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Attention: Business/Financial Editors
Hardwoods Distribution Inc.

TRADING SYMBOL: **Toronto Stock Exchange - HDI**

HDI Announces Fourth Quarter and Record Full-Year 2017 Results

Achieves Record Annual Sales, Profit, and EBITDA

Declares Quarterly Dividend of \$0.0725 per share

Langley, B.C., March 15, 2018/ CNW/ - Hardwoods Distribution Inc. (“HDI” or the “Company”) today announced financial results for the three months and full year ended December 31, 2017. HDI is North America’s largest wholesale distributor of architectural grade building products to the residential and commercial construction markets, with a strong US and Canadian distribution network.

Highlights *(For the three and twelve months ended December 31, 2017)*

- Generated full-year revenue of \$1.0 billion, an increase of 31.4% from 2016. This included acquisition-based growth of 28.4% and organic sales growth of 4.7%.
- Profit increased 25.5% to \$30.0 million in 2017. Diluted profit per share grew to \$1.39, from \$1.25 in 2016, an increase of 11.2%.
- 2017 EBITDA climbed 27.2% to \$55.6 million, while Adjusted EBITDA increased 22.0% to \$56.3 million.
- Completed two acquisitions during 2017, adding four locations and annual revenues of approximately \$35 million going forward.
- Fourth quarter revenues include acquisition-based growth of 3.2% and organic growth of 4.4%.
- Generated fourth quarter profit of \$4.9 million and EBITDA of \$11.0 million, compared to \$6.6 million and \$10.9 million respectively in Q4 2016. Fourth quarter profit and EBITDA were negatively

affected by the Trade Case (see Trade Case section) and a one-time charge for revaluing deferred tax assets due to US tax reform (see Outlook section).

- The Board of Directors approved a quarterly dividend of \$0.0725 per share, payable on April 27, 2018 to shareholders of record as at April 16, 2018.

“Our annual sales exceeded \$1 billion for the first time in our history, and we generated record profit and EBITDA in 2017,” said Rob Brown, President and CEO of HDI. “We accomplished these results against the backdrop of mixed market conditions as the US residential construction market experienced uneven and relatively slow growth, and the US trade case against hardwood plywood from China that impacted our gross margins in the second half of the year.”

Trade Case

As previously announced, on November 18, 2016, a trade case was filed in the US seeking the imposition of countervailing duties ("CVD") and antidumping duties ("AD") against imported hardwood plywood produced in China. On April 19, 2017 the Department of Commerce ("Commerce") announced a preliminary CVD of 9.89%, and on June 20, 2017 Commerce announced a preliminary AD of 57.36%. The duties applied to most Chinese producers, including those that HDI does business with. On November 13, 2017 Commerce announced final CVD and AD rates of 22.98% and 183.36% respectively.

The concluding phase of this trade case then passed to a separate US government body, the International Trade Commission ("ITC"), to rule on whether final CVD and AD duties determined by Commerce would be affirmed or rejected. On December 1, 2017, the ITC voted affirmatively that the final CVD and AD rates determined by Commerce will be implemented (the "Final Determination").

The trade case negatively affected HDI's gross margin in the second half of 2017 as a result of (i) an increase in the cost of certain import products as the Company increased purchasing from brokers rather than mill direct sourcing, in order to minimize potential exposure to retroactive CVD and AD duties; and (ii) lower-than-expected product prices for hardwood plywood during this period as significant supply of products imported prior to the imposition of final duties remained available in the market. Management estimates that as a result of the Trade Case, annual adjusted EBITDA and fourth quarter Adjusted EBITDA were reduced by \$2.2 million and \$1.2 million respectively, while annual Adjusted profit and fourth quarter Adjusted profit were reduced by \$1.3 million and \$0.7 million respectively.

"Going forward, we believe the final combined duty rate of over 206% will make Chinese hardwood plywood non-competitive in the US market," commented Mr. Brown. "Approximately 11% of our total sales prior to

the trade case were affected, and we have spent the last year planning for this potential outcome. Through 2017, we were successful in securing the appropriate supply of products our customers needed and we retained our market share throughout the trade case process. At the same time, we have been working with our domestic and overseas vendor partners to develop reliable, alternative product solutions to continue to supply our customers going forward. The trade case disruption is expected to result in some downward pressure on our gross margin percentage through to mid-2018. Potentially countering this impact however is our expectation that sales will benefit from rising hardwood plywood prices in North America as we pass on price increases to the customer. By the second half of 2018, we expect the existing surplus of imported product in the North American market will have worked its way through the supply chain, and pricing and margins on hardwood plywood should begin to more accurately reflect the new supply dynamics."

Outlook

On December 21, 2017, the United States enacted H.R.1 (the "Legislation"), also known as the Tax Cuts and Jobs Act. The Legislation includes substantial changes to the US taxation for individuals, corporations, and unincorporated businesses in all industries. For HDI, the significant features and impacts of this Legislation include the change in corporate tax rate from 35% to 21%, the immediate expensing of certain qualified capital investments, and limitations on the deductibility of certain interest expense. The change in the corporate tax rate going forward resulted in a one-time charge to deferred tax expense of \$1.0 million in the fourth quarter.

While there is still some uncertainty about how various states will implement the interest deductibility provisions, as a whole, management views the new rules as a positive development. Had the new lower tax rate been in effect in 2017, the Company's pro forma Adjusted EPS would have been \$1.58, or 8.9% higher than reported for the year. This represents a decrease in income tax expense of \$2.6 million.

In contrast, impacts resulting from the duties imposed on Chinese hardwood plywood entering the US are expected to result in some downward pressure on our gross margin percentage through to mid-2018. Potentially countering this impact however is our expectation that sales will benefit from rising hardwood plywood prices in North America as we pass on price increases to the customer. See Trade Case section for further details.

In terms of market outlook, the unevenness and relatively slow growth experienced in the US residential construction market in 2017 is expected to continue in 2018. Market fundamentals remain sound however, with US job growth and income levels gaining momentum. Harvard's Joint Center for Housing Studies 2017 report on "state of the nation's housing" concluded that single-family housing construction, traditionally the

largest source of residential investment, remains well below historical levels. With average housing starts at 1.3 million in 2017, there is room for growth in this market as the long-term historical average is closer to 1.5 million annual starts. HDI expects it will take some years to reach the 1.5 million level, and as a result, expects low-to-mid single digit organic market growth for its end-markets and products. In the non-residential construction market, the American Institute of Architects predicts growth of 4.0% in 2018, with the strongest gains anticipated for the commercial sectors that HDI focuses on. The Company will seek to outperform organic market growth through our strategic initiatives.

"Our performance enabled us to distribute \$5.6 million in dividends to investors, which combined with share price appreciation, contributed to a total return of 14.6% to holders of HDI shares in 2017," said Mr. Brown. "I am excited by our prospects and deeply proud of the growth and evolution of the Company thus far. We are not just getting bigger, we are focused on quality, integrity and professionalism as we create long-term value for all of our stakeholders."

Summary of Results

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars)					
	Year ended December 31 2017	Year ended December 31 2016	Three months ended December 31 2017	Three months ended December 31 2016	
Total sales	\$ 1,037,041	\$ 789,321	\$ 247,433	\$ 239,449	
<i>Sales in the US (US\$)</i>	693,826	498,198	169,615	155,661	
<i>Sales in Canada</i>	136,038	129,935	31,784	31,676	
Gross profit	191,875	143,778	44,503	43,523	
<i>Gross profit %</i>	18.5%	18.2%	18.0%	18.2%	
Operating expenses	(142,790)	(104,871)	(35,112)	(34,785)	
Profit from operating activities	49,085	38,907	9,391	8,738	
Add: Depreciation and amortization	6,504	4,806	1,608	2,125	
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$ 55,589	\$ 43,713	\$ 10,999	\$ 10,863	
Add (deduct):					
Depreciation and amortization	(6,504)	(4,806)	(1,608)	(2,125)	
Net finance income (expense)	(2,502)	(1,465)	(677)	(668)	
Income tax expense	(16,629)	(13,580)	(3,770)	(1,493)	
Profit for the period	\$ 29,954	\$ 23,862	\$ 4,944	\$ 6,577	
Basic profit per share	\$ 1.40	\$ 1.27	\$ 0.23	\$ 0.30	
Diluted profit per share	\$ 1.39	\$ 1.25	\$ 0.23	\$ 0.29	
Average Canadian dollar exchange rate for one US dollar	1.30	1.32	1.27	1.33	

Analysis of Specific Items Affecting Comparability (in thousands of Canadian dollars)					
	Year ended December 31 2017	Year ended December 31 2016	Three months ended December 31 2017	Three months ended December 31 2016	
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	\$ 55,589	\$ 43,713	\$ 10,999	\$ 10,863	
Transaction expenses	273	2,436	—	50	
Mark-to-market adjustment on cash settled LTIPs	450	—	(335)	—	
Adjusted EBITDA	\$ 56,312	\$ 46,149	\$ 10,664	\$ 10,913	
Adjusted EBITDA as a % of revenue	5.4%	5.8%	4.3%	4.6%	
Profit for the period, as reported	\$ 29,954	\$ 23,862	\$ 4,944	\$ 6,577	
Revaluation of deferred tax assets due to US tax reform	989	—	989	—	
Adjustments, net of tax	275	1,516	(228)	31	
Adjusted profit for the period	\$ 31,218	\$ 25,378	\$ 5,705	\$ 6,608	
Basic profit per share, as reported	\$ 1.40	\$ 1.27	\$ 0.23	\$ 0.30	
Net impact of above items per share	0.06	0.08	0.04	—	
Adjusted basic profit per share	\$ 1.46	\$ 1.35	\$ 0.27	\$ 0.30	
Diluted profit per share, as reported	\$ 1.39	\$ 1.25	\$ 0.23	\$ 0.29	
Net impact of above items per share	0.06	0.08	0.04	—	
Adjusted diluted profit per share	\$ 1.45	\$ 1.33	\$ 0.27	\$ 0.29	

Results from Operations - Year Ended December 31, 2017

For the year ended December 31, 2017, total sales increased by 31.4% to \$1,037.0 million, from \$789.3 million in 2016. Of the \$247.7 million year-over-year increase, \$224.1 million, representing a 28.4% increase in sales, was due to acquired businesses and \$37.1 million, representing a 4.7% increase in sales, was due to organic growth. Sales results also reflect a \$13.5 million negative foreign exchange impact, resulting from a stronger Canadian dollar when translating US sales to Canadian dollars for reporting purposes.

HDI's US operations increased sales by US\$195.6 million, or 39.3%, to US \$693.8 million. Acquired businesses contributed sales of US\$172.6 million and organic growth accounted for US\$23.1 million, representing a 4.6% increase in sales. Sales in Canada increased by \$6.1 million, or 4.7%, year-over-year. The increase in Canadian sales was entirely organic and reflects HDI's success in winning new business.

Gross profit for the 2017 year increased 33.5% to \$191.9 million, from \$143.8 million in 2016. This improvement reflects the combination of increased sales and a higher gross profit margin. As a percentage of sales, gross profit margin increased to 18.5% from 18.2% year-over-year, primarily reflecting Rugby's higher margin business model, partially offset by the negative impacts of the Trade Case on gross margin.

Operating expenses for the year ended December 31, 2017, were \$142.8 million, compared to \$104.9 million in 2016. The \$37.9 million increase primarily reflects expenses of \$37.1 million from acquired businesses,

amortization of \$1.1 million related to customer relationships acquired in connection with the Rugby acquisition, \$3.1 million of added costs to support organic growth, and an increase of \$0.5 million related to mark-to-market adjustments on LTIPs. These increases were partially offset by a \$2.2 million reduction in transaction-related expenses and a \$1.7 million reduction in expenses due to the impact of a stronger Canadian dollar on translation of US operating expenses.

For the year ended December 31, 2017, Adjusted EBITDA grew 22.0% to \$56.3 million, from \$46.1 million in 2016. The \$10.2 million increase primarily reflects the \$48.1 million increase in gross profit, partially offset by a \$37.9 million increase in operating expenses (before a decrease in transaction expenses, an increase in mark-to-market adjustments relating to LTIPs, and an increase in depreciation and amortization).

Results from Operations - Three Months Ended December 31, 2017

For the three months ended December 31, 2017, total sales increased 3.3% to \$247.4 million, from \$239.4 million in 2016. Of the \$8.0 million year-over-year increase, \$7.7 million, representing a 3.2% increase in sales, was due to acquired businesses and \$10.6 million, representing a 4.4% increase in sales, was due to organic growth. These sales gains were partially offset by a \$10.3 million negative foreign exchange impact resulting from a stronger Canadian dollar when translating US sales to Canadian dollars for reporting purposes.

HDI's US operations, which accounted for approximately 87% of fourth quarter revenues, increased sales by US\$14.0 million, or 9.0%, to US\$169.6 million. Acquired businesses contributed sales of US\$6.1 million and US operations achieved organic growth of US\$7.9 million, representing a 5.1% increase in sales. Sales in Canada, which comprised approximately 13% of fourth quarter revenues, were relatively flat at \$31.8 million, compared to \$31.7 million in the same period last year.

Fourth quarter gross profit increased to \$44.5 million, an increase of 2.3% from \$43.5 million in Q4 2016. The year-over-year improvement reflects higher sales revenue, partially offset by the negative impacts of the Trade Case on gross margin. As a percentage of sales, fourth quarter gross profit margin was 18.0% compared to 18.2% in Q4 2016.

Operating expenses for the three months ended December 31, 2017 were \$35.1 million, compared to \$34.8 million in Q4 2016. The \$0.3 million increase reflects operating expenses of \$1.7 million from acquired businesses and \$0.9 million of added costs to support organic growth. These increases were partially offset by a \$0.3 million reduction in expenses related to the mark-to-market adjustment on LTIPs, a \$1.4 million decrease due to the impact of a stronger Canadian dollar on translation of US operating expenses, a \$0.1

million year-over-year decrease in acquisition-related expenses, and a decrease in amortization of \$0.5 million related to customer relationships acquired in connection with the Rugby acquisition.

Fourth quarter Adjusted EBITDA was \$10.7 million, a decrease of \$0.2 million from Adjusted EBITDA of \$10.9 million in Q4 2016. The change in Adjusted EBITDA reflects the \$1.2 million increase in operating expenses (before a decrease in transaction expenses, mark-to-market adjustments relating to LTIPs, and depreciation and amortization), largely offset by the \$1.0 million increase in gross profit.

Fourth quarter Adjusted EBITDA was reduced by an estimated \$1.2 million as it relates to the Trade Case. As a percentage of revenue, Adjusted EBITDA margin was 4.3% in the fourth quarter of 2017, compared to 4.6% in the same quarter last year.

A more detailed discussion of the Company's financial performance can be found in HDI's 2017 Management's Discussion and Analysis (MD&A). The MD&A will be posted, along with the Company's audited financial statements, on SEDAR (www.sedar.com) and on the Company's website (www.hardwoods-inc.com) on or before March 15, 2018.

About Hardwoods Distribution Inc.

HDI is North America's largest wholesale distributor of architectural grade building products to the residential and commercial construction sectors. The Company operates a North American network of 62 distribution centres, as well as one sawmill and kiln drying operation.

Non-GAAP Measures - EBITDA

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income. Furthermore, this press release references certain EBITDA Ratios, such as EBITDA margin (being EBITDA as a percentage of revenues). In addition to profit, HDI considers EBITDA and EBITDA Ratios to be useful supplemental measures of the Company's ability to meet debt service and capital expenditure requirements, and interprets trends in EBITDA and EBITDA Ratios as an indicator of relative operating performance.

References to "Adjusted EBITDA" are EBITDA as defined above, before certain items related to business acquisition activities. "Adjusted EBITDA margin" is as defined above, before certain items related to business acquisition activities, mark-to-market adjustments, and revaluation of deferred tax assets. References to "Adjusted profit", "Adjusted basic profit per share", and "Adjusted diluted profit per share" are profit for the period, basic profit per share, and diluted profit per share, before certain items related to business acquisition

activities, mark-to-market adjustments, and revaluation of deferred tax assets. The aforementioned adjusted measures are collectively referenced as "the Adjusted Measures". HDI considers the Adjusted Measures to be useful supplemental measures of the Company's profitability, its ability to meet debt service and capital expenditure requirements, and as an indicator of relative operating performance, before considering the impact of business acquisition activities.

EBITDA, EBITDA Ratios, and the Adjusted Measures (collectively "the Non-GAAP Measures") are not measures recognized by International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that the Non-GAAP Measures should not replace profit, earnings per share or cash flows (as determined in accordance with IFRS) as an indicator of our performance. HDI's method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, Non-GAAP Measures may not be comparable to similar measures presented by other issuers.

Forward-Looking Statements

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This news release includes forward-looking statements. These involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "estimate", "expect", "may", "plan", "will", and similar terms and phrases, including references to assumptions. Such statements may involve, but are not limited to: Going forward, we believe the final combined duty rate of over 206% will make Chinese hardwood plywood non-competitive in the US market; we have been working with our domestic and overseas vendor partners to develop reliable, alternative product solutions to continue to supply our customers going forward; the trade case disruption is expected to result in some downward pressure on our gross margin percentage through to mid-2018; potentially countering this impact however is our expectation that sales will benefit from rising hardwood plywood prices in North America as we pass on price increases to the customer; by the second half of 2018, we expect the existing surplus of imported product in the North American market will have worked its way through the supply chain, and pricing and margins on hardwood plywood should begin to more accurately reflect the new supply dynamics; there is still some uncertainty about how various states will implement the interest deductibility provisions; in terms of market outlook, the unevenness and relatively slow growth experienced in the US residential construction market in 2017 is expected to continue in 2018; with average housing starts at 1.3 million in 2017, there is room for growth in this market as the long-term historical

average is closer to 1.5 million annual starts; HDI expects it will take some years to reach the 1.5 million level, and as a result, expects low-to-mid single digit organic market growth for its end-markets and products; In the non-residential construction market, the American Institute of Architects predicts growth of 4.0% in 2018, with the strongest gains anticipated for the commercial sectors that HDI focuses on; and the Company will seek to outperform organic market growth through our strategic initiatives.

These forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: national and local business conditions; political or economic instability in local markets; competition; consumer preferences; spending patterns and demographic trends; legislation or governmental regulation; acquisition and integration risks.

Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, management cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements reflect management's current beliefs and are based on information currently available.

All forward-looking information in this news release is qualified in its entirety by this cautionary statement and, except as may be required by law, HDI undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

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