Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in thousands of US dollars, unless stated otherwise)

ADENTRA Inc.

Three and nine month periods ended September 30, 2024 and 2023

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of US dollars, unless stated otherwise)

	Notes	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		$ 8,301	$ 3,643
Receivables and investments	7	224,432	189,157
Income taxes receivable		5,520	8,919
Inventories	8	390,309	365,777
Prepaid expenses		20,314	16,556
Total current assets		648,876	584,052
Non-current assets			
Receivables and investments	7	22,040	7,980
Property, plant and equipment		40,927	38,134
Right of use assets		188,767	157,095
Intangible assets	4	312,435	260,098
Deferred income taxes		2,999	3,632
Goodwill	4	200,496	181,128
Total non-current assets		767,664	648,067
Total assets		$ 1,416,540	$ 1,232,119
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	9	$ 110,159	$ 59,050
Accounts payable and accrued liabilities		151,526	131,993
Lease obligations		38,894	34,309
Dividend payable	5	2,595	2,374
Total current liabilities		303,174	227,726
Non-current liabilities			
Bank indebtedness	9	299,725	333,346
Lease obligations		165,248	137,324
Other liabilities	6	19,236	6,856
Total non-current liabilities		484,209	477,526
Total liabilities		787,383	705,252
Shareholders' equity			
Share capital	10(a)	237,519	167,960
Contributed surplus		85,739	83,401
Retained earnings		323,323	292,675
Accumulated other comprehensive loss		(17,424)	(17,169)
Shareholders' equity		629,157	526,867
Total liabilities and shareholders' equity		$ 1,416,540	$ 1,232,119

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Approved on behalf of the Board of Directors:

(Signed) JIM C. MACAULAY Director **(Signed) GRAHAM WILSON** Director

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in thousands of US dollars, unless stated otherwise)

Three and nine month periods ended September 30, 2024 and 2023

		Three months ended		Nine months ended	
	Notes	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Sales	13	$ 568,819	$ 558,673	$ 1,653,449	$ 1,724,465
Cost of goods sold	8	(447,435)	(440,366)	(1,294,613)	(1,369,716)
Gross profit		121,384	118,307	358,836	354,749
Operating expenses					
Selling, distribution, and administration		(79,348)	(85,283)	(232,979)	(239,978)
Depreciation		(10,649)	(9,740)	(31,332)	(30,532)
Amortization of intangible assets		(6,690)	(5,837)	(18,430)	(17,197)
		(96,687)	(100,860)	(282,741)	(287,707)
Income from operations		24,697	17,447	76,095	67,042
Net finance expense	12	(11,240)	(12,662)	(32,736)	(36,986)
Income before income taxes		13,457	4,785	43,359	30,056
Income tax (expense) recovery					
Current		1,245	1,073	(4,154)	(4,984)
Deferred	11	(4,299)	2,228	(1,115)	1,979
		(3,054)	3,301	(5,269)	(3,005)
Net income		10,403	8,086	38,090	27,051
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences translating foreign operations		1,448	(291)	1,067	(274)
(Loss) gain on interest rate swap, net of tax	6	(4,670)	2,384	(1,322)	2,384
Other comprehensive income, net of tax		(3,222)	2,093	(255)	2,110
Total comprehensive income		$ 7,181	$ 10,179	$ 37,835	$ 29,161
Basic earnings per share	10(c)	$ 0.42	$ 0.36	$ 1.62	$ 1.21
Diluted earnings per share	10(c)	$ 0.41	$ 0.36	$ 1.60	$ 1.19

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

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of US dollars, unless stated otherwise)

Nine month periods ended September 30, 2024 and 2023

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2024		$ 167,960	$ 83,401	$ (17,169)	$ 292,675	$ 526,867
Share based compensation expense	10(b)	—	2,439	—	—	2,439
Shares issued pursuant to LTIP	10(a)	101	(101)	—	—	—
Shares issued in connection with equity offering, net of share issuance costs	10(a)	69,458	—	—	—	69,458
Net income for the period		—	—	—	38,090	38,090
Dividends declared	5	—	—	—	(7,442)	(7,442)
Loss on interest rate swap, net of tax	6	—	—	(1,322)	—	(1,322)
Translation of foreign operations		—	—	1,067	—	1,067
Balance at September 30, 2024		$ 237,519	$ 85,739	$ (17,424)	$ 323,323	$ 629,157
Balance at January 1, 2023		$ 168,451	$ 88,785	$ (15,591)	$ 265,327	$ 506,972
Share based compensation expense	10(b)	—	2,453	—	—	2,453
Shares issued pursuant to LTIP	10(a)	508	(508)	—	—	—
Shares repurchased	10(a)	(2,853)	(6,391)	—	—	(9,244)
Net income for the period		—	—	—	27,051	27,051
Dividends declared		—	—	—	(6,424)	(6,424)
Gain on interest rate swap, net of tax		—	—	2,384	—	2,384
Translation of foreign operations		—	—	(274)	—	(274)
Balance at September 30, 2023		$ 166,106	$ 84,339	$ (13,481)	$ 285,954	$ 522,918

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

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of US dollars, unless stated otherwise)

Three and nine month periods ended September 30, 2024 and 2023

		Three months ended		Nine months ended	
	Notes	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cash flow from operating activities:					
Net income for the period		$ 10,403	$ 8,086	$ 38,090	$ 27,051
Adjustments for:					
Depreciation and amortization		19,287	17,390	55,581	52,121
Gain on sale of property, plant and equipment		(130)	(6)	(327)	(424)
Share-based compensation expense	10(b)	2,115	1,293	8,456	5,986
Income tax expense (recovery)		3,054	(3,301)	5,269	3,005
Net finance expense	12	11,240	12,662	32,736	36,986
Interest received		313	180	714	571
Interest paid		(8,647)	(10,362)	(26,809)	(32,420)
Income taxes received (paid)		945	(3)	(820)	(12,282)
		38,580	25,939	112,890	80,594
Changes in non-cash working capital:					
Accounts receivable		19,910	9,895	(15,839)	(20,043)
Inventories		4,976	5,859	(1,894)	90,920
Prepaid expenses		(2,888)	1,583	(3,752)	2,181
Accounts payable and accrued liabilities		5,440	15,850	7,377	27,975
		27,438	33,187	(14,108)	101,033
Net cash from operating activities		66,018	59,126	98,782	181,627
Cash flow from financing activities:					
Repayment of long-term bank indebtedness	9	(6,524)	(5,000)	(36,524)	(15,000)
Issuance (repayment) of short-term bank indebtedness	9	75,655	(44,573)	54,706	(166,526)
Principal payments on lease obligations		(12,247)	(11,696)	(35,580)	(33,702)
Equity offering, net of share issuance costs	10(a)	(228)	—	69,458	—
Repurchase of common shares	10(a)	—	—	—	(9,244)
Dividends paid to shareholders	5	(2,566)	(2,165)	(7,176)	(6,452)
Net cash from (used in) financing activities		54,090	(63,434)	44,884	(230,924)
Cash flow from investing activities:					
Additions to property, plant and equipment		(1,928)	(2,214)	(5,509)	(9,012)
Proceeds on disposal of property, plant and equipment		74	342	215	646
Business acquisitions, net of divestitures	4	(118,750)	—	(118,750)	(1,300)
Additions to internally generated software		(245)	(439)	(820)	(974)
Decrease (increase) in non-current receivables	7	57	(117)	(15,602)	(117)
(Increase) decrease in investments	7	(1,673)	(1)	1,444	(1,508)
Net cash used in investing activities		(122,465)	(2,429)	(139,022)	(12,265)
(Decrease) increase in cash and cash equivalents		(2,357)	(6,737)	4,644	(61,562)
Cash and cash equivalents, beginning of period		10,942	10,433	3,643	65,068
Foreign exchange gain on cash held in foreign currency		(284)	38	14	228
Cash and cash equivalents, end of period		$ 8,301	$ 3,734	$ 8,301	$ 3,734
Supplementary information:					
Property, plant and equipment acquired under lease, net of disposals		$ (31,273)	$ 15,589	$ (62,650)	$ 22,479

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

1. Nature of operations

ADENTRA Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and trades on the Toronto Stock Exchange under the symbol “ADEN”. The Company operates a network of 86 regional customer service centers in Canada and the US engaged in the wholesale distribution of architectural building products. The Company's principal office is located at #340, 20161 86th Avenue, Langley, British Columbia V2Y 2C1.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting”. The disclosures contained in these condensed consolidated interim financial statements do not include all of the requirements of IFRS Accounting Standards ("IFRS") for annual financial statements, and accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2023.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 13, 2024.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis. Prior period amounts for operating expenses on the condensed consolidated interim statements of comprehensive income have been reclassified to conform to current period's presentation.

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from the estimates applied in the preparation of these condensed consolidated interim financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

3. Material accounting policies

The material accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited financial statements for the year ended December 31, 2023.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

4. Acquisitions and divestitures:

Acquisition of Woolf Distributing Co. Inc. ("Woolf")

On July 29, 2024 (the "Acquisition Date"), the Company, through one of its wholly owned subsidiaries, acquired substantially all of the assets and assumed certain working capital liabilities of Woolf. Woolf is a value-added distributor of architectural building and millwork products to customers in the residential and commercial markets. Woolf operates four facilities located in Northern and Central Illinois, and Northern Wisconsin. At the Acquisition Date, the Company entered into leases of the facilities through which Woolf operates.

The total purchase price of $131.8 million consisted of $118.7 million of cash paid at closing, $11.3 million in deferred consideration and $1.8 million as the fair value of contingent consideration. The acquisition was financed by the Company's existing credit facilities. Of the deferred amount, $7.8 million is included in non-current other liabilities and $3.5 million included in accounts payable and accrued liabilities. The contingent consideration relates to an earn-out of $5.0 million per annum that may be payable related to each of the calendar years ending 2024, 2025, and 2026, contingent upon achieving certain earnings performance targets. The contingent consideration was measured at fair value using the Black-Scholes option pricing model and is recorded in non-current other liabilities.

The acquisition is accounted for as a business combination using the acquisition method, with the Company being the acquirer and Woolf being the acquiree, and where the assets acquired and liabilities assumed are recorded at their fair values at the acquisition date.

The Company incurred $1.9 million in transaction costs which have been included in selling, distribution and administration expenses in the consolidated statements of comprehensive income for the three and nine months ended September 30, 2024.

Preliminary fair value of assets acquired and liabilities assumed

		US$
Cash consideration	$	118,750
Deferred consideration		11,250
Fair value of contingent consideration		1,780
Total purchase consideration		131,780
Assets acquired and liabilities assumed:		
Accounts and other receivables		18,467
Inventories		23,194
Prepaid and other assets		30
Property, plant and equipment		3,782
Right-of-use assets		9,101
Accounts payable and accrued liabilities		(2,891)
Lease obligation		(9,101)
Identifiable net assets acquired		42,582
Goodwill		19,368
Customer relationships		60,570
Trademarks		9,350
Net assets acquired	$	131,870

The above is a preliminary estimate of the fair value of the assets acquired and liabilities assumed of Woolf as of the Acquisition Date. The estimate will remain preliminary until the Company is able to (i) complete a valuation of the significant intangible assets acquired, (ii) evaluate the fair value of the other assets acquired and liabilities assumed, and (iii) finalize working capital adjustments. The final determination of the fair value of the assets acquired and liabilities assumed, which is expected to be no later than one year from the Acquisition Date, could differ significantly from the amounts presented above.

4. Acquisitions and divestitures (continued)

Acquisition of Woolf Distributing Co. Inc. ("Woolf") (continued)

The goodwill of $19.4 million represents the excess of purchase price compared to the estimate of fair values of the identifiable assets and liabilities assumed. The goodwill recognized is primarily attributed to expected synergies arising from the Woolf acquisition, including the expertise and reputation of the assembled management and workforce and product cross selling opportunities. Goodwill is expected to be deductible for US income tax purposes.

The fair value of the intangible assets, customer relationships and trademarks were calculated using the income approach. Customer relationships of $60.6 million and trademarks of $9.4 million are amortized over 15 and 12 years respectively, which are the periods during which the Company expects to benefit from these assets. The intangible assets are expected to be deductible for tax purposes.

The Company adjusts preliminary amounts recognized at the acquisition date when new information is obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Such adjustments, which reflect conditions present at the acquisition date, are recorded retrospectively.

Had the acquisition occurred on January 1, 2024, management estimates that the Company's pro-forma consolidated sales would have been approximately $1.8 billion and pro-forma income before income taxes would have been approximately $49.1 million for the nine months ended September 30, 2024. Included in these condensed consolidated interim financial statements for the nine months ended September 30, 2024 are sales of $31.4 million and profit before tax of $1.2 million relating to Woolf.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

5. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the business. The Company considers its capital to be bank indebtedness (net of cash) and shareholders' equity.

The Company's capitalization is as follows:

	September 30, 2024	December 31, 2023
Cash	$ (8,301)	$ (3,643)
Bank indebtedness	409,884	392,396
Shareholder's equity	629,157	526,867
Total capitalization	$ 1,030,740	$ 915,620

The terms of the Company's credit facilities are described in note 9. The terms of the agreements with the Company's lenders provide that distributions cannot be paid by its subsidiaries in the event that its subsidiaries do not meet certain credit ratios. The Company's operating subsidiaries were compliant with all required credit ratios under their credit facilities as at September 30, 2024 and December 31, 2023. Accordingly, there were no restrictions on distributions arising from non-compliance with financial covenants.

Dividends and share repurchases are some of the ways the Company manages its capital. Dividends are declared and shares are repurchased after consideration of a variety of factors including the outlook for the business and financial leverage.

The Company declared the following common share dividends during the nine months ended September 30, 2024:

Declaration date	Record date	Payment date	Cash dividend per common share	Total common dividend amount
March 15, 2024	April 15, 2024	April 26, 2024	C$ 0.14	$ 2,321
May 8, 2024	July 15, 2024	July 26, 2024	C$ 0.14	$ 2,556
August 8, 2024	October 15, 2024	October 25, 2024	C$ 0.14	$ 2,565

On November 13, 2024, the Company declared a cash dividend of CAD$0.15 per common share to shareholders of record as of January 20, 2025, to be paid on January 31, 2025.

6. Financial instruments

Interest rate swap

On July 11, 2023, the Company entered into an interest rate swap with a notional value of $200 million to offset the variability in the expected interest cash flows related to the Term A-1 loan (note 9). The fixed rate provided to the Company by the interest rate swap is approximately 80 basis points less than the variable borrowing rate as at September 30, 2024. The following table summarizes the changes in fair value of the interest rate swap relating to the effective portion for the nine months ended September 30, 2024 recorded in accumulated other comprehensive income. The Company recognized a $5.3 million interest rate swap liability which is included in other non-current liabilities on the consolidated interim statements of financial position. The interest rate swap was determined to be effective as a cash flow hedge against the designated interest rate exposure.

	Accumulated change in fair value
Balance at December 31, 2023	$ (2,570)
Loss on interest rate swap recognized in other comprehensive income, net of $464 tax recovery	(1,322)
Balance as at September 30, 2024	$ (3,892)

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

7. Receivables and investments

The following is a breakdown of the Company's current and non-current receivables and investments and represents the Company's principal exposure to credit risk.

	September 30, 2024	December 31, 2023
Trade accounts receivable - Canada	$ 15,344	$ 12,651
Trade accounts receivable - United States	183,236	152,579
Short-term investments	12,365	9,361
Sundry receivable	16,240	17,267
Current portion of non-current receivables	24	484
	227,209	192,342
Less:		
Allowance for credit loss	2,777	3,185
	$ 224,432	$ 189,157
Non-current receivables:		
Customer notes	$ 123	$ 69
Deposits	17,899	2,909
	18,022	2,978
Less:		
Current portion, included in accounts receivable	24	484
	17,998	2,494
Investments	4,042	5,486
	$ 22,040	$ 7,980

The aging of trade accounts receivables is as follows:

	September 30, 2024	December 31, 2023
Current	$ 169,255	$ 130,459
1 - 30 days past due	21,597	25,342
31 - 60 days past due	3,901	5,649
60+ days past due	3,827	3,780
	$ 198,580	$ 165,230

The Company determines its allowance for credit loss using both specific identification of customer accounts and the expected credit loss model.

Bad debt expense, net of recoveries, for the three months ended September 30, 2024 was $0.3 million (for the three months ended September 30, 2023 - $0.3 million). For the nine months ended September 30, 2024, net bad debt expense was $1.0 million (for the nine months ended September 30, 2023 - $0.3 million)

Investments classified as cash equivalents

At September 30, 2024, the Company held $nil (December 31, 2023 - $1.0 million) of highly liquid investments with original maturity dates of three months or less when acquired, classified within cash and cash equivalents.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

8. Inventories

	September 30, 2024	December 31, 2023
Raw materials	$ 5,922	$ 5,660
Work in process	680	417
Goods in-transit	18,709	15,626
Finished goods	364,998	344,074
	$ 390,309	$ 365,777

The Company regularly reviews and assesses the condition and value of its inventories and records write-downs to net realizable value as necessary. Inventory related expenses are included in the condensed consolidated interim statements of comprehensive income. Inventory write-downs, net of recoveries, included in the cost goods sold for the three months ended September 30, 2024 were $2.2 million (for the three months ended September 30, 2023 - $1.3 million). For the nine months ended September 30, 2024, net inventory write-downs were $5.0 million (for the nine months ended September 30, 2023 - $7.7 million)

9. Bank indebtedness

	September 30, 2024	December 31, 2023
Credit Facility		
Revolving credit loan	$ 91,989	$ 33,712
Term A-1 loan	321,250	356,250
Deferred financing fees	(3,355)	(4,737)
Checks issued in excess of funds on deposit	—	7,171
	$ 409,884	$ 392,396
Less: Current portion of bank indebtedness	$ 110,159	$ 59,050
Total long-term bank indebtedness	$ 299,725	$ 333,347

Credit Facility (the "Credit Facility")

The Credit Facility consists of (i) a revolving credit facility of up to $500 million with a maturity date of July 2026, and (ii) a term loan of $400 million with an amortizing balance and maturity date of July 2026. A letter of credit is also available under the Credit Facility on customary terms for facilities of this nature.

The Credit Facility bears interest at a rate equal to the Secured Overnight Financing Rate ("SOFR") plus up to 2.25% or the base rate of interest charged by the Lender from time to time plus up to 1.25%. The SOFR and base rate margins for the Credit Facility are subject to performance pricing adjustments, from time to time, based on the Company's then applicable leverage ratio. To offset the variability in the expected interest cash flows related to the Term A-1 loan, the Company entered into an interest rate swap with a notional value of $200 million (note 6).

The financial covenants under the Credit Facility include, among others: (i) a consolidated interest coverage ratio (a ratio of adjusted EBITDA to total interest expense, determined on a consolidated basis of the Company), and (ii) a consolidated leverage ratio (a ratio of total funded debt to adjusted EBITDA, determined on a consolidated basis of the Company). As at September 30, 2024, the Company is in compliance with these financial covenants.

In addition to the financial covenants, the ability of the Company to pay dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow its assets to become subject to liens, complete affiliate transactions and make capital expenditures are limited and subject to the satisfaction of certain conditions. The Credit Facility can be prepaid at any time, with no prepayment penalty.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

10. Share capital

(a) Share capital

At September 30, 2024, the authorized share capital of the Company comprised an unlimited number of common shares without par value (“Shares”).

A continuity of share capital is as follows:

	Shares		Total
Balance at December 31, 2022	22,694,088	$	168,451
Issued pursuant to long term incentive plan	158,307		2,362
Shares repurchased	(421,811)		(2,853)
Balance at December 31, 2023	22,430,584	$	167,960
Issued pursuant to long term incentive plan	5,426		101
Equity offering, net of share issuance costs of $3,561	2,582,900		69,458
Balance at September 30, 2024	25,018,910	$	237,519

Equity Raise Public Offering

On June 12, 2024, the Company issued in aggregate 2,582,900 common shares at a price of $28.27 (C$38.75) per common share through a bought deal treasury public offering ("Equity Raise") resulting in gross proceeds of $73.1 million (C$100.1 million). The Company incurred $3.6 million (C$4.9 million) in share issuance costs and these amounts were recorded in equity. Total net proceeds from the Equity Raise was $69.5 million (C$95.2 million) after transaction costs. Proceeds from the Equity Raise were used to repay certain bank indebtedness of the Company.

Normal Course Issuer Bid ("NCIB")

On December 28, 2023, the Company announced a notice to renew the normal course issuer bid ("NCIB") to provide the Company with the option to purchase up to a maximum of 1,702,309 of its common shares during the period from January 2, 2024 to December 31, 2024 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents approximately 10% of the Company's Public Float (as defined in the policies of the TSX) as at December 19, 2023. There were no common shares repurchased in the nine months ended September 30, 2024 (nine months ended September 30, 2023: 421,811 shares repurchased).

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

10. Share capital (continued)

(b) Long Term Incentive Plan ("LTIP")

A continuity of the LTIP awards outstanding is as follows:

	Performance Shares	Restricted Shares
Balance at December 31, 2022	229,325	213,984
LTIP awards issued during the period	100,302	178,733
LTIP shares settled during the period	(101,582)	(149,084)
Balance at December 31, 2023	228,045	243,633
LTIP awards issued during the period	62,449	112,410
LTIP shares settled during the period	(82,716)	—
Balance at September 30, 2024	207,778	356,043

LTIP compensation expense of $2.1 million was recognized in the consolidated statements of comprehensive income for the three months ended September 30, 2024 (September 30, 2023 - $1.3 million). The equity classified portion of the LTIP compensation expense was $0.7 million for the three months ended September 30, 2024 (September 30, 2023 - $1 million) and the liability classified expense was $1.4 million (September 30, 2023 - $0.3 million). For the nine month period ended September 30, 2024, LTIP compensation expense of $8.4 million (September 30, 2023 - $6 million) was recognized. The equity classified portion of the LTIP compensation expense was $2.4 million for the nine months ended September 30, 2024 (September 30, 2023 - $2.5 million) and the liability classified expense was $6.0 million (September 30, 2023 - $3.5 million).

The key estimate in determining the compensation in any period is whether or not the performance criteria were met and the resulting amount of the payout multiplier on the Performance Shares. The payout multiplier is reviewed and approved by the Company's compensation committee on an annual basis. The liability associated with the cash-settled awards is recorded in accounts payable and accrued liabilities for amounts expected to be settled within one year, and in other liabilities for amounts to be settled after one year.

(c) Weighted average shares

Basic net earnings per share is calculated by dividing the net income for the nine months ended September 30, 2024 of $38.1 million (September 30, 2023 - $27.1 million) over the weighted average number of common shares outstanding in each of the reporting periods. Diluted net earnings per share is calculated by dividing the net income over the weighted average number of common shares outstanding if the potentially dilutive securities had been issued. Basic and diluted weighted average common shares in each of the reporting periods were as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Issued ordinary shares at beginning of period	25,018,910	22,345,708	22,430,584	22,694,088
Effect of shares repurchased	—	—	—	(344,047)
Effect of shares issued during the period:				
Pursuant to long-term incentive plan	—	1,524	3,388	48,762
Pursuant to equity offering	—	—	1,046,357	—
Weighted average common shares - basic	25,018,910	22,347,232	23,480,329	22,398,803
Effect of dilutive securities:				
Long-term incentive plan	342,695	355,172	329,625	323,149
Weighted average common shares - diluted	25,361,605	22,702,404	23,809,954	22,721,952

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

11. Income taxes

In May 2024, Canada substantively enacted the Excessive Interest and Financing Expenses Limitation ("EIFEL") legislation. The EIFEL legislation is effective for taxation years beginning on or after October 1, 2023 and is expected to limit the Company's ability to deduct interest and financing expenses in future periods.

As of December 31, 2023, the Company's Canadian subsidiaries have operating loss carry forwards for income tax purposes of C$37.3 million. Previously, the Company did not record the deferred tax asset of C$8.1 million associated with a portion of these operating loss carry forwards as their realization was uncertain. The EIFEL legislation is expected to create additional taxable income in Canada and it is now more likely than not that the Company will utilize these operating loss carryforwards in future periods. For the nine months ended September 30, 2024, the Company recognized $4.3 million (C$5.8 million) of deferred tax asset based on the expected utilization of the operating loss carry forwards.

12. Finance income and expense

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Finance income (expense):				
Interest expense on bank indebtedness	$ (7,364)	$ (8,894)	$ (22,967)	$ (28,177)
Receivables financing expense	(1,284)	(1,468)	(3,842)	(4,243)
Accretion of lease obligation	(2,120)	(1,976)	(5,820)	(4,810)
Foreign exchange loss	(786)	(504)	(821)	(327)
Other finance income	314	180	714	571
Net finance expense	$ (11,240)	$ (12,662)	$ (32,736)	$ (36,986)

13. Segment reporting

Information about geographic areas is as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue from external customers:				
Canada	$ 43,892	$ 42,162	$ 131,419	$ 130,783
United States	524,927	516,511	1,522,030	1,593,682
	$ 568,819	$ 558,673	$ 1,653,449	$ 1,724,465

	September 30, 2024	December 31, 2023
Non-current assets[1]:		
Canada	$ 17,222	$ 10,958
United States	725,403	625,497
	$ 742,625	$ 636,455

[1] Excludes financial instruments and deferred income taxes.

14. Seasonality

The Company's operations are subject to seasonal influences. Historically, the first and fourth quarters are seasonally slower periods for construction activity, which impacts demand for architectural building products.

15. Provisions

Legal

The Company and its subsidiaries are subject to legal proceedings from time to time that arise in the ordinary course of its business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for or insured, would be material in relation to the Company’s condensed consolidated interim financial statements as at September 30, 2024.

Trade

On July 14, 2023, the US Department of Commerce ("Commerce") issued its final determination ("Final Determination") with respect to certain hardwood plywood products produced in Vietnam that they believe are circumventing a previously established anti-dumping and countervailing duty order against hardwood plywood from China (the "Circumventing Products").

As a result of the Final Determination, the Company estimates the value of products it imported from Vietnam subject to potential duties is approximately $7.6 million. The duty rate in this trade case is 206%, which will be applied against the $7.6 million of products we imported from Vietnam. With the issuance of this Final Determination, the Company accrued duties of $15.5 million and recorded the related impact in selling, distribution and administration expense during the year ended December 31, 2023.

The Circumventing Products are specifically defined by Commerce and the Company believes that the products it imports from Vietnam do not meet Commerce's definition of Circumventing Products, and should therefore not be subject to duties. There are well established legal avenues to appeal Commerce's Final Determination and the Company intends to vigorously pursue recovery of any duties paid. The appeal process is typically a multi-year procedure however and the timing and ultimate outcome of the Company's efforts is not estimable at this time.

As at September 30, 2024, the Company has received notices to pay duties of $25.7 million. This includes certain notices related to imports that the Company believes are outside the scope of the Final Determination. The Company is challenging these out of scope notices. While the challenge is pending, the Company has elected to pay the out of scope notices to avoid interest and penalties. As at September 30, 2024, the Company paid $10.4 million related to the out of scope notices, which are included as an asset in the consolidated statement of financial position.

On August 7, 2024, Commerce announced the preliminary results of a further administrative review regarding the Circumventing Products. Based on these results, some of the products the Company imports that were previously categorized as Circumventing Products may no longer fall under that classification, and the Company may be eligible for a refund on a significant portion of the duties paid. In issuing its preliminary results, Commerce noted that their findings are provisional and subject to change. The Company expects Commerce to issue a final decision on the results of their administrative review in early 2025.