, 2024, the acquired business contributed revenue of $33.5 million and net earnings of $478,000. Assets and liabilities of the acquired business at June 30, 2024, were $75.3 million and $3.1 million, respectively.

The scope limitation is in accordance with section 3.3(1)(c) of National Instrument 52-109, which allows an issuer to limit the design of disclosure and control procedures and internal control over financial reporting to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days after the acquisition date.

Changes in Internal Control over Financial Reporting

There were no material changes in the design of the Company's internal controls over financial reporting ("ICFR") during the three and six-month periods ended June 30, 2024, that have affected, or are reasonably likely to materially affect, its ICFR with the exception of the scope limitation for the Southeast Acquisition described above.

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 28, 2024, the Company's MD&A contained in the 2023 annual consolidated financial report, and the Company's public filings on www.sedarplus.ca, 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.

Cybersecurity Risk

Information technology ("IT") and cyber risks have recently increased, and malicious activities are creating more threats for cyberattacks. Privacy, data and third-party risks have also been heightened. The Company is continuously monitoring its IT infrastructure to maintain the privacy, security and confidentiality of all sensitive, proprietary and confidential information.

While the Company believes it takes appropriate precautions in light of cybersecurity risks, given that cyber risks cannot be fully mitigated and the evolving nature of these threats, management cannot assure that the Company's IT systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures, defects, or impacts on the Company's operations. Accordingly, there can be no assurance that cyberattacks will not materially affect the Company's business or results of operations.

Supply Chain and Modern Anti-Slavery Risks

On January 1, 2024, an Act to enact the Fight Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff ("Supply Chains Act") came into force in Canada. Starting in 2024, the Supply Chains Act introduces a public reporting requirement that will apply to many governmental institutions and private sector businesses, including the Company. Whereas the Company has determined that it meets the criteria to adhere to these reporting requirements, it has been introducing applicable policy, procedure and training, and provided the required report and response to the required questionnaire in compliance with the Supply Chains Act.

While the Company is currently unaware of any forced or child labour in its supply chains, there is a risk that the Company's supply chain may have actual or alleged forced or child labour. Should such an instance arise, the Company would be required to take measures to address such a claim or risk of a claim, including disrupting its supply chain operations in pursuit of such a remedy, which could have a material adverse effect on the Company's business, results of operations or financial condition, and/or result in operational, financial, business or reputational harm.

Outlook

As a distributor and manufacturer of a range of construction materials products, the Company is exposed to construction materials pricing volatility. Periods of increasing prices provide an opportunity for higher sales and increased margins, while declining price environments expose the Company to declines in sales and profitability. Future market pricing could be volatile in response to several factors, including but not limited to, the impacts of inflation, rising interest rates, higher borrowing costs for consumers, a potential for an economic recession, production capacity restoration and industry operating rates, home sales, international tensions, ongoing trade disputes, supply chain challenges, labour shortages in the construction industry and inventory levels in various distribution channels.

The Bank of Canada ("BoC") July 2024 Monetary Policy Report indicated that consumer price index inflation in Canada is moving closer to the 2% target, as monetary policy works to reduce price pressures. Inflation is no longer broad-based, and measures of core inflation have eased significantly. Consequently, in July 2024, the BoC has lowered its key interest rate, and indicated that further cuts are anticipated. The BoC notes that some pressures remain, however, particularly in prices for services, and progress back to the target is expected to be uneven. According to the BoC, the US economic growth has slowed after a period of surprising strength. Past increases in interest rates are weighing on consumption, and government spending has moderated. Inflation remains above central bank targets, but is expected to gradually ease.

According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts increased to 245,708 in the second quarter 2024 versus 243,515 in the same period last year.

According to Fannie Mae Economic and Strategic Research Group ("Fannie Mae"), affordability constraints continue to limit the number of buyers willing and able to make home purchases, even as listings of for-sale homes rise. The economy appears to be slowing, and recent statistics offer hope that inflation is cooling, after stalling in the first quarter of 2024. According to the US Census Bureau, housing starts were 1,348,000 units during the second quarter of 2024, down from 1,455,000 units during this period last year. Housing starts are expected to decline slightly by the end of 2024 to 1,333,000 units before increasing to 1,373,000 units in 2025.

In addition to new housing starts, management believes a significant proportion of the Company's sales are ultimately driven by activity in the repair and remodel market. After several years of significant gains, the four-quarter moving rate for expenditures on improvements and repairs in the US contracted by 3.0% year-over-year during the second quarter of 2024, according to the Leading Indicator of Remodeling Activity ("LIRA") recently released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University ("JCHS"). The LIRA projects a further contraction of 6.3% by the end of 2024 (four-quarter moving rate of change), but indicated that residential remodeling is expected to benefit from a rebounding housing market and stabilizing material costs moving into the second quarter of next year.

Overall, the Company expects that ongoing net migration, aging housing supply, strong government policy to increase home availability and continuing work-from-home trends will help offset the near-term impact of higher interest rates and encourage repair and remodel spending that supports the Company's product offerings in both Canada and the US. In the long run, the Company expects that the demand for its products will remain resilient, supported by these strong fundamentals in the Company's end markets. In the interim, the Company continues to maintain a high level of vigilance and focus on the current global economic environment and its disruptive impacts, and actively manage risk. Additionally, 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 while minimizing excess inventory otherwise exposed to market fluctuations and higher financing costs. These initiatives have strengthened the Company's financial position by reducing overall debt and increasing available liquidity on its revolving loan facility. The Company also continues to execute on its strategy to increase the proportion of value-added products, such as pressure treated wood, in its overall sales.

Looking forward, the Company's priority in the near term is the health and safety of its employees, compliance with all necessary regulations, and mitigating the impacts of the current economic factors, while continuing to serve its customers and integrating its recent acquisition. The Company's focus will remain on cash flow, consisting of optimization of working capital, reduction of operating costs, minimizing capital expenditures and continually assessing the dividend policy and maximizing shareholder value.

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