

DOMAN™

Annual Report 2024

DOMAN™

Doman Building Materials Group Ltd.

Management's Discussion and Analysis

February 27, 2025

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 year ended December 31, 2024, relative to 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, 2024 (the "2024 Consolidated Financial Statements"). The financial information in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), applicable to the preparation of financial statements.

This MD&A, the associated 2024 Consolidated Financial Statements and the 2024 Letter to Shareholders (the "2024 Reporting Documents") 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 the 2024 Reporting Documents includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, debt repayment, credit availability, interest rates, economic conditions data, changes in international trade policies, international tariffs and housing starts. 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 the 2024 Reporting Documents 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, impacts of changes in international trade policies including tariffs, 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, 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 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 and tariff 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 or at acceptable costs; 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;

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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 the 2024 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2024 Reporting Documents 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 the 2024 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than the 2024 Reporting Documents. 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 the 2024 Reporting Documents 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 the 2024 Reporting Documents 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 February 27, 2025, 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 the 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 are 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 the 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.
5. 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 generated from Adjusted EBITDA activities, and after payment of lease liabilities, interest, tax and maintenance of business capital expenditures.

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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. During 2024, the Company completed additional acquisitions, as described below. The Company has recently renamed the majority of its operating divisions under the unified Doman brand.

Business Acquisitions (the "Acquisitions")

Doman Tucker Lumber Acquisition

On October 1, 2024, the Company completed the acquisition of certain assets of CM Tucker Lumber Companies, LLC (now doing business as "Doman Tucker Lumber") through a wholly owned subsidiary of the Company (the "Doman Tucker Lumber Acquisition"). Doman Tucker Lumber offers a comprehensive variety of products, including treated lumber and plywood, decking, deck posts, balusters, spindles, handrails, step stringers, step treads, fence panels, fence pickets, round fence posts and split rail fencing. Doman Tucker Lumber operates in the Eastern US, headquartered in Pageland, South Carolina, with three large treating plants, specialty sawmilling and a captive trucking fleet.

Cash purchase price consideration of approximately US\$295.0 million, including inventory of approximately US\$40.0 million, was funded by the Company's revolving loan facility and cash and cash equivalents on hand, and is subject to certain post-closing adjustments.

Further information regarding this acquisition is contained in Note 7 of the 2024 Consolidated Financial Statements.

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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 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 7 of the 2024 Consolidated Financial Statements.

Issuance of 2029 Unsecured Notes

On September 17, 2024, the Company completed a private placement offering of senior unsecured notes ("2029 Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of \$265.0 million. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including RBC Capital Markets, CIBC Capital Markets, TD Securities and National Bank Financial Markets.

On December 10, 2024, the Company completed an additional private placement offering under the terms of the 2029 Unsecured Notes. These additional notes were issued at a price of \$1,015 per \$1,000 principal, resulting in gross proceeds of \$101.5 million.

The 2029 Unsecured Notes accrue interest at the rate of 7.5% per annum, payable on a semi-annual basis, maturing on September 17, 2029. Cash proceeds raised from the 2029 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing revolving loan facility and repurchase for cancellation a portion of the Company's senior unsecured notes with a maturity date of May 15, 2026 ("2026 Unsecured Notes").

Repurchase of 2026 Unsecured Notes

Concurrent with the issuance of the 2029 Unsecured Notes on September 17, 2024, the Company completed the early repurchase for cancellation of \$52.3 million of its outstanding 2026 Unsecured Notes, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was \$53.3 million. The remaining principal payable is \$272.2 million.

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Amendment 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.

Subsequent to year-end, on January 31, 2025, the Company amended its existing revolving loan facility, increasing the maximum available credit from \$500.0 million to \$580.0 million. All other material terms remained substantially unchanged.

Early Redemption of 2023 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 year ended December 31, 2024 was 245,120 versus 240,267 in 2023, an increase of 2.0%. The seasonally adjusted annualized rate for single detached units, a more relevant leading indicator for the Company, amounted to 60,292 in the fourth quarter of 2024 versus 55,204 in the comparative period of 2023, an increase of 9.2%⁽¹⁾.

US housing starts were 1,366,000 units in 2024 versus 1,420,000 in 2023, a decrease of 3.8%⁽²⁾.

1. As reported by the Canadian Mortgage and Housing Corporation ("CMHC"). For further information, see "Outlook".

2. As reported by the US Census Bureau. For further information, see "Outlook".

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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 \$) For quarters ended | 2024 | | | | 2023 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| SPF Lumber ⁽²⁾ | 641 | 574 | 624 | 669 | 619 | 642 | 574 | 599 |
| Plywood ⁽³⁾ | 760 | 607 | 661 | 696 | 645 | 677 | 625 | 682 |
| OSB ⁽³⁾ | 504 | 429 | 622 | 559 | 516 | 649 | 405 | 342 |

| (in US \$) For quarters ended | 2024 | | | | 2023 | | | |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| SPF Lumber ⁽²⁾ | 434 | 367 | 386 | 446 | 399 | 418 | 361 | 386 |
| SYP Lumber ⁽²⁾ | 379 | 327 | 308 | 389 | 400 | 409 | 450 | 445 |

In Canada, lumber, plywood and OSB prices remained relatively stable through the year ended December 31, 2024, and increased slightly towards the end of the fourth quarter. Average SPF lumber prices for the quarter ended December 31, 2024, were \$641 per thousand board feet, compared to \$619 per thousand board feet in the comparative prior year period, an increase of \$22 or 3.6%. Plywood also saw an increase of 17.8% year-over-year, while OSB saw a modest decrease of 2.3%.

In the US, lumber prices rose slightly in the first quarter due to supply tightness, but have since declined, 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 quarter ended December 31, 2024, were US\$434 per thousand board feet, compared to US\$399 per thousand board feet in the comparative prior year period, an increase of US\$35 or 8.8%. However, SYP Lumber, a more significant product category for the Company in the US, saw a year-over-year decrease of US\$21 or 5.3%.

Overall, the North American market remains weak, with cooling consumers' demand putting downward pressure on materials pricing.

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.

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

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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

Selected Annual Information

| (in millions of dollars, per share in dollars) | Fiscal Years Ended December 31, | | |
|--|---------------------------------|------------|------------|
| | 2024 | 2023 | 2022 |
| Sales | 2,663.2 | 2,491.2 | 3,039.0 |
| Earnings before income taxes | 61.2 | 87.4 | 98.7 |
| Net earnings | 54.2 | 75.8 | 78.7 |
| Adjusted net earnings ⁽¹⁾ | 56.6 | 75.8 | 78.7 |
| Net earnings per share (basic and diluted) | 0.62 | 0.87 | 0.91 |
| Adjusted net earnings per share (basic and diluted) ⁽¹⁾ | 0.65 | 0.87 | 0.91 |
| Total assets | 2,013.2 | 1,425.6 | 1,445.2 |
| Non-current debt ⁽²⁾ | 1,114.0 | 444.6 | 606.6 |
| Total debt | 1,138.4 | 667.2 | 689.9 |
| Net debt ⁽³⁾ | 1,129.0 | 637.3 | 694.1 |
| Dividends declared to shareholders | 48.8 | 48.7 | 48.7 |
| Dividends declared to shareholders (per share) | 0.56 | 0.56 | 0.56 |
| Weighted average shares outstanding (basic and diluted) | 87,201,318 | 87,028,659 | 86,885,617 |
| Total shares outstanding | 87,289,766 | 87,041,292 | 86,991,660 |

1. Net earnings before directly attributable acquisition-related costs.

2. Excludes current portion of debt.

3. Total current and non-current debt (including finance leases), less cash and cash equivalents.

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Comparison of the Year Ended December 31, 2024, and December 31, 2023

Overall Performance

Segmented Information

The following table shows the Company's segmented results for the year ended December 31:

| | Year ended December 31, 2024 | | | Year ended December 31, 2023 | | |
|-------------------------------|---------------------------------|--------|------------------|---------------------------------|--------|------------------|
| | Building Materials | Other | Total | Building Materials | Other | Total |
| (in thousands of dollars) | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | 2,628,894 | 34,345 | 2,663,239 | 2,454,769 | 36,395 | 2,491,164 |
| Specified expenses | | | | | | |
| Depreciation and amortization | 74,784 | 2,457 | 77,241 | 65,123 | 2,980 | 68,103 |
| Finance costs | 53,070 | 678 | 53,748 | 39,261 | 1,282 | 40,543 |
| Net earnings | 54,129 | 58 | 54,187 | 72,783 | 3,003 | 75,786 |

Sales and Gross Margin

Sales for the year ended December 31, 2024, were \$2.66 billion versus \$2.49 billion in 2023, representing an increase of \$172.1 million or 6.9% due to the factors discussed below.

Sales for the Building Materials segment increased by \$174.1 million or 7.1%, largely due to the impact of the results from the Acquisitions (increase in sales of approximately 8.2%). Doman Tucker Lumber was acquired on October 1, 2024 and Southeast Forest was acquired on March 1, 2024, and consequently included three and ten months of operations, respectively. Additionally, sales for the Company's legacy operations were impacted by the previously discussed decreases in pricing in certain construction materials categories.

The Company's sales in the year were made up of 76% of construction materials, compared with 74% last year, with the remaining balance of sales resulting from specialty and allied products of 20% (2023 – 22%) and other sources of 4% (2023 – 4%).

Gross margin dollars were \$424.8 million versus \$402.7 million in 2023, an increase of \$22.1 million, benefiting from the results achieved by the Acquisitions. Gross margin percentage was 16.0% during the year, compared to 16.2% achieved in 2023, with the slight decrease in percentage gross margin largely due to the impact of the previously discussed slowing in the construction materials market.

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Expenses

Expenses for the year ended December 31, 2024, were \$306.5 million as compared to \$274.7 million, an increase of \$31.8 million or 11.6%, due to the factors discussed below. As a percentage of sales, 2024 expenses were 11.5%, compared to 11.0% in 2023.

Distribution, selling and administration expenses increased by \$22.6 million or 10.9%, to \$229.2 million in 2024, versus \$206.6 million in 2023, mainly due to the results from the Acquisitions, as well as broad inflationary pressures. As a percentage of sales, these expenses were 8.6%, compared to 8.3% in the prior year.

Depreciation and amortization expenses increased by \$9.1 million or 13.4%, from \$68.1 million to \$77.2 million, mainly due to additions to property, plant and equipment and intangible assets related to the Acquisitions.

Operating Earnings

For the year ended December 31, 2024, operating earnings were \$118.3 million compared to \$128.0 million in 2023, a decrease of \$9.7 million or 7.6%, due to the foregoing factors.

Finance Costs

Finance costs for the year ended December 31, 2024 were \$53.7 million, compared to \$40.5 million in 2023, an increase of \$13.2 million, largely as a result of the additional finance costs related to the 2029 Unsecured Notes, as well as higher interest rates on the Company's variable rate loan facilities during the year.

Acquisition Costs

Directly attributable acquisition costs during the year ended December 31, 2024 were \$3.3 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 year ended December 31, 2024, earnings before income taxes were \$61.2 million, compared to \$87.4 million in 2023, a decrease of \$26.2 million due to the foregoing factors.

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Provision for Income Taxes

For the year ended December 31, 2024, provision for income taxes was \$7.0 million compared to \$11.7 million in 2023, a decrease in the provision of \$4.7 million. This amount is a function of the pre-tax earnings generated during the year and the expected taxes payable on these earnings.

Net Earnings

As a result of the foregoing factors, net earnings for the year ended December 31, 2024, were \$54.2 million compared to \$75.8 million in 2023, a decrease of \$21.6 million. Net earnings for the year were impacted by the previously discussed non-recurring directly attributable acquisition related costs of \$3.3 million. Adjusted net earnings before these non-recurring costs were \$56.6 million, a decrease of \$19.2 million, due to the foregoing factors.

Fourth Quarter Results

A summary of the unaudited results for the quarters ended December 31, 2024 and 2023, is as follows:

| (in thousands of dollars, per share in dollars) | Three months ended December 31, | |
|---|---------------------------------|---------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Sales | 707,841 | 527,386 |
| Gross margin | 113,319 | 80,564 |
| Gross margin % | 16.0 % | 15.3 % |
| Distribution, selling and administration expenses | 61,376 | 47,335 |
| Depreciation and amortization | 24,095 | 16,858 |
| Expenses | 85,471 | 64,193 |
| Operating earnings | 27,848 | 16,371 |
| Finance costs | 18,546 | 9,353 |
| Acquisition costs | 991 | – |
| Earnings before income taxes | 8,311 | 7,018 |
| Provision for (recovery of) income taxes | 47 | (3,506) |
| Net earnings | 8,264 | 10,524 |
| Net earnings per share ⁽¹⁾ | 0.09 | 0.12 |

1. Weighted average basic shares outstanding during the quarter.

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Segmented Information

The following table shows the Company's segmented results for the quarters ended December 31:

| (in thousands of dollars) | Three months ended December 31, 2024 | | | Three months ended December 31, 2023 | | |
|-------------------------------|---|-------------|----------------|---|-------------|----------------|
| | Building Materials \$ | Other \$ | Total \$ | Building Materials \$ | Other \$ | Total \$ |
| Revenue | 699,841 | 8,000 | 707,841 | 519,832 | 7,554 | 527,386 |
| Specified expenses | | | | | | |
| Depreciation and amortization | 23,554 | 541 | 24,095 | 16,154 | 704 | 16,858 |
| Finance costs | 18,283 | 263 | 18,546 | 9,265 | 88 | 9,353 |
| Net earnings (loss) | 8,386 | (122) | 8,264 | 9,754 | 770 | 10,524 |

Sales and Gross Margin

Sales for the quarter ended December 31, 2024, were \$707.8 million versus \$527.4 million in the comparative period of 2023, representing an increase of \$180.5 million or 34.2% due to the factors discussed below.

Sales for the Building Materials segment increased by \$180.0 million or 34.6%, largely due to the impact of the results from the Acquisitions (increase in sales of approximately 28.7%).

The Company's sales in the quarter were made up of 79% of construction materials, compared with 72% in the comparative prior year period, with the remaining balance of sales resulting from specialty and allied products of 17% (2023 – 24%) and other sources of 4% (2023 – 4%).

Gross margin dollars were \$113.3 million versus \$80.6 million in the comparative prior year quarter, an increase of \$32.8 million, benefiting from the results achieved by the Acquisitions. Gross margin percentage was 16.0% for the quarter, compared to 15.3% achieved in 2023.

Expenses

Expenses for the quarter ended December 31, 2024, were \$85.5 million as compared to \$64.2 million for the comparative quarter in 2023, an increase of \$21.3 million or 33.1%, due to the factors discussed below. As a percentage of sales, expenses were 12.1% in the period compared to 12.2% during the comparative quarter in 2023.

Distribution, selling and administration expenses increased by \$14.0 million or 29.7%, to \$61.4 million in 2024 from \$47.3 million in the same period of 2023, mainly due to broad inflationary pressures and the results from the Acquisitions. As a percentage of sales, these expenses were 8.7% in the period, compared to 9.0% in the same period in 2023.

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Depreciation and amortization expenses increased by \$7.2 million or 42.9%, from \$16.9 million to \$24.1 million, mainly due to additions to property, plant and equipment and intangible assets related to the Acquisitions.

Operating Earnings

For the quarter ended December 31, 2024, operating earnings were \$27.8 million compared to \$16.4 million in the comparative period of 2023, an increase of \$11.5 million or 70.1%, due to the foregoing factors.

Finance Costs

Finance costs for the quarter ended December 31, 2024 were \$18.5 million, compared to \$9.4 million for the same period in 2023, an increase of \$9.2 million, largely as a result of the additional finance costs related to the 2029 Unsecured Notes, as well as higher interest rates on the Company's variable rate loan facilities and higher utilization of the revolving loan facility during the quarter.

Acquisition Costs

Directly attributable acquisition costs during the quarter ended December 31, 2024 were \$991,000. 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 December 31, 2024, earnings before income taxes were \$8.3 million, compared to \$7.0 million in the comparative period of 2023, an increase of \$1.3 million due to the foregoing factors.

Provision for Income Taxes

For the quarter ended December 31, 2024, provision for income taxes was \$47,000 compared to a recovery of \$3.5 million in the same quarter of 2023, an increase in the provision of \$3.6 million. This amount is a function of the pre-tax earnings generated in the period and the expected taxes payable on these earnings, as well as a revaluation of certain deferred tax assets and liabilities.

Net Earnings

Net earnings for the quarter ended December 31, 2024, were \$8.3 million compared to \$10.5 million for the same period in 2023, a decrease of \$2.3 million, due to the foregoing factors. Net earnings for the quarter were impacted by the previously discussed non-recurring directly attributable acquisition related costs of \$991,000. Adjusted net earnings before these non-recurring costs were \$9.0 million, a decrease of \$1.6 million, due to the foregoing factors.

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Summary of Quarterly Results

For the Quarters Ended:

| (\$ and shares millions, per share in dollars) | 2024 | | | | 2023 | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| Sales | 707.8 | 663.1 | 689.8 | 602.5 | 527.4 | 643.9 | 710.7 | 609.1 |
| EBITDA | 51.0 | 46.3 | 50.2 | 44.8 | 33.2 | 52.0 | 66.0 | 44.8 |
| Adjusted EBITDA ⁽¹⁾ | 51.9 | 47.4 | 50.6 | 45.6 | 33.2 | 52.0 | 66.0 | 44.8 |
| Adjusted EBITDA % of sales ⁽¹⁾ | 7.3 | 7.2 | 7.3 | 7.6 | 6.3 | 8.1 | 9.3 | 7.4 |
| Earnings before income taxes | 8.3 | 16.5 | 20.0 | 16.4 | 7.0 | 25.0 | 38.2 | 17.2 |
| Net earnings | 8.3 | 14.6 | 17.0 | 14.4 | 10.5 | 21.2 | 29.2 | 14.9 |
| Adjusted net earnings ⁽²⁾ | 9.0 | 15.4 | 17.3 | 15.0 | 10.5 | 21.2 | 29.2 | 14.9 |
| Net earnings per share ⁽³⁾ | 0.09 | 0.17 | 0.19 | 0.16 | 0.12 | 0.24 | 0.34 | 0.17 |
| Adjusted net earnings ⁽²⁾ per share ⁽³⁾ | 0.10 | 0.18 | 0.20 | 0.17 | 0.12 | 0.24 | 0.34 | 0.17 |
| Dividends declared per share | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 |
| Outstanding shares ⁽³⁾ | 87.3 | 87.2 | 87.2 | 87.1 | 87.0 | 86.9 | 87.0 | 87.1 |

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

Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA

| (in thousands of dollars) | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|---------------|--------------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$ | \$ | \$ | \$ |
| Net earnings | 8,264 | 10,524 | 54,187 | 75,786 |
| Provision for (recovery of) income taxes | 47 | (3,506) | 7,031 | 11,654 |
| Finance costs | 18,546 | 9,353 | 53,748 | 40,543 |
| Depreciation and amortization | 24,095 | 16,858 | 77,241 | 68,103 |
| EBITDA | 50,952 | 33,229 | 192,207 | 196,086 |
| Acquisition costs | 991 | - | 3,340 | - |
| Adjusted EBITDA | 51,943 | 33,229 | 195,547 | 196,086 |

Management's Discussion and Analysis

EBITDA and Adjusted EBITDA

For the quarter ended December 31, 2024, EBITDA was \$51.0 million compared to \$33.2 million in the comparative 2023 period, an increase of \$17.7 million or 53.3%. EBITDA for the fourth quarter of 2024 was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of \$991,000. Adjusted EBITDA before these non-recurring costs was \$51.9 million, an increase of \$18.7 million or 56.3%. Adjusted EBITDA during the quarter was positively impacted by the inclusion of the results from the Acquisitions.

For the year ended December 31, 2024, EBITDA was \$192.2 million compared to \$196.1 million in 2023, a decrease of \$3.9 million or 2.0%. EBITDA for the year was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of \$3.3 million. Adjusted EBITDA before these non-recurring costs was \$195.5 million, a slight decrease of \$539,000 or 0.3%. Adjusted EBITDA was positively impacted by this year's inclusion of the results from the Acquisitions, but was offset by the previously discussed overall weaker pricing in certain construction materials categories, as well as an increase in expenses due to broad inflationary pressures.

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

| (in thousands of dollars) | Three months ended December 31, | | Years ended December 31, | |
|--|---------------------------------|---------------|--------------------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$ | \$ | \$ | \$ |
| Net earnings | 8,264 | 10,524 | 54,187 | 75,786 |
| Acquisition costs | 991 | – | 3,340 | – |
| Income tax recovery on acquisition costs | (291) | – | (902) | – |
| Net earnings before directly attributable acquisition-related costs | 8,964 | 10,524 | 56,625 | 75,786 |
| Net earnings per share (basic and diluted) ⁽¹⁾ | 0.09 | 0.12 | 0.62 | 0.87 |
| Acquisition costs (net of tax recovery) | 0.01 | – | 0.03 | – |
| Adjusted net earnings per share ⁽¹⁾ | 0.10 | 0.12 | 0.65 | 0.87 |

1. Weighted average basic shares outstanding in the period.

Management's Discussion and Analysis

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 December 31, 2024, was \$1.13 billion, compared to \$637.3 million as at December 31, 2023, an increase of \$491.8 million, which was comprised of the following:

| (in thousands of dollars) | 2024 \$ | 2023 \$ |
|-------------------------------------|------------------|----------------|
| Loans and borrowings ⁽¹⁾ | 975,050 | 521,946 |
| Lease liabilities ⁽¹⁾ | 163,355 | 145,294 |
| Cash and cash equivalents | (13,504) | (40,213) |
| Bank indebtedness | 4,124 | 10,243 |
| Net debt | 1,129,025 | 637,270 |

1. Includes current portion of debt.

As at December 31, 2024, the Company had available liquidity of \$163.1 million, based on the maximum credit available of \$500.0 million⁽¹⁾ under its revolving loan facility:

| (in thousands of dollars) | 2024 \$ | 2023 \$ |
|---|----------------|----------------|
| Cash and cash equivalents | 13,504 | 40,213 |
| Bank indebtedness | (4,124) | (10,243) |
| Unutilized credit capacity under the Company's revolving loan facility ⁽¹⁾ | 153,698 | 297,987 |
| Available liquidity | 163,078 | 327,957 |

1. Subsequent to year-end, on January 31, 2025, revolving loan limit was increased to \$580.0 million.

During the year ended December 31, 2024, the Company consumed \$21.3 million in cash and cash equivalents, versus generating \$35.4 million in the comparative prior year. The following activities during the year accounted for the change in cash.

Operating activities, before non-cash working capital changes, generated \$148.7 million in cash, compared to \$151.0 million in 2023. Operating cashflows during the year were positively impacted by this year's inclusion of the results from the Acquisitions, but the increase in cashflows was offset by the previously discussed overall decreased pricing environment, as well as an increase in expenses due to broad inflationary pressures.

Management's Discussion and Analysis

During the year ended December 31, 2024, changes in non-cash working capital items consumed \$41.2 million in cash, compared to \$15.7 million in 2023. The increase in cash used in non-cash working capital was largely related to activities of the Acquisitions.

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 year ended December 31, 2024, was comprised of an increase in trade and other receivables of \$29.8 million, an increase in inventory of \$17.8 million, an increase in prepaid expenses and deposits of \$2.9 million, and a net increase in trade and other payables of \$9.3 million.

During the year ended December 31, 2024, the previously discussed increase in cash consumed by working capital changes resulted in the Company's increased utilization of its loans and borrowings. Additionally, the Company utilized its existing debt facilities to finance the Doman Tucker Lumber Acquisition. As a result, the Company generated \$345.5 million of cash in financing activities, compared to net repayments of \$85.8 million in 2023.

The issuance of the previously discussed 2029 Unsecured Notes resulted in aggregate gross proceeds \$366.5 million, which were, net of issuance costs, applied against the Company's existing loans and borrowings, including repurchasing \$52.3 million of the Company's 2026 Unsecured Notes. The remaining net proceeds from the 2029 Unsecured Notes were used to pay down the Company's revolving loan facility. The revolving loan facility was subsequently drawn on to finance the Doman Tucker Lumber Acquisition. As a result of these transactions, and including other activities during the year, total net advances on the revolving loan facility were \$116.4 million. In the comparative prior year, the Company utilized its revolving loan facility to redeem \$60.0 million of its 2023 Unsecured Notes and repay the \$14.8 million balance of its non-revolving term loan, contributing to total net advances of \$62.7 million under the revolving loan facility.

Total increase in net debt during the year amounted to \$491.8 million, compared to a decrease of \$56.8 million in the comparative prior year. The variance in net debt movement between the two years is largely due to the purchase price consideration paid for the Acquisitions.

Shares issued, net of transaction costs, generated \$1.5 million of cash compared to \$1.2 million in 2023. The Company also returned \$48.8 million to shareholders through dividends paid during the year, largely in line with 2023.

Payment of lease liabilities, including interest, consumed \$29.1 million of cash compared to \$26.3 million in 2023. The Company's lease obligations generally require monthly installments, and these payments are all current.

The Company was not in breach of any of its lending covenants during the year ended December 31, 2024.

Management's Discussion and Analysis

Investing activities consumed \$474.3 million of cash, compared to \$14.1 million in 2023. Investing activities during the year included the Acquisitions, for total cash consideration of \$460.8 million. Additionally, the Company invested net cash of \$13.4 million in new property, plant and equipment during the year, compared to \$14.1 million in 2023, representing purchases net of proceeds from dispositions. Purchases of property, plant and equipment for the Building Materials segment were \$13.0 million, versus \$13.4 million in 2023.

The Company takes measures to optimize 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 \$2.02 billion as at December 31, 2024, versus \$1.43 billion as at December 31, 2023, an increase of \$590.4 million. Current assets increased by \$116.2 million. Trade and other receivables increased by \$40.0 million and inventory increased by \$105.6 million, largely due to investment in inventory and trade and other receivables relating to the Acquisitions.

Long-term assets within the Building Materials segment were \$1.23 billion as at December 31, 2024, compared to \$748.9 million as at December 31, 2023, an increase of \$476.6 million, largely due to the impact of assets acquired as a result of the Acquisitions.

Total Liabilities

Total liabilities were \$1.36 billion as at December 31, 2024, versus \$844.2 million at December 31, 2023, an increase of \$516.1 million. The increase was largely due to the increase in total loans and borrowings of \$453.1 million (including the impact of foreign exchange on translation of foreign operations and amortization of deferred financing costs) mainly due to the utilization of the Company's loans and borrowings to finance the Doman Tucker Lumber Acquisition, an increase in contingent consideration liabilities of \$26.6 million as a result of the Doman Tucker Lumber Acquisition, and an increase in trade and other payables of \$23.5 million.

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.

Management's Discussion and Analysis

Outstanding Share Data

As at February 27, 2025, there were 87,399,442 common shares issued and outstanding.

Dividends

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

| (in thousands of dollars) | 2024 | | | 2023 | | |
|---------------------------|--------------|---------------|--------------|--------------|-----------------------|--------------|
| | Declared | | Payment date | Declared | | Payment date |
| | Record date | Amount \$ | | Record date | Amount \$ | |
| 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 |
| Quarter 3 | Sep 27, 2024 | 12,220 | Oct 15, 2024 | Sep 29, 2023 | 12,183 | Oct 13, 2023 |
| Quarter 4 | Dec 31, 2024 | 12,221 | Jan 15, 2025 | Dec 29, 2023 | 12,186 | Jan 12, 2024 |
| | | 48,843 | | | 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.

Management's Discussion and Analysis

Related Party Transactions

The Company has transactions with related parties in the normal course of operations at amounts negotiated with 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 \$4.2 million in the year ended December 31, 2024, consistent with 2023. The minimum payments under the terms of these leases are as follows: \$5.0 million in 2025, \$4.5 million in 2026, \$4.6 million in 2027, \$4.7 million in 2028, \$4.5 million in 2029, and \$6.0 million thereafter.

During the year ended December 31, 2024, fees of \$1.0 million (2023 – \$1.1 million) were paid for services to companies solely controlled by Amar Doman. As at December 31, 2024, there were no payables to these related parties (December 31, 2023 – \$27,000). Additionally, the Company was charged professional fees in relation to regulatory, corporate finance, litigation, and compliance consulting services of \$617,000 (2023 – \$542,000) by a company owned by Rob Doman, an officer of the Company. As at December 31, 2024, payables to this related party were \$197,000 (December 31, 2023 – \$82,000).

During the year, the Company purchased \$2.1 million (2023 – \$2.0 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 December 31, 2024, payables to this related party were \$191,000 (December 31, 2023 – \$123,000).

Additional information regarding these related party transactions is contained in Note 23 of the 2024 Consolidated Financial Statements.

Management's Discussion and Analysis

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 December 31, 2024, the Company's contractual obligations, including estimated interest, within the periods indicated:

| (in thousands of dollars) | Face value | Total contractual obligation | 2025 | 2026-2027 | 2028-2029 | Thereafter |
|--|------------|------------------------------|----------------|----------------|----------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revolving loan facility ⁽¹⁾ | 346,302 | 412,869 | 19,997 | 39,995 | 352,877 | – |
| Unsecured notes ⁽²⁾ | 637,163 | 795,455 | 41,664 | 334,041 | 419,750 | – |
| Leases ⁽³⁾ | | 177,347 | 32,275 | 51,465 | 41,558 | 52,049 |
| Accounts payable and other | | 191,248 | 162,468 | 14,390 | 14,390 | – |
| Total contractual obligations | | 1,576,919 | 256,404 | 439,891 | 828,575 | 52,049 |

- Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2024 utilizing the interest rate payable under the terms of the facility at December 31, 2024. This facility matures on April 30, 2028.
- Non-publicly listed notes in the amount of \$272.2 million, with maturity date of May 15, 2026 and interest rate of 5.25%, and non-publicly listed notes in the amount of \$365.0 million, with maturity date of September 17, 2029 and interest rate at 7.5%.
- Additional information is contained in Note 12 of the 2024 Consolidated Financial Statements.

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.

Management's Discussion and Analysis

Critical 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 December 31, 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.

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.

Management's Discussion and Analysis

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 valuers 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.

Management's Discussion and Analysis

Changes in Accounting Policies

Material accounting policies are disclosed in Note 3 of the 2024 Consolidated Financial Statements.

IAS 1, Presentation of Financial Statements

Effective January 1, 2024, the Company adopted *Classification of Liabilities as Current or Non-current (Amendments to International Accounting Standard ("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 2024 Consolidated Financial Statements.

New Accounting Standards Issued but Not Yet Adopted

The International Accounting Standards Board ("IASB") periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those that we consider the most significant. They are not intended to be a complete list of new pronouncements that may affect our financial statements.

IFRS 18, Presentation and Disclosure of Financial Statements

IFRS 18 will replace IAS 1, *Presentation of Financial Statements* and applies to annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of earnings and comprehensive earnings, consisting of operating, investing, financing, discontinued operations, and income tax categories, and including a newly defined operating profit subtotal.
- Management-defined performance measures are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cashflows under the indirect method.

The Company is in the process of assessing the impact of the new standard on its statement of earnings and comprehensive earnings, the statement of cashflows and additional disclosures under management-defined performance measures. The Company is also assessing the impact of how information is grouped in the financial statements, including items currently labelled "other".

Management's Discussion and Analysis

Other Accounting Standards

The following amendments are effective in future years, but are not expected to have a material impact on the consolidated financial statements: *Lack of Exchangeability (IAS 21)*, *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*.

Disclosure Controls and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to: (a) provide reasonable assurance that material information required to be disclosed by the Company is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation. The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2024. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in the Issuer's Annual and Interim Filings are effective for the purposes set out above. 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 controls over financial reporting ("ICFR"), and the requirement to evaluate the effectiveness of these controls on an annual basis.

Internal Control over Financial Reporting

Management is responsible for designing, establishing, and maintaining an adequate system of ICFR. The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

Management's Discussion and Analysis

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's ICFR as of December 31, 2024, based on the provisions of Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that its ICFR, as defined by National Instrument 52-109, is effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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 Doman Tucker Lumber, which was acquired effective October 1, 2024.

Since acquisition on October 1, 2024, for the year ending December 31, 2024, the acquired business contributed revenue of \$124.4 million and net earnings of \$735,000. Assets and liabilities of the acquired business at December 31, 2024, were \$509.7 million and \$38.3 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 year ended December 31, 2024, that have affected, or are reasonably likely to materially affect, its ICFR with the exception of the scope limitation for Doman Tucker Lumber 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 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.

Management's Discussion and Analysis

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, Canada's Fight Against Forced Labour and Child Labour in Supply Chains Act and an amendment to the Customs Tariff ("Supply Chains Act") came into force. 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.

Management's Discussion and Analysis

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, trade disputes, tariffs, supply chain challenges, labour shortages in the construction industry and inventory levels in various distribution channels.

The Bank of Canada ("BoC") January 2025 Monetary Policy Report indicated that economic growth has ticked up in Canada, boosted by past cuts in interest rates. In the absence of new tariffs, growth is forecasted to strengthen, and inflation to remain close to 2.0%. However, the threat of new tariffs is causing major uncertainty. The new US administration has threatened significant tariffs on imports from certain trading partners, including Canada. This has prompted discussion of, among other things, retaliatory tariffs. While many details remain unknown, and the Company's businesses in each country operate independently and thus are not expected to be directly materially impacted, broad-based tariffs could severely disrupt global trade. According to the BoC, in Canada, there are already signs that the threat of tariffs is weighing on consumer and business confidence and investment intentions, which also contributed to the recent depreciation of the Canadian dollar.

Excluding any new wide-ranging US tariffs, inflation is expected to remain close to the target. According to the BoC, Canada's economic growth is forecast to average 1.8% in each of 2025 and 2026. Household spending strengthened and is anticipated to remain robust, supported by past cuts to interest rates, and excess supply is expected to gradually dissipate over the projection horizon.

According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts increased to 245,120 in 2024 versus 240,267 in the same period last year.

According to Fannie Mae Economic and Strategic Research Group ("Fannie Mae"), the US economy appears to be stronger than previously projected, but growth is expected to slow to 2.1% in each of 2025 and 2026. In response to sluggish sales, the Federal Open Market Committee began its rate cut cycle and lowered its target federal funds rate in September 2024, with further interest rate cuts expected in 2025. According to the US Census Bureau, housing starts were 1,366,000 units during 2024, down from 1,420,000 units last year. Housing starts are expected to decrease further to 1,341,000 units in 2025, before increasing to 1,381,000 units in 2026.

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. The four-quarter moving rate for expenditures on improvements and repairs in the US contracted by 1.4% year-over-year during the fourth quarter of 2024, according to the Leading Indicator of Remodeling Activity ("LIRA") recently

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released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University ("JCHS"). However, after two years of declines, the LIRA projects annual expenditures to grow at a mild pace through 2025, with year-over-year spending for home renovation and repair increasing 1.2% by the end of the year (four-quarter moving rate of change).

Overall, the Company expects that ongoing net migration, even if at reduced levels, aging housing supply and strong government policy to increase home availability will help offset the near-term impact of generally 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. Outside of acquisitions, 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 macro and domestic economic factors, while continuing to serve its customers and integrating its recent acquisitions. 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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