DOMAN™

Doman Building Materials Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

September 30, 2024
(in thousands of Canadian dollars)

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 September 30, 2024 $	As at December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents	5	**32,058**	40,213
Trade and other receivables	6	**229,012**	161,970
Income taxes receivable		**8,749**	9,493
Inventories	7	**333,006**	360,644
Prepaid expenses and deposits		**14,228**	15,030
		617,053	587,350
Non-current assets			
Property, plant and equipment	8	**150,337**	128,589
Right-of-use assets	9	**134,783**	134,881
Timber	10	**45,457**	46,485
Deferred income tax assets		**3,286**	3,536
Intangible assets	11	**120,879**	127,715
Goodwill	12	**415,838**	394,670
Other assets		**2,287**	2,344
		872,867	838,220
Total assets		**1,489,920**	1,425,570
Liabilities			
Current liabilities			
Bank indebtedness		**7,050**	10,243
Trade and other payables		**167,884**	131,761
Dividends payable	15	**12,220**	12,186
Current portion of loans and borrowings	13	**–**	201,181
Current portion of lease liabilities	9	**22,864**	21,439
		210,018	376,810
Non-current liabilities			
Loans and borrowings	13	**530,022**	320,765
Lease liabilities	9	**123,324**	123,855
Reforestation and environmental		**2,796**	2,977
Deferred income tax liabilities		**15,693**	16,962
Retirement benefit obligations	14	**2,945**	2,861
		674,780	467,420
Total liabilities		**884,798**	844,230
Equity			
Common shares	15	**586,509**	584,956
Contributed surplus		**11,083**	11,083
Foreign currency translation		**47,108**	34,268
Deficit		**(39,578)**	(48,967)
		605,122	581,340
Total liabilities and equity		**1,489,920**	1,425,570
Commitments and contingencies	9, 24		
Events after the financial statement date	26		

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 September 30, 2024 $	Three months ended September 30, 2023 $	Nine months ended September 30, 2024 $	Nine months ended September 30, 2023 $
Revenue	20, 21	**663,089**	643,910	**1,955,398**	1,963,777
Cost of sales		**560,139**	541,133	**1,643,930**	1,641,621
Gross margin from operations		**102,950**	102,777	**311,468**	322,156
Expenses					
Distribution, selling and administration		**55,511**	50,762	**167,864**	159,299
Depreciation and amortization	8, 9, 11	**18,008**	16,837	**53,146**	51,245
		73,519	67,599	**221,010**	210,544
Operating earnings		**29,431**	35,178	**90,458**	111,612
Finance costs	16	**11,783**	10,131	**35,202**	31,191
Acquisition costs		**1,161**	–	**2,349**	–
Earnings before income taxes		**16,487**	25,047	**52,907**	80,421
Provision for (recovery of) income taxes					
Current income tax		**2,289**	3,181	**8,257**	13,129
Deferred income tax		**(369)**	708	**(1,273)**	2,031
		1,920	3,889	**6,984**	15,160
Net earnings		**14,567**	21,158	**45,923**	65,261
Other comprehensive (loss) income					
Exchange differences on translation of foreign operations(1)		**(9,889)**	13,401	**12,840**	(503)
Actuarial gain from pension and other benefit plans(2)		**(38)**	129	**88**	384
Comprehensive earnings		**4,640**	34,688	**58,851**	65,142
Net earnings per share					
Basic and diluted		**0.17**	0.24	**0.53**	0.75
Weighted average number of shares					
Basic and diluted		**87,245,632**	86,873,458	**87,172,871**	87,029,120

1. Item that may be reclassified to earnings in subsequent periods.
2. Item that will not be reclassified to earnings.

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 #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at December 31, 2023	87,041,292	584,956	11,083	34,268	(48,967)	581,340
Shares issued pursuant to:						
Restricted Equity Common Share Plan	20,455	105	(105)	–	–	–
Employee Common Share Purchase Plan	223,625	1,448	–	–	–	1,448
Share-based compensation charged to operations	–	–	105	–	–	105
Dividends		–	–	–	(36,622)	(36,622)
Comprehensive earnings for the period		–	–	12,840	46,011	58,851
As at September 30, 2024	**87,285,372**	**586,509**	**11,083**	**47,108**	**(39,578)**	**605,122**
As at December 31, 2022	86,991,660	584,956	11,048	48,803	(76,319)	568,488
Shares issued pursuant to:						
Restricted Equity Common Share Plan	20,334	128	(128)	–	–	–
Employee Common Share Purchase Plan	242,003	1,259	–	–	–	1,259
Transaction costs on issue of shares, net of deferred income tax	–	(16)	–	–	–	(16)
Share-based compensation charged to operations	–	–	163	–	–	163
Shares cancelled	(229,008)	(1,500)	–	–	–	(1,500)
Dividends		–	–	–	(36,515)	(36,515)
Comprehensive (loss) earnings for the period		–	–	(503)	65,645	65,142
As at September 30, 2023	87,024,989	584,827	11,083	48,300	(47,189)	597,021

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
(in thousands of Canadian dollars)	Notes	$	$	$	$
Operating activities					
Net earnings for the period		**14,567**	21,158	**45,923**	65,261
Items not affecting cash:					
Depreciation and amortization	8, 9, 11	**18,008**	16,837	**53,146**	51,245
Finance costs	16	**11,783**	10,131	**35,202**	31,191
Provision for income taxes		**1,920**	3,889	**6,984**	15,160
Other		**272**	880	**281**	1,470
Income taxes paid		**(1,021)**	(2,352)	**(7,406)**	(10,163)
Interest paid on loans and borrowings		**(5,552)**	(4,105)	**(25,224)**	(21,925)
Cash flows from operating activities before changes in non-cash working capital		**39,977**	46,438	**108,906**	132,239
Changes in non-cash working capital	19	**140,070**	88,014	**12,222**	(4,526)
Net cash flows provided by operating activities		**180,047**	134,452	**121,128**	127,713
Financing activities					
Shares issued, net of transaction costs	15	**747**	634	**1,448**	1,243
Dividends paid	15	**(12,202)**	(12,167)	**(36,588)**	(36,511)
Payments of lease liabilities, including interest	9	**(7,786)**	(6,724)	**(21,258)**	(19,823)
Issuance of senior unsecured notes	13	**265,000**	–	**265,000**	–
Repurchase of senior unsecured notes	13	**(52,337)**	–	**(52,337)**	(60,000)
Net (repayments) advances on revolving loan facility		**(337,856)**	(108,469)	**(205,659)**	12,012
Financing costs on borrowings		**(5,199)**	(20)	**(6,291)**	(44)
Repayment of non-revolving term loan		**–**	–	**–**	(14,791)
Net cash flows used in financing activities		**(149,633)**	(126,746)	**(55,685)**	(117,914)
Investing activities					
Inventory acquired	4	**–**	–	**(11,416)**	–
Property, plant and equipment, intangible assets and goodwill acquired	4	**–**	–	**(50,865)**	–
Purchase of property, plant and equipment	8	**(3,961)**	(8,116)	**(9,510)**	(10,728)
Proceeds from disposition of property, plant and equipment		**–**	7	**346**	301
Net cash flows used in investing activities		**(3,961)**	(8,109)	**(71,445)**	(10,427)
Increase (decrease) in cash and cash equivalents		**26,453**	(403)	**(6,002)**	(628)
Foreign exchange difference		**(126)**	565	**1,040**	504
Cash and cash equivalents (net of bank indebtedness) – beginning of period		**(1,319)**	(4,522)	**29,970**	(4,236)
Cash and cash equivalents (net of bank indebtedness) – end of period		**25,008**	(4,360)	**25,008**	(4,360)

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 November 7, 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.

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

4. BUSINESS ACQUISITION

On March 1, 2024, the Company completed the acquisition of certain assets of Southeast Forest Products Treated, Ltd. (through one of the Company's wholly owned subsidiaries) (the "Southeast Acquisition"), a manufacturer of treated lumber operating in Richmond, Indiana and near Birmingham, Alabama.

Total purchase consideration comprised of US$45,916, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Southeast Acquisition.

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.

(in thousands of Canadian dollars)

Details of the fair value of the consideration transferred and the fair value of the identifiable assets at the date of the above noted acquisition were as follows:

	Notes	March 1, 2024[1] $
Fair value of purchase consideration		
Cash consideration		62,281
Fair value of assets acquired		
Inventory		11,416
Property, plant and equipment	8	29,052
Intangible assets	11	6,695
Total identifiable net assets at fair value		47,163
Goodwill arising on acquisition	12	15,118
Assets acquired		62,281

1. The provisional purchase price allocation is preliminary and subject to change up to a period of one year from March 1, 2024, upon finalization of fair value determinations.

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

	September 30, 2024 $	December 31, 2023 $
Cash	**2,486**	962
Interest-bearing bank deposits	**29,572**	39,251
Cash and cash equivalents	**32,058**	40,213

(in thousands of Canadian dollars)

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:

	September 30, 2024 $	December 31, 2023 $
Trade receivables	**223,085**	155,397
Allowance for doubtful accounts	**(641)**	(459)
Net trade receivables	**222,444**	154,938
Other receivables	**6,568**	7,032
Total trade and other receivables	**229,012**	161,970

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

	September 30, 2024 $	December 31, 2023 $
Neither past due nor impaired	**214,423**	146,373
Past due but not impaired:		
Less than 1 month	**10,790**	13,502
1 to 3 months	**3,522**	1,965
3 to 6 months	**277**	130
Total trade and other receivables	**229,012**	161,970

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

	$
Balance at December 31, 2023	459
Accruals during the period	181
Accounts written off	(6)
Foreign exchange difference	7
Balance at September 30, 2024	**641**

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2024 and 2023
(in thousands of Canadian dollars)

7. INVENTORIES

	September 30, 2024 $	December 31, 2023 $
Inventories held for resale	**284,872**	288,984
Inventories held for processing	**48,134**	71,660
	333,006	360,644

8. PROPERTY, PLANT, AND EQUIPMENT

	Land $	Buildings, leasehold improvements and roads $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Total $
Cost					
Cost at December 31, 2023	36,528	40,481	161,932	8,357	247,298
Additions	203	1,084	6,854	1,370	9,511
Additions arising on acquisition (Note 4)	604	15,755	12,693	–	29,052
Disposals	–	–	(1,593)	(68)	(1,661)
Foreign exchange difference	108	290	2,400	34	2,832
Cost at September 30, 2024	**37,443**	**57,610**	**182,286**	**9,693**	**287,032**
Accumulated depreciation					
Accumulated depreciation at December 31, 2023	–	15,806	97,128	5,775	118,709
Depreciation	–	2,381	15,058	621	18,060
Disposals	–	–	(1,190)	(68)	(1,258)
Foreign exchange difference	–	65	1,103	16	1,184
Accumulated depreciation at September 30, 2024	**–**	**18,252**	**112,099**	**6,344**	**136,695**
Net book value at December 31, 2023	36,528	24,675	64,804	2,582	128,589
Net book value at September 30, 2024	**37,443**	**39,358**	**70,187**	**3,349**	**150,337**

(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[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
Balance at December 31, 2023	121,154	11,881	1,846	134,881
Additions	5,103	8,605	12	13,720
Modifications and remeasurements	3,057	402	–	3,459
Amortization	(14,122)	(4,318)	(362)	(18,802)
Disposals	–	(126)	–	(126)
Foreign exchange movements	1,503	116	32	1,651
Balance at September 30, 2024	**116,695**	**16,560**	**1,528**	**134,783**

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
Balance at December 31, 2023	131,222	12,202	1,870	145,294
Additions	5,103	8,605	12	13,720
Modifications and remeasurements	3,057	402	–	3,459
Disposals	–	(130)	–	(130)
Finance costs	2,813	479	64	3,356
Lease payments	(16,130)	(4,724)	(404)	(21,258)
Foreign exchange movements	1,635	79	33	1,747
Balance at September 30, 2024	127,700	16,913	1,575	146,188
Less: current portion	(17,517)	(4,888)	(459)	(22,864)
	110,183	**12,025**	**1,116**	**123,324**

1. Includes agreements related to distribution, wood treatment, manufacturing and office facility leases.
2. Includes forklifts, light vehicles and other heavy equipment leases.

(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	7,754
2025	26,949
2026	21,319
2027	19,638
2028	17,594
Thereafter	60,248
	153,502

10. TIMBER

	$
Balance at December 31, 2023	46,485
Reforestation provision on harvested land	488
Harvested timber transferred to inventory in the period	(1,516)
Balance at September 30, 2024	**45,457**

The Company's private timberlands comprise an area of approximately 44,217 hectares ("ha") of land as at September 30, 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 and nine months ended September 30, 2024 and 2023
(in thousands of Canadian dollars)

11. INTANGIBLE ASSETS

	US operations $	Value-added services $	Total $
Cost			
Cost at December 31, 2023	198,985	9,989	208,974
Additions arising on acquisition (Note 4)	6,695	–	6,695
Additions	–	124	124
Foreign exchange difference	4,075	–	4,075
Cost at September 30, 2024	**209,755**	**10,113**	**219,868**
Accumulated amortization			
Accumulated amortization at December 31, 2023	75,893	5,366	81,259
Amortization	15,623	661	16,284
Foreign exchange difference	1,446	–	1,446
Accumulated amortization at September 30, 2024	**92,962**	**6,027**	**98,989**
Net intangible assets at December 31, 2023	123,092	4,623	127,715
Net intangible assets at September 30, 2024	**116,793**	**4,086**	**120,879**

12. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at December 31, 2023	62,624	296,699	35,347	394,670
Addition arising on acquisition (Note 4)	–	15,118	–	15,118
Foreign exchange difference	–	6,050	–	6,050
Balance at September 30, 2024	**62,624**	**317,867**	**35,347**	**415,838**

(in thousands of Canadian dollars)

13. LOANS AND BORROWINGS

	September 30, 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[1]	272,163	270,019	–	270,019	324,500	320,765	–	320,765
2029 unsecured notes[2]	265,000	260,003	–	260,003	–	–	–	–
Revolving loan facility[3]	–	–	–	–	202,013	201,181	201,181	–
	537,163	**530,022**	**–**	**530,022**	**526,513**	**521,946**	**201,181**	**320,765**

1. Non-publicly listed, with a maturity date of May 15, 2026 and interest rate at 5.25%, payable semi-annually ("2026 Unsecured Notes").
2. Non-publicly listed, with a maturity date of September 17, 2029 and interest rate at 7.5%, payable semi-annually ("2029 Unsecured Notes").
3. 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.

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 September 30, 2024.

During the nine months ended September 30, 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 $4,206 was recognized in Foreign currency translation in Other comprehensive income.

Issuance of senior unsecured notes

On September 17, 2024, the Company completed a private placement offering of the 2029 Unsecured Notes denominated in principal amounts of one thousand dollars, resulting in gross proceeds of $265,000. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including RBC Capital Markets, CIBC Capital Markets, TD Securities and National Bank Financial Markets.

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

Repurchase of 2026 Unsecured Notes

Concurrent with the issuance of the 2029 Unsecured Notes on September 17, 2024, the Company completed the early repurchase for cancellation of $52,337 of its outstanding unsecured notes with a maturity date of May 15, 2026, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was $53,278.

Amendment 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. Prior to the amendment, as at December 31, 2023, the revolving loan facility was classified as current based on its prior maturity date of December 6, 2024.

Redemption of 2023 Unsecured Notes

On June 30, 2023, the Company completed the early redemption of all $60,000 of its outstanding unsecured notes with a maturity date of October 9, 2023, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was $60,859.

Repayment of non-revolving term loan

On June 29, 2023, the Company completed the early repayment of the balance of its outstanding non-revolving term loan in the amount of $14,125, in accordance with the terms of such loan agreement, otherwise having a full maturity date of December 6, 2024.

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 September 30, 2024, was $521 (2023 – $506) and for the nine-month period ended September 30, 2024, was $1,678 (2023 – $1,540). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

(in thousands of Canadian dollars)

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

	September 30, 2024 $	December 31, 2023 $
Pension benefit plan	**830**	875
Other benefit plans	**2,115**	1,986
	2,945	2,861

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

Annuity contract purchase

On July 31, 2024, the Company purchased an annuity buy-in for plan retirees for $5,645 through its defined benefit pension plan. Future cash flows from the annuity will match the amount and timing of benefits payable under the plan, substantially mitigating the exposure to future volatility in the related pension obligation.

As at September 30, 2024, total buy-in annuities purchased to date represented 94% (2023 – 81%) of the defined benefit pension plan obligation which was fully hedged against changes in future discount rates and longevity risk (potential increases in life expectancy of plan members).

15. SHARE CAPITAL

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

Restricted Equity Common Share Plan ("RECSP")

As at September 30, 2024, there were no outstanding Restricted Share Units ("RSUs") pursuant to the RECSP (December 31, 2023 – nil). Compensation expense in respect of RSUs for the three months ended September 30, 2024, was $7 (2023 – nil) and for the nine-month period to date was $105 (2023 – $163).

Employee Common Share Purchase Plan ("ECSPP")

For the three months ended September 30, 2024, the Company issued 125,072 common shares from treasury (2023 – 114,117) for gross proceeds of $747 (2023 – $634) and for the nine-month period to date the Company has issued 223,625 (2023 – 242,003) common shares from treasury for gross proceeds of $1,448 (2023 – $1,259), pursuant to the ECSPP.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2024 and 2023
(in thousands of Canadian dollars)

Cancellation of shares

On May 8, 2023, the Company cancelled 229,008 shares outstanding under a historic escrow agreement.

Dividends

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

	2024			2023		
	Declared			Declared		
	Record date	Amount $	Payment date	Record date	Amount $	Payment date
Quarter 1	Mar 28, 2024	12,200	Apr 12, 2024	Mar 31, 2023	12,165 [(1)]	Apr 14, 2023
Quarter 2	Jun 28, 2024	12,202	Jul 12, 2024	Jun 30, 2023	12,167	Jul 14, 2023
Quarter 3	Sep 27, 2024	12,220	Oct 15, 2024	Sep 29, 2023	12,183	Oct 13, 2023
		36,622			**36,515**	
Quarter 4				Dec 29, 2023	12,186	Jan 12, 2024
					48,701	

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

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.

16. FINANCE COSTS

Finance costs include the following:

	Three months ended September 30, 2024 $	Three months ended September 30, 2023 $	Nine months ended September 30, 2024 $	Nine months ended September 30, 2023 $
Loans and borrowings	**10,016**	8,120	**30,752**	25,576
Lease liabilities	**1,220**	1,050	**3,356**	3,155
Other	**(563)**	390	**(1,311)**	46
Net cash interest	**10,673**	9,560	**32,797**	28,777
Amortization of financing costs	**1,075**	537	**2,300**	2,314
Interest on net defined benefit liability	**35**	34	**105**	100
	11,783	10,131	**35,202**	31,191

(in thousands of Canadian dollars)

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 September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Leased distribution[1] and treatment facilities[2]	**1,058**	1,053	**3,163**	3,164
Purchase of product[3]	**424**	739	**1,663**	1,901
Service fees and other[4]	**119**	259	**756**	764
Professional fees and other[5]	**153**	134	**463**	409

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 companies 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.

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	1,061
2025	2,951
2026	2,390
2027	2,431
2028	2,502
Thereafter	8,191
	19,526

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Payable to related parties

As at September 30, 2024, trade and other payables include amounts due to related parties as follows:

	September 30, 2024 $	December 31, 2023 $
Purchase of product[1]	**166**	123
Service fees and other[2]	**–**	27
Professional fees and other[3]	**197**	82

1. 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.
2. Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
3. Owing to a company controlled by an officer of the Company.

18. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	September 30, 2024		December 31, 2023	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
2026 Unsecured Notes[1]	**270,019**	**269,441**	320,765	312,331
2029 Unsecured Notes[2]	**260,003**	**268,975**	–	–
Revolving loan facility	**–**	**–**	201,181	202,013

1. Non-publicly listed, with a maturity date of May 15, 2026, and interest rate at 5.25%.
2. Non-publicly listed, with a maturity date of September 17, 2029 and interest rate at 7.5%.

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 values of the Company's 2026 Unsecured Notes and 2029 Unsecured Notes were 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.

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 September 30, 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 September 30, 2024, the Company recorded an unrealized foreign exchange gain of $1,820 (2023 – gain of $4,007), and during the nine months ended September 30, 2024, the Company recorded an unrealized foreign exchange loss of $4,206 (2023 – gain of $787), 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.

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.

(in thousands of Canadian dollars)

As at September 30, 2024, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	221,989
Past due over 60 days	1,096
Trade receivables	223,085
Less: Allowance for doubtful accounts	(641)
	222,444

As at September 30, 2024, the maximum exposure to credit risk, including both trade and other receivables, was $229,012 (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 during the nine months ended September 30, 2024, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $560 in quarterly net earnings.

The Company did not have any interest rate swaps during the periods ended September 30, 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.

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 September 30, 2024, the Company had no US dollar drawings under its Revolving loan facility (December 31, 2023 – US$126,195), which had been designated as a hedge against the Company's net investment in its foreign operations.

(in thousands of Canadian dollars)

As at September 30, 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 $28,000.

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.

19. CHANGES IN NON-CASH WORKING CAPITAL

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Trade and other receivables	**72,917**	74,989	**(64,461)**	(65,599)
Inventories	**51,714**	19,753	**43,229**	48,790
Prepaid expenses and deposits	**1,893**	(2,310)	**2,448**	(1,529)
Trade and other payables	**13,546**	(4,418)	**31,006**	13,812
	140,070	88,014	**12,222**	(4,526)

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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 September 30, 2024			Three months ended September 30, 2023		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Geographic markets						
Canada	257,355	9,282	**266,637**	268,446	10,346	**278,792**
US	396,452	–	**396,452**	365,118	–	**365,118**
	653,807	9,282	**663,089**	633,564	10,346	**643,910**
Revenue categories						
Products	652,248	9,282	**661,530**	632,070	10,346	**642,416**
Services	1,559	–	**1,559**	1,494	–	**1,494**
	653,807	9,282	**663,089**	633,564	10,346	**643,910**

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Geographic markets						
Canada	767,985	26,345	**794,330**	796,031	28,841	**824,872**
US	1,161,068	–	**1,161,068**	1,138,905	–	**1,138,905**
	1,929,053	26,345	**1,955,398**	1,934,936	28,841	**1,963,777**
Revenue categories						
Products	1,924,987	26,345	**1,951,332**	1,930,667	28,841	**1,959,508**
Services	4,066	–	**4,066**	4,269	–	**4,269**
	1,929,053	26,345	**1,955,398**	1,934,936	28,841	**1,963,777**

(in thousands of Canadian dollars)

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $7,580 as at September 30, 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 September 30, 2024, one customer individually accounted for revenues in excess of 10%, purchasing an aggregate of $134,370 (2023 – $177,116, representing one customer) and for the nine-month period to date, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of $409,562 (2023 – $609,325, representing one customer).

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 September 30, 2024			Three months ended September 30, 2023		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	653,807	9,282	**663,089**	633,564	10,346	**643,910**
Specified expenses						
Depreciation and amortization	17,395	613	**18,008**	16,301	536	**16,837**
Finance costs	11,619	164	**11,783**	9,856	275	**10,131**
Net earnings	14,086	481	**14,567**	19,755	1,403	**21,158**
Purchase of property, plant and equipment	3,527	434	**3,961**	7,834	282	**8,116**

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	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	1,929,053	26,345	**1,955,398**	1,934,936	28,841	**1,963,777**
Specified expenses						
Depreciation and amortization	51,230	1,916	**53,146**	48,969	2,276	**51,245**
Finance costs	34,787	415	**35,202**	29,997	1,194	**31,191**
Net earnings	45,743	180	**45,923**	63,049	2,212	**65,261**
Purchase of property, plant and equipment	8,561	949	**9,510**	9,886	842	**10,728**

Business segment long-term assets were as follows:

	September 30, 2024				December 31, 2023			
	Building Materials $	Other $	Percent %	Total $	Building Materials $	Other $	Percent %	Total $
Canada	163,897	87,675	29	**251,572**	165,174	89,340	30	**254,514**
US	621,295	–	71	**621,295**	583,706	–	70	**583,706**
Long-term assets	785,192	87,675	100	**872,867**	748,880	89,340	100	**838,220**

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

	Three months ended September 30,		Nine months ended September 30,	
	2024 %	2023 %	2024 %	2023 %
Construction materials	**74**	72	**75**	75
Specialty and allied	**21**	23	**21**	21
Other	**5**	5	**4**	4
	100	100	**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.

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 quarterly free cash flow earned and the Company's policy of equalizing quarterly 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

Tucker Lumber Acquisition

On October 1, 2024, the Company completed the acquisition of certain assets of CM Tucker Lumber Companies, LLC ("Tucker Lumber") (the "Tucker Lumber Acquisition"), a lumber and treated wood supplier, as well as a large producer of specialty value added products, including lumber, deck components and plywood, operating in the Eastern US. Tucker Lumber is headquartered in Pageland, South Carolina, with three large treating plants, specialty sawmilling and a captive trucking fleet.

Purchase price consideration of approximately US$295,000, including inventory of approximately US$40,000, was funded by the Company's revolving loan facility and cash and cash equivalents on hand, and is subject to certain post-closing adjustments.

The Company is in the process of determining the fair values of assets acquired and liabilities assumed, and the provisional purchase price allocation as at the acquisition date.

DOMAN™

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