

DOMAN™

Annual Report 2025

DOMAN™

Doman Building Materials Group Ltd.

Management's Discussion and Analysis

March 5, 2026

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, 2025, relative to 2024. 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, 2025 (the "2025 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 2025 Consolidated Financial Statements and the 2025 Letter to Shareholders (the "2025 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 2025 Reporting Documents includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, economic and business outlook, debt repayment, credit availability, interest rates, economic conditions data, changes in international trade policies, domestic and 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 2025 Reporting Documents and are subject to risks which are described in the Company's current Annual Information Form dated March 31, 2025, ("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 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, political 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; the impact of international trade and tariff matters on the Company, its suppliers, customers, cost of goods, sales pricing and the overall economic environment; 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

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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 the 2025 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2025 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 2025 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 2025 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 2025 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+.

Any forward-looking statements contained in the 2025 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 March 5, 2026, 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, producing and treating lumber and providing other value-add services, as well as distributing various building materials, 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. After the 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 and 2025, the Company completed additional acquisitions, as described below.

Business Acquisitions (the "Acquisitions")

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 the 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 2025 Consolidated Financial Statements.

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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 was subject to certain post-closing adjustments. 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 Doman Tucker Acquisition.

Further information regarding this acquisition is contained in Note 7 of the 2025 Consolidated Financial Statements.

Temecula Acquisition

On August 28, 2025, the Company completed the acquisition of certain assets of Temecula Electrical Supply Inc. (through the Company's wholly owned subsidiary, and now doing business as "Temecula Electrical Supply") (the "Temecula Acquisition"), a small electrical supplies business in Temecula, California. The Temecula Acquisition is an expansion of the Company's existing electric supply and distribution business, Alpha Electric Supply.

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, and including CIBC Capital Markets, TD Securities, National Bank Capital Markets and RBC Capital 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.

Net cash proceeds raised in 2024 from the 2029 Unsecured Notes were used for reducing the Company's revolving loan facility and to repurchase for cancellation a portion of the Company's senior unsecured notes otherwise maturing on May 15, 2026 ("2026 Unsecured Notes").

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On December 2, 2025, 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 \$1,016 per \$1,000 principal, resulting in gross proceeds of \$172.8 million. The offering was underwritten by Stifel, CIBC Capital Markets and TD Securities as joint active bookrunners, and National Bank Capital Markets, Raymond James, RBC Capital Markets, Wells Fargo Securities, Canaccord Genuity, and Desjardins Capital Markets acted as joint bookrunners.

Net cash proceeds raised on December 2, 2025, from the 2029 Unsecured Notes, together with additional funds drawn under the Company's revolving loan facility, were used to repurchase for cancellation the remaining \$272.2 million of the 2026 Unsecured Notes.

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.

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.

In connection with the issuance of the 2029 Unsecured Notes on December 2, 2025, the Company completed the early repurchase for cancellation of the remaining \$272.2 million of its 2026 Unsecured Notes, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was \$273.4 million.

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.

On January 31, 2025, the Company further amended its revolving loan facility, increasing the maximum available credit from \$500.0 million to \$580.0 million. All other material terms remained substantially unchanged.

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Timberlands Sale

On March 31, 2025, the Company completed a sale of approximately 8,359 hectares of timberlands to Nature Conservancy of Canada ("NCC"), for gross proceeds of \$14.4 million. On September 29, 2025, the Company finalized the sale of its remaining timberland holdings in Southeast British Columbia to NCC, resulting in additional gross proceeds of \$60.9 million. Net proceeds from both transactions were applied against the Company's revolving loan facility.

Prior to these sales, the Company's private timberlands comprised an area of approximately 44,217 hectares, consisting predominantly of mixed-species softwood forests.

Annuity Contract Conversion

On June 17, 2025, the Company entered into an agreement with RBC Life Insurance Company ("RBC Insurance") to convert certain existing annuity buy-in contracts under its defined benefit pension plan into annuity buy-out contracts, effective January 1, 2026. The December 1, 2025, pension payment under the legacy plan represented the final benefit payable under the related pension obligation and serves as the settlement date. As of the effective date, RBC Insurance assumes direct responsibility for making pension benefit payments to the affected retirees, thereby transferring the associated pension obligations from the Company.

The value of the settled obligation as at December 31, 2025, was \$27,236, consistent with the value of the corresponding pension assets released. The transaction had no net impact on the Company's financial position.

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.

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Housing Starts

The seasonally adjusted annualized rate for US housing starts was estimated to be an average of 1,358,700 units in the year ended December 31, 2025, versus 1,367,100 in 2024, a slight decrease of 0.6%⁽¹⁾.

The seasonally adjusted annualized rate for overall Canadian housing starts for the year ended December 31, 2025, was 259,028 versus 245,120 in 2024, an increase of 5.7%. The seasonally adjusted annualized rate for single detached units, a more relevant leading indicator for the Company, amounted to 47,030 in the fourth quarter of 2025 versus 60,292 in the comparative quarter of 2024, a decrease of 22.0%⁽²⁾.

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⁽³⁾:

(in US \$) For the three months ended	2025				2024			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
SYP Lumber ⁽²⁾	322	331	418	385	379	327	308	389
SPF Lumber ⁽²⁾	420	477	470	492	434	367	386	446

(in Canadian \$) For the three months ended	2025				2024			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
SPF Lumber ⁽⁴⁾	546	640	643	648	641	574	624	669
Plywood ⁽⁵⁾	691	626	624	686	760	607	661	696
OSB ⁽⁵⁾	318	325	372	471	504	429	622	559

In the US, average SYP Lumber prices for the quarter ended December 31, 2025, were US\$322 per thousand board feet, compared to US\$379 per thousand board feet in the comparative prior year quarter, a decrease of US\$57 or 15.0%, with a significant decline throughout the third quarter and into the fourth quarter of 2025, impacting margins for the year ended December 31, 2025. SPF Lumber, a less significant product category for the Company in the US, saw a year-over-year decrease of US\$14 or 3.2%.

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

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

3. As reported by Random Lengths.

4. Per thousand board feet.

5. Per thousand square feet.

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In Canada, average SPF Lumber prices for the three months ended December 31, 2025, were \$546 per thousand board feet, compared to \$641 per thousand board feet in the comparative prior year quarter, a decrease of \$95 or 14.8%. Plywood saw a decrease of 9.1% year-over-year, while OSB saw a decrease of 36.9%.

Overall, the North American market has been shaped by weak market conditions and oversupply concerns, leading major producers to announce significant production curtailments. Additionally, the ongoing US trade dispute and tariffs continued to contribute to higher building costs and trade uncertainty. As a result, the market experienced price volatility throughout 2025, with a general downward trend in 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.

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.

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Results of Operations

Selected Annual Information

(in millions of dollars, per share in dollars)	Fiscal Years Ended December 31,		
	2025	2024	2023
Sales	3,119.3	2,663.2	2,491.2
Earnings before income taxes	83.5	61.2	87.4
Net earnings	80.3	54.2	75.8
Adjusted net earnings ⁽¹⁾	80.3	56.6	75.8
Net earnings per share (basic and diluted)	0.92	0.62	0.87
Adjusted net earnings per share (basic and diluted) ⁽¹⁾	0.92	0.65	0.87
Total assets	1,837.9	2,016.0	1,425.6
Non-current debt ⁽²⁾	971.3	1,114.0	444.6
Total debt	997.8	1,138.4	667.2
Net debt ⁽³⁾	996.0	1,129.0	637.3
Dividends declared to shareholders	49.0	48.8	48.7
Dividends declared to shareholders (per share)	0.56	0.56	0.56
Weighted average shares outstanding (basic and diluted)	87,518,704	87,201,318	87,028,659
Total shares outstanding	87,639,744	87,289,766	87,041,292

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, 2025, and December 31, 2024

Overall Performance

Segmented Information

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

(in thousands of dollars)	Year ended December 31, 2025			Year ended December 31, 2024 ⁽¹⁾		
	Building Materials	Other	Total	Building Materials	Other	Total
	\$	\$	\$	\$	\$	\$
Revenue	3,114,620	4,667	3,119,287	2,642,155	21,084	2,663,239
Specified expenses						
Depreciation and amortization	96,136	3,913	100,049	75,931	1,310	77,241
Finance costs	72,851	–	72,851	53,748	–	53,748
Net earnings	80,258	42	80,300	53,068	1,119	54,187

1. Restated to conform to the financial statement presentation adopted during the year ended December 31, 2025.

During the year ended December 31, 2025, the Company revised its internal reporting structure for management purposes. Following the previously discussed sale of the Company's timberlands, the remaining activities previously reported within the Other segment, are no longer reviewed separately by the chief operating decision maker, and have been integrated into the Building Materials segment as value-added services. As a result, comparative information for business segment revenues and specified expenses has been restated to reflect current year presentation.

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Sales and Gross Margin

Sales for the year ended December 31, 2025, were \$3.12 billion versus \$2.66 billion in 2024, representing an increase of \$456.0 million or 17.1% due to the factors discussed below.

Sales for the Building Materials segment increased by \$472.5 million or 17.9%, largely due to the impact of the results from the Acquisitions (increase in sales of approximately 22.9%). 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 81% of construction materials, compared with 76% last year, with the remaining balance of sales resulting from specialty and allied products of 16% (2024 – 20%) and other sources of 3% (2024 – 4%).

Gross margin dollars were \$505.5 million versus \$424.8 million in 2024, an increase of \$80.7 million, benefiting from the results achieved by the Doman Tucker Lumber Acquisition, as well as ongoing execution of the Company's margin enhancement strategies. Gross margin percentage was 16.2% during the year, compared to 16.0% achieved in 2024.

Expenses

Expenses for the year ended December 31, 2025, were \$349.1 million as compared to \$306.5 million, an increase of \$42.6 million or 13.9%, due to the factors discussed below. As a percentage of sales, 2025 expenses were 11.2%, compared to 11.5% in 2024.

Distribution, selling and administration expenses increased by \$19.9 million or 8.7%, to \$249.1 million in 2025, versus \$229.2 million in 2024, mainly due to the results from the Acquisitions, as well as broad inflationary pressures. As a percentage of sales, these expenses were 8.0%, compared to 8.6% in the prior year.

Depreciation and amortization expenses increased by \$22.8 million or 29.5%, from \$77.2 million to \$100.0 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, 2025, operating earnings were \$156.4 million compared to \$118.3 million in 2024, an increase of \$38.1 million or 32.2%, due to the foregoing factors.

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Finance Costs

Finance costs for the year ended December 31, 2025, were \$72.9 million, compared to \$53.7 million in 2024, an increase of \$19.1 million, largely as a result of the additional finance costs related to the Doman Tucker Lumber Acquisition on October 1, 2024.

Acquisition Costs

Directly attributable acquisition costs during the comparative prior 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, 2025, earnings before income taxes were \$83.5 million, compared to \$61.2 million in 2024, an increase of \$22.3 million due to the foregoing factors.

Provision for Income Taxes

For the year ended December 31, 2025, provision for income taxes was \$3.2 million compared to \$7.0 million in 2024, a decrease of \$3.8 million. This amount is a function of the pre-tax earnings generated during the year and the expected taxes payable on these earnings, as well as a revaluation of certain deferred tax assets and liabilities.

Net Earnings

As a result of the foregoing factors, net earnings for the year ended December 31, 2025, were \$80.3 million compared to \$54.2 million in 2024, an increase of \$26.1 million. Net earnings in the comparative prior 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 for the year ended December 31, 2024, were \$56.6 million, compared to \$80.3 million in 2025, representing a year over-year increase of \$23.7 million, due to the foregoing factors.

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Fourth Quarter Results

A summary of the unaudited results for the quarters ended December 31, 2025 and 2024, is as follows:

(in thousands of dollars, per share in dollars)	Three months ended December 31,	
	2025	2024
	\$	\$
Sales	644,228	707,841
Gross margin	107,193	113,319
Gross margin %	16.6 %	16.0 %
Distribution, selling and administration expenses	62,880	61,376
Depreciation and amortization	25,250	24,095
Expenses	88,130	85,471
Operating earnings	19,063	27,848
Finance costs	16,160	18,546
Acquisition costs	–	991
Earnings before income taxes	2,903	8,311
(Recovery of) provision for income taxes	(8,097)	47
Net earnings	11,000	8,264
Net earnings per share ⁽¹⁾	0.13	0.09

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, 2025			Three months ended December 31, 2024 ⁽¹⁾		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	644,228	–	644,228	702,368	5,473	707,841
Specified expenses						
Depreciation and amortization	25,250	–	25,250	23,805	290	24,095
Finance costs	16,160	–	16,160	18,546	–	18,546
Net earnings	11,000	–	11,000	8,116	148	8,264

1. Restated to conform to the previously discussed financial statement presentation adopted during the year ended December 31, 2025.

Sales and Gross Margin

Sales for the quarter ended December 31, 2025, were \$644.2 million versus \$707.8 million in the comparative period of 2024, representing a decrease of \$63.6 million or 9.0% due to the factors discussed below.

Sales for the Building Materials segment decreased by \$58.1 million or 8.3%, largely due to the previously discussed declines in construction materials pricing in the US during the quarter, as well as overall lower average year-over-year pricing.

The Company's sales in the quarter were made up of 78% of construction materials, compared with 79% in the comparative prior year period, with the remaining balance of sales resulting from specialty and allied products of 18% (2024 – 17%) and other sources of 4% (2024 – 4%).

Gross margin dollars were \$107.2 million versus \$113.3 million in the comparative prior year quarter, a decrease of \$6.1 million, driven by the previously discussed decrease in sales. Gross margin percentage was 16.6% for the quarter, compared to 16.0% achieved in 2024, an increase despite being impacted by the previously discussed declines in construction materials pricing in the US during the year.

Expenses

Expenses for the quarter ended December 31, 2025, were \$88.1 million as compared to \$85.5 million for the comparative quarter in 2024, an increase of \$2.7 million or 3.1%, due to the factors discussed below. As a percentage of sales, expenses were 13.7% in the period compared to 12.1% during the comparative quarter in 2024.

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Distribution, selling and administration expenses increased by \$1.5 million or 2.5%, to \$62.9 million in 2025 from \$61.4 million in the same period of 2024, mainly due to inflationary pressures. As a percentage of sales, these expenses were 9.8% in the period, compared to 8.7% in the same period in 2024.

Depreciation and amortization expenses increased by \$1.2 million or 4.8%, from \$24.1 million to \$25.3 million, mainly due to additions to property, plant and equipment.

Operating Earnings

For the quarter ended December 31, 2025, operating earnings were \$19.1 million compared to \$27.8 million in the comparative period of 2024, a decrease of \$8.8 million or 31.5%, due to the foregoing factors.

Finance Costs

Finance costs for the quarter ended December 31, 2025, were \$16.2 million, compared to \$18.5 million for the same period in 2024, a decrease of \$2.4 million, largely as a result of lower utilization of the revolving loan facility during the quarter.

Acquisition Costs

In the comparative prior year quarter, directly attributable acquisition costs 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, 2025, earnings before income taxes were \$2.9 million, compared to \$8.3 million in the comparative period of 2024, a decrease of \$5.4 million due to the foregoing factors.

Provision for Income Taxes

For the quarter ended December 31, 2025, recovery of income taxes was \$8.1 million compared to a provision of \$47,000 in the same quarter of 2024, a decrease in the provision of \$8.1 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.

Management's Discussion and Analysis

Net Earnings

Net earnings for the quarter ended December 31, 2025, were \$11.0 million compared to \$8.3 million for the same period in 2024, an increase of \$2.7 million, due to the foregoing factors. Net earnings in the comparative prior year 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 for the quarter ended December 31, 2024, were \$9.0 million, compared to \$11.0 million in the fourth quarter of 2025, representing a year-over-year decrease of \$2.0 million, due to the foregoing factors.

Summary of Quarterly Results

For the Quarters Ended:

(\$ and shares millions, per share in dollars)	2025				2024			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales	644.2	795.1	886.7	793.2	707.8	663.1	689.8	602.5
EBITDA	44.3	62.0	80.0	70.0	51.0	46.3	50.2	44.8
Adjusted EBITDA ⁽¹⁾	44.3	62.0	80.0	70.0	51.9	47.4	50.6	45.6
Adjusted EBITDA % of sales ⁽¹⁾	6.9	7.8	9.0	8.8	7.3	7.2	7.3	7.6
Earnings before income taxes	2.9	19.0	35.5	26.2	8.3	16.5	20.0	16.4
Net earnings	11.0	18.1	27.7	23.6	8.3	14.6	17.0	14.4
Adjusted net earnings ⁽²⁾	11.0	18.1	27.7	23.6	9.0	15.4	17.3	15.0
Net earnings per share ⁽³⁾	0.13	0.21	0.32	0.27	0.09	0.17	0.19	0.16
Adjusted net earnings ⁽²⁾ per share ⁽³⁾	0.13	0.21	0.32	0.27	0.10	0.18	0.20	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⁾	87.7	87.6	87.5	87.4	87.3	87.2	87.2	87.1

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.

Management's Discussion and Analysis

Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA

(in thousands of dollars)	Three months ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net earnings	11,000	8,264	80,300	54,187
(Recovery of) provision for income taxes	(8,097)	47	3,200	7,031
Finance costs	16,160	18,546	72,851	53,748
Depreciation and amortization	25,250	24,095	100,049	77,241
EBITDA	44,313	50,952	256,400	192,207
Acquisition costs	-	991	-	3,340
Adjusted EBITDA	44,313	51,943	256,400	195,547

EBITDA and Adjusted EBITDA

For the quarter ended December 31, 2025, EBITDA was \$44.3 million compared to \$51.0 million in the comparative 2024 period, a decrease of \$6.6 million or 13.0%. EBITDA for the comparative 2024 quarter was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of \$991,000. Adjusted EBITDA in the comparative prior year quarter before these non-recurring costs was \$51.9 million. EBITDA and Adjusted EBITDA during the quarter were impacted by the previously discussed declines in construction materials pricing, as well as an increase in expenses due to inflationary pressures.

For the year ended December 31, 2025, EBITDA was \$256.4 million compared to \$192.2 million in 2024, an increase of \$64.2 million or 33.4%. EBITDA for the comparative prior year was impacted by the previously discussed non-recurring directly attributable acquisition-related costs of \$3.3 million. Adjusted EBITDA in the comparative prior year before these non-recurring costs was \$195.5 million. EBITDA and Adjusted EBITDA were 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 inflationary pressures.

Management's Discussion and Analysis

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,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net earnings	11,000	8,264	80,300	54,187
Acquisition costs	-	991	-	3,340
Income tax recovery on acquisition costs	-	(291)	-	(902)
Net earnings before directly attributable acquisition-related costs	11,000	8,964	80,300	56,625
Net earnings per share (basic and diluted) ⁽¹⁾	0.13	0.09	0.92	0.62
Acquisition costs per share (net of tax recovery)	-	0.01	-	0.03
Adjusted net earnings per share⁽¹⁾	0.13	0.10	0.92	0.65

1. Weighted average basic shares outstanding in the period.

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, 2025, was \$996.0 million, compared to \$1.13 billion as at December 31, 2024, a decrease of \$133.0 million, which was comprised of the following:

(in thousands of dollars)	2025	2024
	\$	\$
Loans and borrowings ⁽¹⁾	814,292	975,050
Lease liabilities ⁽¹⁾	183,547	163,355
Cash and cash equivalents	(4,932)	(13,504)
Bank indebtedness	3,124	4,124
Net debt	996,031	1,129,025

1. Includes current portion of debt and lease liabilities.

Management's Discussion and Analysis

As at December 31, 2025, the Company had available liquidity of \$297.4 million, based on the maximum credit available of \$580.0 million⁽¹⁾ under its revolving loan facility:

(in thousands of dollars)	2025	2024
	\$	\$
Cash and cash equivalents	4,932	13,504
Bank indebtedness	(3,124)	(4,124)
Unutilized credit capacity under the Company's revolving loan facility ⁽¹⁾	295,569	153,698
Available liquidity	297,377	163,078

1. The Company amended its revolving loan facility on January 31, 2025, increasing maximum available credit from \$500.0 million to \$580.0 million. Prior year comparative amount reflects the \$500.0 million loan limit.

During the year ended December 31, 2025, the Company consumed \$5.8 million in cash and cash equivalents, versus \$21.3 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 \$163.6 million in cash, compared to \$148.7 million in 2024. Operating cashflows during the year were positively impacted by this year's full inclusion of the results from the Acquisitions. As previously discussed, Doman Tucker Lumber was acquired on October 1, 2024, and Southeast Forest was acquired on March 1, 2024, and consequently were only partially included in the comparative 2024.

During the year ended December 31, 2025, changes in non-cash working capital items generated \$20.7 million in cash, compared to consuming \$41.2 million in 2024. The decrease in non-cash working capital cash consumption was largely related to the Company's continued efforts to optimize inventory levels.

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, 2025, was comprised of an increase in trade and other receivables of \$8.6 million, a decrease in inventory of \$27.8 million, a decrease in prepaid expenses and deposits of \$3.3 million, and a decrease in trade and other payables of \$1.7 million.

During the year ended December 31, 2025, the Company consumed \$235.7 million of cash from financing activities related to repayments of debt and payments to equity stakeholders. During the comparative prior year ended December 31, 2024, the Company utilized its debt facilities to finance the Doman Tucker Lumber Acquisition, resulting in \$345.5 million of cash provided by financing activities.

Management's Discussion and Analysis

The issuance of the previously discussed 2029 Unsecured Notes on December 2, 2025, resulted in aggregate gross proceeds \$172.8 million, which, together with additional funds drawn on the Company's revolving loan facility, were used to repurchase the Company's remaining \$272.2 million 2026 Unsecured Notes. Additionally, net cash proceeds of \$75.2 million from the previously discussed timberlands sale were used to repay a portion of the Company's revolving loan facility. As a result of these transactions, and including other activities during the year, total net repayments on the revolving loan facility were \$53.9 million. In the comparative prior year, the issuance of the previously discussed 2029 Unsecured Notes resulted in aggregate gross proceeds \$366.5 million, which were used to repurchase \$52.3 million of the Company's 2026 Unsecured Notes and to finance the Doman Tucker Lumber Acquisition. As a result of these transactions, and including other activities during the comparative prior year, total net advances on the revolving loan facility were \$116.4 million.

Shares issued, net of transaction costs, generated \$1.8 million of cash, compared to \$1.5 million in 2024. The Company also returned \$49.0 million to shareholders through dividends paid during the year, largely in line with 2024.

Payment of lease liabilities, including interest, consumed \$32.3 million of cash compared to \$29.1 million in 2024. 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, 2025.

Investing activities generated \$45.6 million of cash, compared to consuming \$474.3 million in 2024. Investing activities in 2025 included the sale of the Company's timberlands for total cash proceeds of \$75.2 million and the Temecula Acquisition for cash consideration of \$2.1 million, whereas investing activities in 2024 included the Southeast Acquisition and the Doman Tucker Acquisitions for total cash consideration of \$460.8 million. Additionally, the Company invested \$29.0 million in new property, plant and equipment during the year, compared to \$14.2 million in 2024. Purchases of property, plant and equipment for the Building Materials segment were \$28.7 million, versus \$13.4 million in 2024.

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, appropriately 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.

Management's Discussion and Analysis

Total Assets

Total assets of the Company were \$1.84 billion as at December 31, 2025, versus \$2.02 billion as at December 31, 2024, a decrease of \$178.1 million. Current assets decreased by \$50.4 million. Trade and other receivables increased by \$1.2 million and inventory decreased by \$42.0 million, reflecting the Company's continued efforts to optimize inventory levels. Long-term assets decreased by \$127.7 million, due to the factors discussed below.

Long-term assets within the Building Materials segment were \$1.18 billion as at December 31, 2025, compared to \$1.23 billion as at December 31, 2024, a decrease of \$50.1 million, largely due to the impact of foreign exchange on translation of foreign operations, and depreciation and amortization. Additionally, long-term assets within the remaining smaller operations categorized as Other decreased by \$77.6 million, mainly due to the sale of the Company's timberlands.

Total Liabilities

Total liabilities were \$1.20 billion as at December 31, 2025, versus \$1.36 billion at December 31, 2024, a decrease of \$156.4 million. The decrease was largely due to the previously discussed net repayments of the Company's debt facilities.

Outstanding Share Data

As at March 5, 2026, there were 87,763,148 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)	2025			2024		
	Declared		Payment date	Declared		Payment date
	Record date	Amount \$		Record date	Amount \$	
Quarter 1	Mar 31, 2025	12,236	Apr 15, 2025	Mar 28, 2024	12,200	Apr 12, 2024
Quarter 2	Jun 30, 2025	12,249	Jul 15, 2025	Jun 28, 2024	12,202	Jul 12, 2024
Quarter 3	Sep 29, 2025	12,268	Oct 15, 2025	Sep 27, 2024	12,220	Oct 15, 2024
Quarter 4	Dec 31, 2025	12,270	Jan 15, 2026	Dec 31, 2024	12,221	Jan 15, 2025
		49,023			48,843	

Management's Discussion and Analysis

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 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 \$5.3 million in the year ended December 31, 2025 (2024 – \$4.2 million). The minimum payments under the terms of these leases are as follows: \$5.7 million in 2026, \$5.8 million in 2027, \$6.0 million in 2028, \$5.8 million in 2029, \$3.0 million in 2030, and \$4.0 million thereafter.

During the year ended December 31, 2025, fees of \$1.0 million (2024 – \$1.0 million) were paid for services to companies solely controlled by Amar Doman. As at December 31, 2025, payables to these related parties were \$69,000 (December 31, 2024 – nil). Additionally, the Company was charged professional fees in relation to regulatory, corporate finance, litigation, and compliance consulting services of \$817,000 (2024 – \$617,000) by a company owned by Rob Doman. As at December 31, 2025, payables to this related party were \$397,000 (December 31, 2024 – \$197,000).

Management's Discussion and Analysis

During the year, the Company purchased \$2.0 million (2024 – \$2.1 million) of product from a public company in which Amar Doman has an ownership interest and is also a director and officer. These purchases are in the normal course of operations and are recorded at exchange amounts. As at December 31, 2025, payables to this related party were \$80,000 (December 31, 2024 – \$191,000).

Additional information regarding these related party transactions is contained in Note 23 of the 2025 Consolidated Financial Statements.

Commitments and Contingencies

Future and Contractual Obligations

In addition to various debt facilities, the Company has lease commitments for certain transportation equipment, rental of 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, 2025, the Company's contractual obligations, including estimated interest, within the periods indicated:

(in thousands of dollars)	Face value	Total contractual obligation ⁽¹⁾	2026	2027-2028	2029-2030	Thereafter
	\$	\$	\$	\$	\$	\$
Unsecured notes ⁽²⁾	535,000	695,500	40,125	80,250	575,125	–
Revolving loan facility ⁽³⁾	284,431	324,991	17,417	307,574	–	–
Leases and other contractual commitments ⁽⁴⁾		198,050	35,423	65,792	42,482	54,353
Accounts payable and other		185,635	157,808	14,121	13,706	–
Total contractual obligations		1,404,176	250,773	467,737	631,313	54,353

1. Includes future interest obligations.

2. Non-publicly listed notes with maturity date of September 17, 2029, and interest rate at 7.5%.

3. Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2025, utilizing the interest rate payable under the terms of the facility at December 31, 2025. This facility matures on April 30, 2028.

4. Additional information is contained in Note 12 of the 2025 Consolidated Financial Statements.

Management's Discussion and Analysis

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.

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, 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.

Management's Discussion and Analysis

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, 2025, 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 terminal value growth rate and gross margin 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.

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.

Management's Discussion and Analysis

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.

Changes in Accounting Policies

Material accounting policies are disclosed in Note 3 of the 2025 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.

Management's Discussion and Analysis

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".

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: *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*, and *Contracts Referencing Nature-dependent Electricity (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, 2025. 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 Issuers' 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, 2025, 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.

Changes in Internal Control over Financial Reporting

There were no material changes in the design of the Company's ICFR during the year ended December 31, 2025, that have affected, or are reasonably likely to materially affect, its ICFR.

Risks and Uncertainties

The Company is subject to normal business risks associated with similar firms operating within the building materials industry in Canada and the US, which are described in greater detail in the Company's AIF dated March 31, 2025, 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.

Management's Discussion and Analysis

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.

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

Fannie Mae Economic and Strategic Research Group ("Fannie Mae") projects economic growth in the US to be 2.4% and 2.2% for 2026 and 2027, respectively. Inflation is forecasted at 2.5% in 2026, and at 2.3% for 2027. According to the US Census Bureau, housing starts for 2025 were estimated to be an average of 1,358,700 units, down from 1,367,100 units in 2024. Housing starts are expected to decrease further to 1,292,000 units for 2026, before increasing slightly to 1,317,000 units in 2027.

Management's Discussion and Analysis

The Bank of Canada ("BoC") January 2026 Monetary Policy Report indicates that the Canadian economy is evolving largely in line with expectations, despite continued volatility in quarterly growth. This volatility has been driven primarily by significant fluctuations in trade and inventory levels, as US tariffs and uncertainty surrounding future trade arrangements continue to weigh on economic activity. Following strong expansion in the third quarter of 2025, economic growth stalled in the fourth quarter. Inflation ended 2025 at approximately 2.5%. Over the projection horizon, the BoC expects inflation to remain close to its 2.0% target, as downward pressure from excess supply is expected to offset upward pressure stemming from trade-related and structural adjustments in the economy.

According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts increased to 259,028 for the year ended December 31, 2025, versus 245,120 in the prior year. The seasonally adjusted annualized rate for single detached units, a more relevant leading indicator for the Company, amounted to 47,030 in the fourth quarter of 2025 versus 60,292 in the comparative quarter of 2024.

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 grew by 2.7% year-over-year during the fourth quarter of 2025, 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"). However, the LIRA projects annual expenditures to gradually slow through 2026, with year-over-year growth in home renovation and repair spending at 2.9% in early 2026, before easing to 1.6% growth 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 building will help offset the near-term impact of generally higher interest rates and trade uncertainty, 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.

Management's Discussion and Analysis

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, prudently evaluating capital expenditures and continually assessing the dividend policy and maximizing shareholder value.

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