

DOMAN™

First Quarter Report 2024

DOMAN™

**Doman Building Materials Group Ltd.**  
**Unaudited Interim Condensed**  
**Consolidated Financial Statements**

March 31, 2024  
(in thousands of Canadian dollars)

# DOMAN™ First Quarter Report 2024

Interim Condensed Consolidated Statements of Financial Position (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	As at March 31, 2024 \$	As at December 31, 2023 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,124	40,213
Trade and other receivables	6	305,653	161,970
Income taxes receivable		8,989	9,493
Inventories	7	424,904	360,644
Prepaid expenses and deposits		14,755	15,030
		<b>755,425</b>	<b>587,350</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	154,884	128,589
Right-of-use assets	9	136,316	134,881
Timber	10	46,257	46,485
Deferred income tax assets		3,665	3,536
Intangible assets	11	132,134	127,715
Goodwill	12	417,039	394,670
Other assets		3,314	2,344
		<b>893,609</b>	<b>838,220</b>
<b>Total assets</b>		<b>1,649,034</b>	<b>1,425,570</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness		10,176	10,243
Trade and other payables		159,035	131,761
Dividends payable	15	12,200	12,186
Current portion of loans and borrowings	13	376,380	201,181
Current portion of lease liabilities	9	21,951	21,439
		<b>579,742</b>	<b>376,810</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	321,158	320,765
Lease liabilities	9	125,250	123,855
Reforestation and environmental		3,019	2,977
Deferred income tax liabilities		16,435	16,962
Retirement benefit obligations	14	2,920	2,861
		<b>468,782</b>	<b>467,420</b>
<b>Total liabilities</b>		<b>1,048,524</b>	<b>844,230</b>
<b>Equity</b>			
Common shares	15	585,654	584,956
Contributed surplus		11,083	11,083
Foreign currency translation		50,488	34,268
Deficit		(46,715)	(48,967)
		<b>600,510</b>	<b>581,340</b>
<b>Total liabilities and equity</b>		<b>1,649,034</b>	<b>1,425,570</b>
Commitments and contingencies	9,24		
Events after the financial statement date	26		

# DOMAN™ First Quarter Report 2024

Interim Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars, except per share and share amounts)	Notes	Three months ended March 31,	
		2024 \$	2023 \$
<b>Revenue</b>	20,21	<b>602,475</b>	609,119
<b>Cost of sales</b>		<b>502,057</b>	510,909
<b>Gross margin from operations</b>		<b>100,418</b>	98,210
<b>Expenses</b>			
Distribution, selling and administration		<b>54,817</b>	53,369
Depreciation and amortization	8,9,11	<b>17,532</b>	17,114
		<b>72,349</b>	70,483
<b>Operating earnings</b>		<b>28,069</b>	27,727
Finance costs	16	<b>10,837</b>	10,557
Acquisition costs		<b>817</b>	–
<b>Earnings before income taxes</b>		<b>16,415</b>	17,170
<b>Provision for (recovery of) income taxes</b>			
Current income tax		<b>2,987</b>	2,588
Deferred income tax		<b>(946)</b>	(329)
		<b>2,041</b>	2,259
<b>Net earnings</b>		<b>14,374</b>	14,911
<b>Other comprehensive income (loss)</b>			
Exchange differences on translation of foreign operations <sup>(1)</sup>		<b>16,220</b>	(460)
Actuarial gain from pension and other benefit plans <sup>(2)</sup>		<b>78</b>	37
		<b>16,298</b>	(423)
<b>Comprehensive earnings</b>		<b>30,672</b>	14,488
<b>Net earnings per share</b>			
Basic and diluted		<b>0.16</b>	0.17
<b>Weighted average number of shares</b>			
Basic and Diluted		<b>87,121,434</b>	87,096,811

1. Item that may be reclassified to earnings in subsequent periods.

2. Item that will not be reclassified to earnings.

# DOMAN™ First Quarter Report 2024

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except share amounts)	Common shares		Contributed surplus	Foreign currency translation	Deficit	Total
	#	\$	\$	\$	\$	\$
<b>As at December 31, 2023</b>	<b>87,041,292</b>	<b>584,956</b>	<b>11,083</b>	<b>34,268</b>	<b>(48,967)</b>	<b>581,340</b>
Shares issued pursuant to:						
Employee Common Share Purchase Plan	98,553	698	-	-	-	698
Dividends		-	-	-	(12,200)	(12,200)
Comprehensive earnings for the period		-	-	16,220	14,452	30,672
<b>As at March 31, 2024</b>	<b>87,139,845</b>	<b>585,654</b>	<b>11,083</b>	<b>50,488</b>	<b>(46,715)</b>	<b>600,510</b>
As at December 31, 2022	86,991,660	584,956	11,048	48,803	(76,319)	568,488
Shares issued pursuant to:						
Employee Common Share Purchase Plan	127,886	625	-	-	-	625
Share-based compensation charged to operations		-	35	-	-	35
Dividends		-	-	-	(12,197)	(12,197)
Comprehensive (loss) earnings for the period		-	-	(460)	14,948	14,488
<b>As at March 31, 2023</b>	<b>87,119,546</b>	<b>585,581</b>	<b>11,083</b>	<b>48,343</b>	<b>(73,568)</b>	<b>571,439</b>

# DOMAN™ First Quarter Report 2024

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	Three months ended March 31,	
		2024	2023
		\$	\$
<b>Operating activities</b>			
Net earnings for the period		14,374	14,911
Items not affecting cash:			
Depreciation and amortization	8,9,11	17,532	17,114
Finance costs	16	10,837	10,557
Provision for income taxes		2,041	2,259
Other		204	14
Income taxes paid		(2,356)	(3,302)
Interest paid on loans and borrowings		(4,809)	(3,473)
Cash flows from operating activities before changes in non-cash working capital		37,823	38,080
Changes in non-cash working capital	19	(167,593)	(114,425)
Net cash flows used in operating activities		(129,770)	(76,345)
<b>Financing activities</b>			
Shares issued	15	698	625
Dividends paid	15	(12,186)	(12,179)
Payments of lease liabilities, including interest	9	(6,630)	(6,491)
Net advances on loans and borrowings		171,618	95,491
Net cash flows provided by financing activities		153,500	77,446
<b>Investing activities</b>			
Inventory acquired	4	(11,416)	-
Property, plant and equipment, intangible assets, goodwill acquired	4	(50,865)	-
Purchase of property, plant and equipment	8	(1,626)	(1,065)
Proceeds from disposition of property, plant and equipment		76	37
Net cash flows used in investing activities		(63,831)	(1,028)
(Decrease) increase in cash and cash equivalents		(40,101)	73
Foreign exchange difference		1,079	168
Cash and cash equivalents (net of bank indebtedness) - beginning of period		29,970	(4,236)
Cash and cash equivalents (net of bank indebtedness) - end of period		(9,052)	(3,995)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 1. NATURE OF OPERATIONS

Doman Building Materials Group Ltd. (the "Company") was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at Suite 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company's operations commenced in 1989.

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 United States ("US").

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

### a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2023.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on May 9, 2024 by the Board of Directors of the Company.

### b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company's last year-end and are not fully inclusive of all disclosures required by IFRS Accounting Standards ("IFRS") for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2023.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## c) Functional and presentation currency

These unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except common share volumes and per share amounts.

## 3. MATERIAL ACCOUNTING POLICIES

The material accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2023 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

### Changes in accounting standards

Effective January 1, 2023, the Company adopted *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. These amendments specify the requirements for classifying liabilities as current or non-current. Beside others, the amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. The adoption of these amendments did not have an impact on these Interim Condensed Consolidated Financial Statements.

## 4. BUSINESS ACQUISITION

On March 1, 2024, the Company completed the acquisition of certain assets from a manufacturer of treated lumber operating in Richmond, Indiana and near Birmingham, Alabama.

The Company engaged a valuations expert to assist with the determination of estimated fair value for acquired property, plant and equipment. The valuation model used consisted of a market comparison technique and cost technique which considers market prices for similar assets when they are available, and depreciated replacement cost when they are not. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset's estimated replacement cost at the time of acquisition and estimated remaining useful life.

Purchase price consideration was funded by the Company's cash and cash equivalents on hand.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

The fair value of identifiable assets acquired includes inventory of \$11,416, property, plant and equipment of \$29,052 and intangible assets of \$6,695. These amounts are provisional and subject to change up to a period of one year from March 1, 2024.

Goodwill recognized is primarily attributed to expected synergies arising from the Southeast Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

## 5. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023
	\$	\$
Cash	1,124	962
Interest-bearing bank deposits	–	39,251
<b>Cash and cash equivalents</b>	<b>1,124</b>	<b>40,213</b>

## 6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise primarily from sales of building materials to customers. These are summarized as follows:

	March 31, 2024	December 31, 2023
	\$	\$
Trade receivables	298,289	155,397
Allowance for doubtful accounts	(486)	(459)
Net trade receivables	297,803	154,938
Other receivables	7,850	7,032
<b>Total trade and other receivables</b>	<b>305,653</b>	<b>161,970</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

The aging analysis of trade and other receivables was as follows:

	March 31, 2024 \$	December 31, 2023 \$
Neither past due nor impaired	280,946	146,373
Past due but not impaired:		
Less than 1 month	21,878	13,502
1 to 3 months	2,675	1,965
3 to 6 months	154	130
<b>Total trade and other receivables</b>	<b>305,653</b>	<b>161,970</b>

Activity in the Company's provision for doubtful accounts was as follows:

	\$
Balance at December 31, 2023	459
Accruals during the period	24
Accounts written off	(6)
Foreign exchange difference	9
<b>Balance at March 31, 2024</b>	<b>486</b>

## 7. INVENTORIES

	March 31, 2024 \$	December 31, 2023 \$
Inventories held for resale	341,183	288,984
Inventories held for processing	83,721	71,660
	<b>424,904</b>	<b>360,644</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings, leasehold improvements and roads \$	Machinery, automotive and other equipment \$	Computer equipment and systems development \$	Total \$
<b>Cost</b>					
Cost at December 31, 2023	36,528	40,481	161,932	8,357	247,298
Additions	–	533	988	105	1,626
Additions arising on acquisition (Note 4)	604	15,755	12,693	–	29,052
Disposals	–	–	(84)	(27)	(111)
Foreign exchange difference	132	419	2,965	49	3,565
<b>Cost at March 31, 2024</b>	<b>37,264</b>	<b>57,188</b>	<b>178,494</b>	<b>8,484</b>	<b>281,430</b>
<b>Accumulated depreciation</b>					
Accumulated depreciation at December 31, 2023	–	15,806	97,128	5,775	118,709
Depreciation	–	631	5,559	199	6,389
Disposals	–	–	(83)	(27)	(110)
Foreign exchange difference	–	90	1,446	22	1,558
<b>Accumulated depreciation at March 31, 2024</b>	<b>–</b>	<b>16,527</b>	<b>104,050</b>	<b>5,969</b>	<b>126,546</b>
<b>Net book value at</b>					
December 31, 2023	36,528	24,675	64,804	2,582	128,589
<b>Net book value at March 31, 2024</b>	<b>37,264</b>	<b>40,661</b>	<b>74,444</b>	<b>2,515</b>	<b>154,884</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company enters into various leases for the operation of its business, including distribution facilities, treatment plant facilities, computer equipment, light vehicles, forklifts and other equipment as required to operate efficiently.

### Right-of-use assets

	Facilities <sup>(1)</sup> \$	Machinery, automotive and other equipment <sup>(2)</sup> \$	Computer equipment \$	Total \$
Balance at December 31, 2023	121,154	11,881	1,846	134,881
Additions	2,039	2,625	–	4,664
Modifications and remeasurements	519	233	–	752
Amortization	(4,430)	(1,330)	(120)	(5,880)
Foreign exchange movements	1,718	145	36	1,899
<b>Balance at March 31, 2024</b>	<b>121,000</b>	<b>13,554</b>	<b>1,762</b>	<b>136,316</b>

### Lease liabilities

	Facilities <sup>(1)</sup> \$	Machinery, automotive and other equipment <sup>(2)</sup> \$	Computer equipment \$	Total \$
Balance at December 31, 2023	131,222	12,202	1,870	145,294
Additions	2,039	2,625	–	4,664
Modifications and remeasurements	519	233	–	752
Finance costs	905	128	22	1,055
Lease payments	(5,050)	(1,446)	(134)	(6,630)
Foreign exchange movements	1,887	143	36	2,066
Balance at March 31, 2024	131,522	13,885	1,794	147,201
Less: current portion	(16,971)	(4,527)	(453)	(21,951)
	<b>114,551</b>	<b>9,358</b>	<b>1,341</b>	<b>125,250</b>

1. Includes agreements related to distribution, wood treatment, manufacturing and office facility leases.

2. Includes forklifts, light vehicles and other heavy equipment leases.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

### Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 17):

Years ending December 31	\$
Remainder 2024	21,788
2025	24,479
2026	19,043
2027	17,411
2028	15,686
Thereafter	59,066
	<b>157,473</b>

### 10. TIMBER

	\$
Balance at December 31, 2023	46,485
Reforestation provision on harvested land	109
Harvested timber transferred to inventory in the period	(337)
<b>Balance at March 31, 2024</b>	<b>46,257</b>

The Company's private timberlands comprise an area of approximately 44,217 hectares ("ha") of land as at March 31, 2024 (2023 - 44,217 ha) with standing timber consisting of mixed-species softwood forests.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 11. INTANGIBLE ASSETS

	US operations \$	Value-added services \$	Total \$
<b>Cost</b>			
Cost at December 31, 2023	198,985	9,989	208,974
Additions arising on acquisition (Note 4)	6,695	–	6,695
Foreign exchange difference	4,869	–	4,869
<b>Cost at March 31, 2024</b>	<b>210,549</b>	<b>9,989</b>	<b>220,538</b>
<b>Accumulated amortization</b>			
Accumulated amortization at December 31, 2023	75,893	5,366	81,259
Amortization	5,053	210	5,263
Foreign exchange difference	1,882	–	1,882
<b>Accumulated amortization at March 31, 2024</b>	<b>82,828</b>	<b>5,576</b>	<b>88,404</b>
Net intangible assets at December 31, 2023	123,092	4,623	127,715
<b>Net intangible assets at March 31, 2024</b>	<b>127,721</b>	<b>4,413</b>	<b>132,134</b>

## 12. GOODWILL

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Balance at December 31, 2023	62,624	296,699	35,347	394,670
Additions arising on acquisition (Note 4)	–	15,118	–	15,118
Foreign exchange difference	–	7,251	–	7,251
<b>Balance at March 31, 2024</b>	<b>62,624</b>	<b>319,068</b>	<b>35,347</b>	<b>417,039</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 13. LOANS AND BORROWINGS

	March 31, 2024				December 31, 2023			
	Face value	Carrying amount	Current portion	Non-current portion	Face value	Carrying amount	Current portion	Non-current portion
	\$	\$	\$	\$	\$	\$	\$	\$
2026 Unsecured notes <sup>(1)</sup>	324,500	321,158	-	321,158	324,500	320,765	-	320,765
Revolving loan facility <sup>(2)</sup>	377,276	376,380	376,380	-	202,013	201,181	201,181	-
	<b>701,776</b>	<b>697,538</b>	<b>376,380</b>	<b>321,158</b>	<b>526,513</b>	<b>521,946</b>	<b>201,181</b>	<b>320,765</b>

1. Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%, payable semi-annually ("2026 Unsecured Notes").
2. Maximum credit available is \$500,000. Amount advanced under the facility at any time is limited to a defined percentage of inventories and trade receivables, less certain reserves. The facility is secured by a first charge over the Company's assets and an assignment of trade receivables and requires that certain covenants be met by the Company. This facility matures on December 6, 2024. Subsequent to quarter-end, this facility was renewed, extending the maturity date to April 30, 2028.

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 16 to the 2023 audited Annual Consolidated Financial Statements unless otherwise stated below.

The Company was not in breach of any of its covenants during the period ended March 31, 2024.

During the three months ended March 31, 2024 certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange loss of \$4,148 was recognized in Foreign currency translation in Other comprehensive income.

## 14. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans for the three months ended March 31, 2024 was \$626 (2023 - \$512). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

The table below reflects liabilities related to employee future benefit plans.

	March 31, 2024 \$	December 31, 2023 \$
Pension benefit plan	848	875
Other benefit plans	2,072	1,986
	<b>2,920</b>	<b>2,861</b>

Further information about these plans is disclosed in Note 17 to the 2023 audited Annual Consolidated Financial Statements.

## 15. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common and preferred shares with no par value.

### Employee Common Share Purchase Plan ("ECSP")

For the three months ended March 31, 2024, the Company has issued 98,553 (2023 - 127,886) common shares from treasury for gross proceeds of \$698 (2023 - \$625), pursuant to the ECSP.

### Dividends

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

	2024			2023		
	Record date	Amount \$	Payment Date	Record date	Amount \$	Payment date
Quarter 1	Mar 31, 2024	12,200 <sup>(1)</sup>	Apr 12, 2024	Mar 31, 2023	12,165 <sup>(1)</sup>	Apr 14, 2023
		<b>12,200</b>			<b>12,165</b>	
Quarter 2				Jun 30, 2023	12,167	Jul 14, 2023
Quarter 3				Sep 29, 2023	12,183	Oct 13, 2023
Quarter 4				Dec 29, 2023	12,186	Jan 12, 2024
					<b>48,701</b>	

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

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 16. FINANCE COSTS

Finance costs include the following:

	Three months ended March 31,	
	2024	2023
	\$	\$
Loans and borrowings	9,512	8,933
Lease liabilities	1,055	1,062
Other	(375)	(198)
Net cash interest	10,192	9,797
Amortization of financing costs	610	727
Interest on net defined benefit liability	35	33
	10,837	10,557

## 17. RELATED PARTY TRANSACTIONS

### Transactions

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

	Three months ended March 31,	
	2024	2023
	\$	\$
Leased distribution <sup>(1)</sup> and treatment facilities <sup>(2)</sup>	1,053	1,059
Purchase of product <sup>(3)</sup>	698	635
Service fees and other <sup>(4)</sup>	184	219
Professional fees and other <sup>(5)</sup>	134	138

1. Paid to a company controlled by a member of key management personnel who is a director and officer of the Company, or a close family member of that person's family.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
4. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
5. Paid to a company controlled by an officer of the Company.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## Commitments with related parties

Future undiscounted minimum payments under the terms of the leases with companies, in which a member of key management personnel who is also a director and officer of the Company has an interest in, are as follows:

Years ending December 31	\$
Remainder of 2024	3,090
2025	2,823
2026	2,272
2027	2,310
2028	2,379
Thereafter	8,150
	<b>21,024</b>

## Payable to related parties

As at March 31, 2024, trade and other payables include amounts due to related parties as follows:

	March 31, 2024 \$	December 31, 2023 \$
Purchase of product <sup>(1)</sup>	208	123
Management fees and other <sup>(2)</sup>	-	27
Professional fees and other <sup>(3)</sup>	126	82

- Owing to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
- Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
- Owing to a company controlled by an officer of the Company.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 18. FINANCIAL INSTRUMENTS

### Non-derivative financial instruments

The carrying amounts of non-derivative financial instruments approximate fair value, with the exception of the following:

	March 31, 2024		December 31, 2023	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
2026 Unsecured notes <sup>(1)</sup>	321,158	311,926	320,765	312,331
Revolving loan facility	376,380	377,276	201,181	202,013

1. Non-publicly listed, with a maturity date of May 15, 2026 and interest rate at 5.25%.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instrument:

- The fair values of cash, trade and other receivables, bank indebtedness, trade and other payables and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair value of the Company's 2026 Unsecured Notes was based on a price quoted by an independent investment brokerage.
- The fair value of the Company's revolving loan facility approximates its carrying value as it bears interest at a variable rate based on current market rates. The fair value has been estimated as the carrying value excluding unamortized financing costs.
- The fair values of the Company's lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

IFRS 13, *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments are categorized as Level 2 fair values.

The expenses resulting from financial assets and liabilities recorded in net earnings are as disclosed in Note 16.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
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## **Derivative financial instruments**

From time to time, the Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments are measured at fair value through profit and loss with changes in fair value recorded in net earnings.

The Company held no outstanding foreign exchange contracts as at March 31, 2024 and December 31, 2023. Additionally, the Company held a nominal amount of lumber futures contracts.

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored and restricted by senior management, including limits for a maximum number of outstanding contracts at any point in time, the risk of a material credit loss on these financial instruments is considered low.

## **Hedge of investment in foreign operations**

Certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the three months ended March 31, 2024, the Company recorded an unrealized foreign exchange loss of \$4,148 (2023 - loss of \$39), arising on revaluation of hedged foreign currency debt in Foreign currency translation in Other comprehensive income during the period.

## **Financial risk management**

The Company's activities result in exposure to a variety of financial risks from its financial assets and financial liabilities, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, trade and other payables, dividends payable, unsecured notes, revolving loan facility and lease liabilities. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management, which seeks to minimize any potential adverse effects on the Company's financial performance.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's trade and other receivables. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly.

The Company regularly reviews the collectability of its trade accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts.

As at March 31, 2024, trade accounts receivable, excluding other receivables, were as follows:

	\$
Current	297,458
Past due over 60 days	831
Trade receivables	298,289
Less: Allowance for doubtful accounts	(486)
	<b>297,803</b>

As at March 31, 2024, the maximum exposure to credit risk, including both trade and other receivables, was \$305,653 (December 31, 2023 - \$161,970), which represents the carrying value amount of financial instruments classified as trade and other receivables.

## Interest rate risk

The majority of the Company's borrowings are issued at fixed rates, specifically, the 2026 Unsecured Notes (Note 13). Therefore, the Company is exposed to fair value interest rate risk on these borrowings, as interest rate decreases make the Company susceptible to opportunity costs.

Additionally, the Company is exposed to interest rate risk through its variable rate revolving loan facility (Note 13). Based on the Company's average revolving loan facility and non-revolving term loan during the three months ended March 31, 2024, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of \$576 in quarterly net earnings.

The Company did not have any interest rate swaps during the periods ended March 31, 2024 and 2023. However, the negative risk of rising interest rates was mitigated by financing a significant portion of the Company's borrowings through the unsecured notes at fixed rates.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## **Currency risk**

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

As at March 31, 2024 the Company had US dollar drawings under its Revolving loan facility of US\$135,695 (December 31, 2023 - US\$126,195), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at March 31, 2024, a quarterly increase of \$0.05 in the US dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in Other comprehensive earnings of approximately \$24,000.

## **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.

## **Other price risk**

Other price risk is defined as the potential adverse impact on net earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 19. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows:

	Three months ended March 31,	
	2024	2023
	\$	\$
Trade and other receivables	(140,052)	(117,450)
Inventories	(47,901)	(10,326)
Prepaid expenses and deposits	(1,083)	3,131
Trade and other payables	21,443	10,220
	<b>(167,593)</b>	<b>(114,425)</b>

## 20. REVENUE

The following table presents disaggregated revenues for the Company in categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Geographic markets</b>						
Canada	243,471	6,679	250,150	239,447	9,505	248,952
US	352,325	-	352,325	360,167	-	360,167
	<b>595,796</b>	<b>6,679</b>	<b>602,475</b>	<b>599,614</b>	<b>9,505</b>	<b>609,119</b>
<b>Revenue categories</b>						
Products	594,814	6,679	601,493	595,560	9,505	605,065
Services	982	-	982	4,054	-	4,054
	<b>595,796</b>	<b>6,679</b>	<b>602,475</b>	<b>599,614</b>	<b>9,505</b>	<b>609,119</b>

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of \$6,003 as at March 31, 2024 (December 31, 2023 - \$10,285), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

During the three months ended March 31, 2024, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of \$194,374 (2023 - \$192,284 representing one customer).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 21. SEGMENTED INFORMATION

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as Other.

Business segment revenues and specified expenses were as follows:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Revenue</b>	595,796	6,679	<b>602,475</b>	599,614	9,505	<b>609,119</b>
<b>Specified expenses</b>						
Depreciation and amortization	16,857	675	<b>17,532</b>	16,318	796	<b>17,114</b>
Finance costs	10,797	40	<b>10,837</b>	10,195	362	<b>10,557</b>
<b>Net earnings (loss)</b>	14,888	(514)	<b>14,374</b>	14,120	791	<b>14,911</b>
<b>Purchase of property, plant and equipment</b>	1,460	166	<b>1,626</b>	746	319	<b>1,065</b>

Business segment long-term assets were as follows:

	March 31, 2024				December 31, 2023			
	Building Materials \$	Other \$	Percent %	Total \$	Building Materials \$	Other \$	Percent %	Total \$
Canada	165,509	89,067	28	<b>254,576</b>	165,174	89,340	30	<b>254,514</b>
US	639,033	-	72	<b>639,033</b>	583,706	-	70	<b>583,706</b>
<b>Long-term assets</b>	804,542	89,067	100	<b>893,609</b>	748,880	89,340	100	<b>838,220</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

The percentage of total revenue from external customers from product groups was as follows:

	Three months ended March 31,	
	2024	2023
	%	%
Construction materials	76	75
Specialty and allied	20	21
Other	4	4
	100	100

## 22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit (including cumulative dividends on shares), and foreign currency translation on foreign operations, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurate with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy over the long-term, is to dividend all available cash from operations to shareholders after reducing debt and providing for cash required for maintenance of capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during the current period.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three months ended March 31, 2024 and 2023  
(in thousands of Canadian dollars)

## 23. SEASONALITY

The Company's revenues 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 free cash flow earned and dividends paid.

## 24. CONTINGENCIES

### Product liability and other 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.

## 25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

## 26. EVENTS AFTER THE FINANCIAL STATEMENT DATE

### Renewal of revolving loan facility

On April 30, 2024, the Company amended its existing revolving loan facility, extending the maturity date from December 6, 2024 to April 30, 2028. All other material terms, including the maximum available credit of \$500,000, remained unchanged.

# DOMAN™

## **Directors**

### **Ian M. Baskerville**

Toronto, Ontario

### **Amar S. Doman**

Vancouver, British Columbia

### **Kelvin Dushnisky**

Toronto, Ontario

### **Sam Fleiser**

Toronto, Ontario

### **Marie M. Graul**

Chicago, Illinois

### **Michelle M. Harrison**

Sacramento, California

### **Harry Rosenfeld**

Vancouver, British Columbia

### **Siegfried J. Thoma**

Portland, Oregon

## **Auditors**

### **KPMG LLP**

Vancouver, British Columbia

## **Solicitors**

### **Goodmans LLP**

Toronto, Ontario

### **DLA Piper (Canada) LLP**

Vancouver, British Columbia

## **Officers**

### **Amar S. Doman**

Chairman and CEO

### **James Code**

Chief Financial Officer

### **R.S. (Rob) Doman**

Corporate Secretary

## **Doman Building Materials**

### **Head Office**

1600 – 1100 Melville Street

P.O. Box 39

Vancouver BC V6E 4A6

### **Contact**

Phone: (604) 432-1400

Internet: [www.domanbm.com](http://www.domanbm.com)

## **Transfer Agent**

### **TSX Trust Company**

Vancouver, British Columbia

Toronto, Ontario

## **Investor Relations**

### **Contact**

Ali Mahdavi

Phone: (416) 962-3300

## **Stock Exchange**

### **Toronto Stock Exchange**

### **Trading Symbol:**

**DBM**