Management's Discussion and Analysis

November 13, 2024

This management's discussion and analysis ("MD&A") has been prepared by ADENTRA Inc., hereby referred to as "ADENTRA" or the "Company", as of November 13, 2024. This MD&A covers our unaudited condensed consolidated interim financial statements as at and for the three and nine-month periods ended September 30, 2024 and 2023 ("Interim Financial Statements"). As well, it provides an update to the MD&A section contained in our 2023 Annual Report. The information below should be read in conjunction with our Interim Financial Statements and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022 ("Audited Financial Statements"). Results are reported in US dollars unless otherwise stated. The financial information contained herein has been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as permitted by IFRS Accounting Standards ("IFRS"). For additional information, readers should also refer to our Annual Information Form and other information filed on www.sedarplus.ca.

Non-GAAP and other Financial Measures

In 2024, we revised our calculations of Adjusted net income, Adjusted basic earnings per share, and Adjusted diluted earnings per share to exclude the amortization of acquired intangible assets and foreign exchange gain (loss). The historical presentation of these measures within this MD&A has also been updated to reflect the revised calculations. We believe that excluding the amortization of acquired intangible assets and foreign exchange gain (loss) from these non-GAAP financial measures helps management and investors in understanding our underlying operating performance.

In this MD&A, reference is made to the following non-GAAP financial measures:

- "Adjusted EBITDA" is EBITDA before long term incentive plan ("LTIP") expense, accrued trade duties, and transaction costs. We believe Adjusted EBITDA is a useful supplemental measure for investors, and is used by management, for evaluating our ability to meet debt service requirements and fund organic and inorganic growth, and as an indicator of relative operating performance.

- "Adjusted net income" is net income before LTIP expense, accrued trade duties, transaction costs, foreign exchange gain (loss), and amortization of intangible assets acquired in connection with an acquisition. We believe adjusted net income is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

- "EBITDA" is earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance income (expense) as per the consolidated statement of comprehensive income. We believe EBITDA is a useful supplemental measure for investors, and is used by management to assist in evaluating our ability to meet debt service requirements and fund organic and inorganic growth, and as an indicator of relative operating performance.

- "Organic growth" and "acquisition-based growth" consists of quantifying the change in total sales as either related to organic growth or acquisition-based growth, or the impact of foreign exchange. Total sales earned by acquired companies in the first 12 months following an acquisition is reported as acquisition-based growth and thereafter as organic growth. Organic growth excludes the impact of acquisitions and foreign exchange impact related to the translation of Canadian sales to US dollars. From time to time, we also quantify the impacts of certain unusual events to organic growth to provide useful information to investors to help better understand our financial results.

- "Organic operating expense" consist of the Company's operating expenses, excluding the operating expenses of any entities acquired during its first 12 months following an acquisition. We believe organic operating expenses is a useful supplementary measure for investors and is used by management to assist in evaluating our underlying cost structure, separate from the impact of recent acquisitions.

- “Working capital” is accounts receivable, inventory, and prepaid expenses, partially offset by short-term credit provided by suppliers in the form of accounts payable and accrued liabilities. We believe working capital is a useful indicator for investors, and is used by management to evaluate the operating liquidity available to us.

In this MD&A, reference is also made to the following non-GAAP ratios:

- “Adjusted basic earnings per share” and “Adjusted diluted earnings per share” are, respectively, basic earnings per share and diluted earnings per share, in each case, before LTIP expense, accrued trade duties, transaction costs, foreign exchange gain (loss), and amortization of intangible assets acquired in connection with an acquisition. We believe “Adjusted basic earnings per share” and “Adjusted diluted earnings per share” are useful supplemental measures for investors, and are used by management to assist with evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

- “Adjusted EBITDA margin” is Adjusted EBITDA as a percentage of sales. We believe Adjusted EBITDA margin is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

- "Previous 12-months Pro-forma Adjusted EBITDA" is Adjusted EBITDA after rent payments related to warehousing and trucks for the trailing twelve-month plus the partial period impact of any acquisitions completed during this period. The calculation assumes all acquisitions were completed on the first day of the measurement period, providing a full twelve months of operating results for each acquired entity. We believe the Previous 12-months Pro-Forma Adjusted EBITDA is a useful supplementary measure for investors, and is used by management to assist in evaluating our consolidated leverage ratio, operational performance and debt servicing requirements.

- “Leverage Ratio” is net debt as compared to Previous 12-months Pro-Forma Adjusted EBITDA after rent payments related to warehousing and trucks. We believe Leverage Ratio is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service requirements, assessing our capital structure and how to finance organic and inorganic growth, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

Such non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. For a reconciliation between non-GAAP measures and non-GAAP ratios and the most directly comparable financial measure in our financial statements, please refer to the discussion of Results of Operations described in section 2.0, Working Capital in section 4.2, and Revolving Credit Facilities and Debt Management Strategy in section 4.3 of this report.

Contents

This MD&A includes the following sections:

1.0 Executive Summary

1.1 Highlights

We delivered solid third-quarter performance, with effective execution of our growth strategy and operating discipline helping to mitigate slower activity in certain end markets. Our third quarter results included consolidated sales of $568.8 million, a strong gross margin percentage of 21.3%, Adjusted earnings per share of $0.75 and Adjusted EBITDA of $48.0 million.

Summary financial highlights (Q3 2024 as compared to Q3 2023)

- **Sales** grew to $568.8 million, from $558.7 million, an increase of 1.8%
- **Gross margin** increased to $121.4 million, from $118.3 million
- **Gross margin percentage** of 21.3%, up slightly from 21.2%
- **Operating expenses** decreased by $4.2 million, or 4.1%
- **Basic earnings per share** of $0.42, from $0.36 per share
- **Adjusted basic earnings per share** of $0.75, compared to $1.12 per share
- **Adjusted EBITDA** of $48.0 million, a decrease of 7.2% from $51.8 million
- **Operating cash flow before changes in working capital** increased $12.6 million to $38.6 million, from $25.9 million

Sales increased by 1.8% year-over-year with the recent acquisition of Woolf Distributing Co. Inc. ("Woolf") contributing $31.4 million and offsetting a 3.7% decrease in organic revenues. Acquired on July 29, 2024, Woolf has expanded our geographic reach and product portfolio by adding complementary millwork locations to our US Midwest operations and introducing branded specialty products in the outdoor living product category. This acquisition also enhances our access to the attractive Pro Dealer customer channel, where we anticipate strong and sustained demand from the new residential and repair and remodel markets.

Third quarter organic sales volumes declined approximately 1% year-over-year. Notably, however, the persistent product price deflation of the past two years began to show signs of easing in the third quarter. Year-over-year product price deflation of 3% represented the lowest rate of decrease in the past five quarters. We also achieved a modest increase in average product prices compared to Q2 2024.

Our strong gross margin of 21.3% reflects our steady performance. Combined with year-over-year stability in our sales volumes, this highlights the effectiveness of our business diversification strategies. Our broad diversification across products, geographies, customer channels, and end markets continues to support solid, consistent and predictable performance even amidst market fluctuations.

In Q3 operating costs were 4.1% lower year-over-year, primarily due to the absence of accrued trade duties in the current period, partially offset by the addition of operating expenses and acquisition costs related to the Woolf transaction. Organically, operating expenses remained almost consistent with Q2 2024, demonstrating our continued tight control over costs across the business this year.

Our cash flow performance underscores the efficiency of our business model. During the quarter, we converted Adjusted EBITDA of $48.0 million into $38.6 million of operating cash flow before changes in working capital, achieving an 80% conversion ratio. Additionally, reductions in our working capital generated a further $27.4 million of cash during the quarter. We leveraged this cash flow, and our credit line, to fund the purchase of Woolf while maintaining a strong balance sheet. As a result, our pro forma leverage ratio stood at 2.5x at the end of Q3. This leverage ratio is well within our target range of 2-3x, giving us the financial flexibility to execute on our strategic priorities.

Looking ahead, we anticipate generating additional cash flow in Q4, enabling further debt repayment. Our capital priorities include a focused approach executing on our robust pipeline of acquisition opportunities. Dividends are also an important part of our capital allocation plan. On November 13, 2024, ADENTRA's Board of Directors approved an increase to the quarterly dividend to C$0.15 per share from C$0.14 per share previously, to be paid January 31, 2025 to shareholders of record as at January 20, 2025. We have returned C$9.8 million to shareholders through dividend payments in the first nine months of 2024.

1.2 Recent Acquisitions

Over the past five years we have completed seven acquisitions, which collectively represent pro forma revenues of almost $1.2 billion and have diversified our product offering such that no individual product category exceeds 20% of our pro forma sales mix. The new businesses have also significantly expanded the proportion of our revenues sourced from higher-margin specialty products and have broadened our customer segments to include fabricators, pro dealers and home centers, increasing our access to large, new addressable markets.

Woolf Acquisition

On July 29, 2024, we announced the $130.0 million acquisition of Woolf, a value-added distributor of architectural building and millwork products for residential and commercial markets. The transaction closed on July 29, 2024. During the 12 months ended September 30, 2024, Woolf achieved $31.4 million of sales. See section 1.1 for further details.

1.3 Outlook

Affordability pressures stemming from the cumulative impact of consumer price inflation in the broader economy, alongside continued market challenges related to elevated interest rates, will impact Q4 2024 as compared to Q4 2023. We anticipate that these headwinds will be offset by strong operational execution and the inclusion of Woolf, resulting in fourth quarter Adjusted EBITDA aligning closely with Q4 2023 levels.

Amid the market conditions described above, our 2024 results have remained strong. Year-to-date, we achieved stable volumes, improved our gross profit margin by 110 basis points to 21.7%, and sustained consistent Adjusted EBITDA and Adjusted EPS compared to the same period in 2023. Our results underscore the critical competitive advantages embedded in our business model and strategic approach.

Our size, scale, and operational sophistication enable us to implement impactful initiatives that are challenging for smaller regional competitors to replicate. Core strategies include our global sourcing and vendor management programs, which grant access to branded, exclusive, and semi-exclusive products under favorable terms. We've also enhanced our focus on high-value, installation-ready products. Furthermore, we employ advanced data analytics and digital platforms to strengthen asset management, uphold pricing discipline, and expand online sales. Our tight control of operating expenses continues to support profitability.

These strategies are integral to our Destination 2028 plan, which targets $800 million in additional run-rate revenue through acquisitions by 2028, along with achieving a 10%+ EBITDA margin and 12%+ ROIC. Our third quarter acquisition of Woolf has put us on pace to meet these goals, delivering immediate benefits while positioning us for continued growth. As one of North America's largest distributors of architectural building products, with approximately 6% market share, we are well-positioned to pursue further growth, and we maintain a robust pipeline of acquisition opportunities.

Looking ahead, forecasters indicate a favorable outlook for building market conditions in the second half of 2025 and beyond. This optimism is bolstered by anticipated interest rate reductions and strong end-market fundamentals, including a historic undersupply of housing, favorable demographic trends, solid home equity levels, and an aging housing stock. We are confident in our multi-year growth trajectory across core markets in repair and remodel, residential, and commercial sectors.

2.0 Results of Operations

2.1 Three-Month Periods Ended September 30, 2024 and 2023

Selected Consolidated Financial Information (in thousands of US dollars, except otherwise noted, per share amounts and percentages)

		Three months ended September 30 2024		Three months ended September 30 2023		$ Increase (Decrease)	% Increase (Decrease)
Total sales	$	**568,819**	$	558,673	$	10,146	1.8 %
Sales in the US		**524,927**		516,510		8,417	1.6 %
Sales in Canada (CAD$)		**59,862**		56,548		3,314	5.9 %
Gross margin		**121,384**		118,307		3,077	2.6 %
Gross margin %		***21.3%***		*21.2%*			
Operating expenses		**(96,687)**		(100,860)		(4,173)	(4.1)%
Income from operations	$	**24,697**	$	17,447	$	7,250	41.6 %
Add: Depreciation and amortization		**19,287**		17,390		1,897	10.9 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$	**43,984**	$	34,837	$	9,147	26.3 %
EBITDA as a % of revenue		***7.7%***		*6.2%*			
Add (deduct):							
Depreciation and amortization		**(19,287)**		(17,390)		(1,897)	
Net finance expense		**(11,240)**		(12,662)		1,422	
Income tax recovery (expense)		**(3,054)**		3,301		(6,355)	
Net income for the period	$	**10,403**	$	8,086	$	2,317	28.7 %
Basic earnings per share	$	**0.42**	$	0.36			
Diluted earnings per share	$	**0.41**	$	0.36			
Average US dollar exchange rate for one Canadian dollar	$	**0.733**	$	0.745			

Analysis of Specific Items Affecting Comparability (in thousands of US dollars, except per share amounts and percentages)

		Three months ended September 30 2024		Three months ended September 30 2023		$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	$	**43,984**	$	34,837	$	9,147	26.3 %
LTIP expense		**2,115**		1,293		822	
Accrued trade duties		**—**		15,640		(15,640)	
Transaction expense		**1,935**		—		1,935	
Adjusted EBITDA	$	**48,034**	$	51,770	$	(3,736)	(7.2)%
Adjusted EBITDA as a % of revenue		***8.4%***		*9.3%*			
Net income for the period, as reported	$	**10,403**	$	8,086	$	2,317	28.7 %
LTIP expense, net of tax		**1,555**		1,154		400	
Accrued trade duties, net of tax		**—**		11,495		(11,495)	
Transaction expenses, net of tax		**1,422**		—		1,422	
Foreign exchange loss, net of tax		**578**		370		207	
Amortization of acquired intangible assets, net of tax		**4,653**		4,062		591	
Adjusted net income for the period	$	**18,610**	$	25,168	$	(6,558)	(26.1)%
Basic earnings per share, as reported	$	**0.42**	$	0.36	$	0.06	16.7 %
Net impact of above items per share		**0.33**		0.76		(0.43)	
Adjusted basic earnings per share	$	**0.75**	$	1.12	$	(0.37)	(33.0)%
Diluted earnings per share, as reported	$	**0.41**	$	0.36	$	0.05	13.9 %
Net impact of above items per share		**0.32**		0.74		(0.42)	
Adjusted diluted earnings per share	$	**0.73**	$	1.10	$	(0.37)	(33.6)%

Sales

For the three months ended September 30, 2024, total sales grew by $10.1 million to $568.8 million, from $558.7 million in Q3 2023. This increase reflects the positive impact of the newly acquired Woolf business which contributed sales of $31.4 million over two months of operations, partially offset by a $20.5 million, or 3.7%, decrease in organic sales. The change in organic sales reflects an approximately 3% decrease in product prices and a 1% decrease in sales volumes as compared to Q3 2023. Third quarter sales results were not significantly impacted by foreign exchange translation of Canadian sales to US dollars for reporting purposes.

Sales in the US

In our US operations, third quarter sales grew by $8.4 million to $524.9 million, from $516.5 million in the same period in 2023. The year-over-year improvement reflects the $31.4 million contribution from the acquired Woolf business, partially offset by the $23.0 million, or 4.4% decrease in organic sales. Approximately 3% of the change in organic sales related to product price deflation, with 2% attributable to lower sales volumes.

Sales in Canada

In Canada, third quarter sales of C$59.9 million increased by C$3.3 million, or 5.9%, from Q3 2023 levels. The year-over-year improvement in Canadian sales reflects an approximate 10% increase in sales volumes, partially offset by a 4% decrease in product prices.

Gross Margin

Third quarter gross margin increased to $121.4 million, a $3.1 million, or 2.6%, improvement from Q3 2023, primarily related to the increase in sales. Gross margin percentage of 21.3% was 10 basis points higher than the same period in the prior year.

Operating Expenses

For the three months ended September 30, 2024, we lowered operating expenses to $96.7 million, from $100.9 million in the same period last year. This $4.2 million, or 4.1%, improvement was primarily driven by $15.6 million of accrued trade duties recognized in Q3 2023, which did not recur in the current period (discussed further in section 7.0). This decrease was partially offset by $2.3 million of expense related to two months' operation of our new Woolf business, as well as $1.9 million of transaction costs related to the acquisition. Additionally, variable compensation increased by $2.5 million compared to Q3 2023, primarily as a result of the reduction in accruals in Q3 2023. People costs were also $3.5 million higher in the current period, primarily due to inflationary adjustments and an increase in employee benefits expense.

Depreciation and Amortization

For the three months ended September 30, 2024, depreciation and amortization increased to $19.3 million, from $17.4 million in Q3 2023. The year-over-year increase was primarily driven by higher premise leases. Depreciation and amortization included $6.3 million of amortization on acquired intangible assets, representing an increase of $0.8 million compared to Q3 2023, primarily due to intangible assets acquired from the Woolf acquisition.

Net Finance Expense

For the three months ended September 30, 2024, net finance expense decreased to $11.2 million, from $12.7 million in Q3 2023. The $1.4 million improvement was attributable both to lower bank indebtedness and lower interest rates as compared to Q3 2023.

Income Tax Expense

For the three months ended September 30, 2024, income tax expense was $3.1 million, representing an effective tax rate of approximately 22.7%. The effective tax rate is lower than the U.S. statutory rates, reflecting the benefits of our tax structuring initiatives.

Adjusted EBITDA

Third quarter Adjusted EBITDA decreased 7.2% to $48.0 million, from $51.8 million during the same period in 2023. This $3.7 million change reflects a $6.8 million increase in operating expenses (before changes in depreciation and amortization, LTIP expense, accrued trade duties, and transaction expense), partially offset by the $3.1 million increase in gross margin.

Net Income for the Period

Net income for the third quarter of 2024 increased 28.7% to $10.4 million (basic earnings per share of $0.42), from $8.1 million (basic earnings per share of $0.36) in Q3 2023. The $2.3 million improvement includes the $9.1 million increase in EBITDA and the $1.4 million decrease in net finance expense, partially offset by the $6.4 million increase in income tax expense and the $1.9 million increase in depreciation and amortization.

Third quarter adjusted net income decreased by 26.1% to $18.6 million, from $25.2 million in Q3 2023. Adjusted basic earnings per share for Q3 2024 were $0.75, compared to $1.12 in the same period of the prior year, a decrease of 33.0%.

2.2 Nine-Month Periods Ended September 30, 2024 and 2023

Selected Consolidated Financial Information (in thousands of US dollars, except otherwise noted, per share amounts and percentages)

	Nine months ended September 30 2024	Nine months ended September 30 2023	$ Increase (Decrease)	% Increase (Decrease)
Total sales	$ **1,653,449**	$ 1,724,465	$ (71,016)	(4.1)%
Sales in the US	**1,522,030**	1,593,682	(71,652)	(4.5)%
Sales in Canada (CAD$)	**178,792**	175,981	2,811	1.6 %
Gross margin	**358,836**	354,749	4,087	1.2 %
Gross margin %	***21.7%***	*20.6%*		
Operating expenses	**(282,741)**	(287,707)	(4,966)	(1.7)%
Income from operations	$ **76,095**	$ 67,042	$ 9,053	13.5 %
Add: Depreciation and amortization	**55,581**	52,121	3,460	6.6 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$ **131,676**	$ 119,163	$ 12,513	10.5 %
EBITDA as a % of revenue	***8.0%***	*6.9%*		
Add (deduct):				
Depreciation and amortization	**(55,581)**	(52,121)	(3,460)	
Net finance expense	**(32,736)**	(36,986)	4,250	
Income tax expense	**(5,269)**	(3,005)	(2,264)	
Net income for the period	$ **38,090**	$ 27,051	$ 11,039	40.8 %
Basic earnings per share	$ **1.62**	$ 1.21		
Diluted earnings per share	$ **1.60**	$ 1.19		
Average US dollar exchange rate for one Canadian dollar	$ **0.735**	$ 0.743		

Analysis of Specific Items Affecting Comparability (in thousands of US dollars, except per share amounts and percentages)

	Nine months ended September 30 2024	Nine months ended September 30 2023	$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	$ **131,676**	$ 119,163	$ 12,513	10.5 %
LTIP expense	**8,456**	5,986	2,470	
Accrued trade duties	**—**	15,640	(15,640)	
Transaction expense	**1,935**	—	1,935	
Adjusted EBITDA	$ **142,067**	$ 140,789	$ 1,278	0.9 %
Adjusted EBITDA as a % of revenue	***8.6%***	*8.2%*		
Net income for the period, as reported	$ **38,090**	$ 27,051	$ 11,039	40.8 %
LTIP expense, net of tax	**6,215**	5,467	748	
Accrued trade duties, net of tax	**—**	11,495	(11,495)	
Transaction expenses, net of tax	**1,422**	—	1,422	
Foreign exchange loss, net of tax	**603**	240	363	
Amortization of acquired intangible assets, net of tax	**12,777**	12,186	591	
Adjusted net income for the period	$ **59,108**	$ 56,440	$ 2,668	4.7 %
Basic earnings per share, as reported	$ **1.62**	$ 1.21	$ 0.41	34.1 %
Net impact of above items per share	**0.90**	1.31	(0.41)	(31.3)%
Adjusted basic earnings per share	$ **2.52**	$ 2.52	$ —	0.1 %
Diluted earnings per share, as reported	$ **1.60**	$ 1.19	$ 0.41	34.5 %
Net impact of above items per share	**0.88**	1.29	(0.41)	(31.8)%
Adjusted diluted earnings per share	$ **2.48**	$ 2.48	$ —	— %

Sales

For the nine months ended September 30, 2024, we generated total sales of $1.65 billion, as compared to $1.72 billion in the first nine months of 2023, a decrease of $71.0 million or 4.1%. Organic sales decreased by $100.9 million, or 5.9%, primarily driven by product price deflation of approximately 6%. Sales volumes remained stable year-over-year. The decrease in organic sales was partially offset by the $31.4 million, or 1.8%, acquisition-based revenue growth generated by the acquired Woolf business. Foreign exchange fluctuations in the Canadian dollar also had an unfavorable $1.4 million impact on sales results.

Sales in the US

Our US operations generated nine-month sales of $1.52 billion, compared to $1.59 billion in the same period in 2023. The year-to-date results include a $103.0 million, or 6.5%, year-over-year decrease in organic sales driven by product price deflation of approximately 6% and a sales volume decrease of approximately 1%. This was partially offset by revenue contribution from Woolf of $31.4 million.

Sales in Canada

In Canada, sales for the first nine months increased to C$178.8 million, up C$2.8 million, or 1.6%, from the same period in 2023. The year-over-year improvement reflects an approximate 7% increase in sales volume, partially offset by a 5% decrease in product prices.

Gross Margin

Gross margin in the first nine months increased to $358.8 million, up $4.1 million, or 1.2%, from the same period last year. This improvement was driven by an increase in our gross margin percentage to 21.7%, from 20.6% in the same period last year. The organic improvement in gross margin percentage reflects the positive impact of strategic initiatives, including our growing focus on high-value installation-ready products, strong performance from our global sourcing program, and our leveraging of data analytics and digital platforms to maintain strong asset management and pricing discipline.

Operating Expenses

For the nine months ended September 30, 2024, operating expenses were lower at $282.7 million, as compared to $287.7 million in the same period last year. This $5.0 million, or 1.7%, decrease is primarily attributable to $15.6 million of accrued trade duties recognized in the third quarter of 2023 which did not recur in the current period (discussed further in section 7.0), and $4.0 million of lower premise costs. These decreases were partially offset by $2.3 million of operating expenses and $1.9 million of transaction costs related to the Woolf acquisition, together with inflationary increases in people costs.

Depreciation and Amortization

For the nine months ended September 30, 2024, depreciation and amortization increased to $55.6 million, from $52.1 million in the prior-year period. The year-over-year increase was attributable to depreciation and amortization related to higher cost of premise leases and additional amortization of intangible assets. Included in the depreciation and amortization was $17.4 million of amortization on acquired intangible assets, an increase of $0.8 million compared to the first nine months of 2023, driven by intangible assets acquired from the Woolf acquisition.

Net Finance Expense

For the nine months ended September 30, 2024, net finance expense decreased $4.3 million to $32.7 million, from $37.0 million in the same period 2023. The primary driver of this improvement was a decrease in our average bank indebtedness balance over the first nine months of the year.

Income Tax Expense

For the nine months ended September 30, 2024, income tax expense was $5.3 million, compared to $3.0 million in the first nine months of 2023. In May 2024, Canada substantively enacted the Excessive Interest and Financing Expenses Limitation ("EIFEL") legislation which limits our ability to deduct interest and increases our expected taxable income in Canada. During the nine months ended September 30, 2024, we recognized $4.3 million (C$5.8 million) of deferred tax assets based on the expected utilization of operating loss carry forwards.

Excluding this tax recovery, income tax expense was $9.5 million, representing an effective tax rate of 22.1%, compared to 10.0% in the first nine months of 2023. The year-over-year increase in the effective tax rate reflects the benefits of restructuring activities realized in the prior year.

Adjusted EBITDA

For the nine months ended September 30, 2024, Adjusted EBITDA grew 0.9% to $142.1 million, from $140.8 million during the same period in 2023. This $1.3 million improvement largely reflects the $4.1 million increase in gross margin, partially offset by the $2.8 million increase in operating expenses (before changes in depreciation and amortization, LTIP expense, accrued trade duties, and transaction costs).

Net Income for the Period

Net income for the first nine months of 2024 grew 40.8% to $38.1 million (basic earnings per share of $1.62), from $27.1 million (basic earnings per share of $1.21) in the same period 2023. The $11.0 million increase was driven by $12.5 million higher EBITDA and $4.3 million lower net finance expense, partially offset by an increase in depreciation and amortization of $3.5 million and an increase in income tax expense of $2.3 million.

Adjusted net income for the first nine months of the year grew 4.7% to $59.1 million, from $56.4 million in the same period in 2023. Adjusted basic earnings per share was $2.52, no change from prior-year period.

3.0 Selected Financial Information and Seasonality

3.1 Quarterly Financial Information

(in thousands of US dollars, except per share amounts)	**Q3 2024**	**Q2 2024**	**Q1 2024**	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**
Total sales	**$568,819**	$549,492	$535,138	$514,859	$558,673	$585,935	$579,857	$574,734
Net income	**10,403**	17,016	10,671	8,997	8,086	9,368	9,597	13,390
Basic earnings per share	**0.42**	0.74	0.48	0.40	0.36	0.42	0.43	0.59
Fully diluted earnings per share	**0.41**	0.73	0.47	0.40	0.36	0.42	0.42	0.58
EBITDA	**43,984**	44,964	42,728	42,999	34,837	42,743	41,583	41,538
Adjusted net income	**18,610**	24,411	17,319	14,403	24,798	16,572	14,831	19,105
Adjusted basic earnings per share	**0.75**	1.06	0.78	0.64	1.11	0.74	0.66	0.84
Adjusted diluted earnings per share	**0.73**	1.05	0.76	0.64	1.09	0.73	0.65	0.83
Adjusted EBITDA	**48,034**	48,481	45,552	44,453	51,770	46,150	42,869	43,571

The preceding table provides selected quarterly financial information for our eight most recently completed fiscal quarters. This information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Historically, the first and fourth quarters can be seasonally slower periods for our business. In addition, net earnings reported in each quarter may be impacted by acquisitions, foreign currency fluctuations, and changes in customer buying patterns, sales force, competition, pricing inputs, and supply constraints.

4.0 Liquidity and Capital Resources

4.1 Cash Flows from Operating, Investing and Financing Activities

Selected Unaudited Consolidated Financial Information (in thousands of US dollars, except per share amounts)	Three months ended September 30			Nine months ended September 30		
	2024	**2023**	**$ change**	**2024**	**2023**	**$ change**
Cash provided by operating activities before changes in non-cash working capital	**$ 38,580**	$ 25,939	$ 12,641	**$ 112,890**	$ 80,594	$ 32,296
Changes in non-cash working capital	**27,438**	33,187	(5,749)	**(14,108)**	101,033	(115,141)
Net cash provided by operating activities	**66,018**	59,126	6,892	**98,782**	181,627	(82,845)
Net cash used in investing activities	**(122,465)**	(2,429)	(120,036)	**(139,022)**	(12,265)	(126,757)
Net cash provided by (used in) financing activities	**54,090**	(63,434)	117,524	**44,884**	(230,924)	275,808
(Decrease) increase in cash and cash equivalents	**(2,357)**	(6,737)	4,380	**4,644**	(61,562)	66,206
Cash and cash equivalents, beginning of period	**10,942**	10,433	509	**3,643**	65,068	(61,425)
Foreign exchange (loss) gain on cash position held in a foreign currency	**(284)**	38	(322)	**14**	228	(214)
Cash and cash equivalents, end of the period	**$ 8,301**	$ 3,734	$ 4,567	**$ 8,301**	$ 3,734	$ 4,567

Net cash provided by operating activities

For the three months ended September 30, 2024, cash flow provided by operating activities increased to $66.0 million, from $59.1 million in the same period last year. The $6.9 million improvement is attributable to a $12.6 million increase in cash provided by operating activities before changes in non-cash working capital, partially offset by a $5.7 million investment in working capital during Q3 2024 compared to the same period in the prior year.

For the nine months ended September 30, 2024, cash flow provided by operating activities was $98.8 million, compared to $181.6 million in the same period last year. The $82.8 million decrease primarily resulted from a $14.1 million utilization of working capital in the first nine months of 2024, as compared to $101.0 million inflow of cash from the release of working capital in the same period of 2023. Our investment in working capital in the first nine months of 2024 represents a normal pace, which contrasts sharply with the prior-year period when we were actively reducing inventory levels. This was partially offset by a $32.3 million increase in cash provided by operating activities before working capital relating primarily to higher net income, lower income taxes paid, and lower interest paid as compared to the first nine months of 2023. For further information on the changes in non-cash working capital, see Section 4.2.

Net cash used in investing activities

For the three months ended September 30, 2024, net cash used in investing activities increased by $120.0 million to $122.5 million. The significant increase primarily relates to the purchase price paid for Woolf (see Section 1.2).

For the nine months ended September 30, 2024, net cash used in investing activities increased by $126.8 million to $139.0 million. The increase primarily relates to the purchase price paid for Woolf and payments made on trade duty notices (see section 7.0). Net cash used in investing activities was partially offset by lower property, plant and equipment spending of $3.5 million and $3.0 million of cash contribution from investment activities.

Net cash provided in financing activities

For the three months ended September 30, 2024, net cash provided by financing activities increased to $54.1 million, from $63.4 million used in financing activities in the prior-year period. The $117.5 million change in net cash from financing activities primarily relates to changes in bank indebtedness.

For the nine months ended September 30, 2024, net cash provided by financing activities increased to $44.9 million, from $230.9 million used in financing activities in the prior-year period. The $275.8 million change was primarily driven by changes in bank indebtedness and the issuance of 2,582,900 common shares for net proceeds of $69.5 million (see section 4.7).

4.2 Working Capital

(in thousands of US dollars)						
	Three months ended September 30			**Nine months ended September 30**		
Source (use) of funds	**2024**	**2023**		**2024**		**2023**
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
Change in non-cash operating working capital	27,438	33,187	$	(14,108)	$	101,033

Our business requires an ongoing investment in working capital which we consider to be comprised of accounts receivable, inventory, and prepaid expenses, partially offset by short-term credit provided by suppliers in the form of accounts payable and accrued liabilities. For the first nine months of 2024, $14.1 million of cash was invested in working capital, as compared to $101.0 million provided by working capital in the same period in 2023. Our investment in working capital is normal for this time of year, and contrasts sharply with the prior-year period when we were actively reducing inventory levels.

Our investment in working capital may fluctuate from quarter-to-quarter based on factors such as sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers. Historically, the first and fourth quarters can be seasonally slower periods for construction activity, resulting in reduced demand for architectural building products.

Continued compliance with financial covenants under our credit facility is important to ensure that we have adequate financing available to meet our working capital requirements. The terms of our credit facility are addressed in section 4.3 of this report.

4.3 Revolving Credit Facilities and Debt Management Strategy

Selected Unaudited Consolidated Financial Information (in thousands of US dollars, except percentages and ratios)		**As at September 30, 2024**		**As at December 31, 2023**
Cash	**$**	**(8,301)**	$	(3,643)
Bank indebtedness		**409,884**		392,396
Net bank debt		**401,583**		388,753
Shareholders' equity		**629,157**		526,867
Capitalization	**$**	**1,030,740**	$	915,620
Net debt to capitalization		**39%**		**42%**
Previous 12 months Pro-forma Adjusted EBITDA [(1)] ("Pro-forma Adjusted EBITDA")	**$**	**203,154**	$	185,242
Rental payments related to warehousing and trucks		**(40,307)**		(42,025)
Previous 12 months Pro-forma Adjusted EBITDA after rent		**162,847**		143,217
Net debt to previous 12 months Pro-forma Adjusted EBITDA after rent ("Leverage Ratio")		**2.5**		**2.7**

[(1)]Includes ten months of Woolf's pre-acquisition Adjusted EBITDA, net of rental payments related to warehouse and trucks

We consider our capital to be debt (net of cash) and shareholders' equity. As at September 30, 2024, our overall net debt compared to total capitalization decreased to 39% from 42% as compared to December 31, 2023. Following the Woolf acquisition on July 29, 2024, Woolf's Adjusted EBITDA contribution has been annualized to illustrate the impact on our Pro-forma Adjusted EBITDA as if the acquisition had occurred at the beginning of the measurement period. As at September 30, 2024, our ratio of net debt-to-Pro-Forma-Adjusted-EBITDA after rent or Leverage Ratio, was 2.5 times.

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 $321.3 million with an amortizing balance and maturity date of July 2026. A summary of the Credit Facility as at September 30, 2024 is provided in the following table.

Selected unaudited consolidated financial information (in millions of US dollars)		**Committed**		**Drawn**
Revolving credit commitment	$	500.0	$	92.0
Term commitment	$	321.3	$	321.3
Total	**$**	**821.3**	**$**	**413.3**
Financial covenants include:				
Consolidated interest coverage ratio		*3.00:1*		
Consolidated leverage ratio		*3.75:1*		

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 our then applicable leverage ratio.

The financial covenants under the Credit Facility include, among others: (i) a consolidated interest coverage ratio (a ratio of Pro-Forma Adjusted EBITDA to total interest expense, determined on a consolidated basis for the Company), and (ii) a consolidated leverage ratio (a ratio of total funded debt to Pro-Forma Adjusted EBITDA, determined on a consolidated basis for the Company). In determining the consolidated leverage ratio for financial covenant purposes, total funded debt is the aggregate of bank indebtedness, outstanding letters of credit, and lease obligations. Adjusted EBITDA is reduced for rental payments for warehousing and trucks, cash payments for LTIP vesting and interest charges related to certain factoring arrangements, and excludes duties paid or payable related to the import of hardwood plywood from Vietnam.

In addition to the financial covenants, our ability to pay dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow our 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.

Our debt management strategy is to repay a portion of our credit facilities related to acquisitions, and maintain a base level of debt as part of our capital structure. Our intent is to roll and renew our credit facilities when they expire. We do not intend to restrict future dividends in order to fully extinguish our debt obligations upon their maturity. The amount of debt that will actually be drawn on our available revolving credit facilities will depend upon the seasonal and cyclical needs of the business and our cash generating capacity going forward. When making future dividend and share repurchase decisions, we will consider the amount of financial leverage, and therefore debt, we believe is appropriate given existing and expected market conditions and available business opportunities. We do not target a specific financial leverage amount. We believe our current credit facilities are sufficient to finance our working capital needs and market expansion strategy.

4.4 Contractual Obligations

There were no significant changes in our contractual commitments outside the normal course of business.

4.5 Off-Balance Sheet Arrangements

On July 11, 2023, we entered into an interest rate swap with a notional value of $200 million to partially offset the variability in the expected interest cash flows related to the Term A-1 Loan. The fixed rate provided to us by the interest rate swap is approximately 80 basis points less than the variable borrowing rate as at September 30, 2024. We have applied *IFRS 9 Financial Instruments ("IFRS 9")* hedge accounting principles, accordingly the effective portion of any gains or losses related to the mark to market of the interest rate swap are recorded in other comprehensive income and the ineffective portion of any gains or losses are recorded in net income. Our interest rate swap was deemed effective in accordance with IFRS 9 as at September 30, 2024.

4.6 Financial Instruments

Financial assets include cash and cash equivalents, current and non-current receivables, and income taxes receivables, which are measured at amortized cost. Investments and the interest rate swap asset (liabilities) are measured at fair value. Financial liabilities include bank indebtedness, accounts payable and accrued liabilities, income taxes payable, dividend payable, notes payable and finance lease obligations which are measured at amortized cost.

The carrying values of our cash and cash equivalents, current accounts receivable, income taxes payable, accounts payable, accrued liabilities, and dividends payable approximate their fair values due to the relatively short period to maturity of the instruments. The fair value of non-current receivables, notes payable, other liabilities and finance lease obligations are not expected to differ materially from carrying value given the interest rates being charged and term to maturity. The carrying values of the credit facilities approximate their fair values due to the existence of floating market-based interest rates. In determining the fair value of our interest rate swap, we use the present value of expected cash flows based on the mark to market observable interest rate yield curves commensurate with the terms of the financial instrument.

4.7 Share Data

As at November 13, 2024, we had 25,018,910 common shares issued and outstanding.

On June 12, 2024, we 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 $72.9 million (C$100.1 million). We incurred $3.6 million (CAD$4.9 million) in share issue costs and these amounts were recorded in equity as share issuance costs. Total net proceeds from the Equity Raise was $69.5 million (CAD$95.2 million) after transaction costs. Proceeds from the Equity Raise were used to repay certain bank indebtedness of the Company.

On December 28, 2023, we announced a notice to renew the normal course issuer bid (NCIB) to provide us with the option to purchase up to a maximum of 1,702,309 of our 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 us to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents approximately 10% of our Public Float (as that term is defined in the policies of the TSX) as at December 19, 2023. There were no common shares repurchased in the third quarter of 2024.

In addition, at November 13, 2024, we had outstanding 207,778 performance shares units and 356,043 restricted share units under the terms of our long-term incentive plan. The performance and restricted share units can be settled in common shares of the Company issued from treasury, common shares purchased by us in the market, or in an amount of cash equal to the fair value of our common shares, or any combination of the foregoing. Each restricted share unit is settled for one common share and each performance share unit is settled for between nil and two common shares, depending upon the applicable payout multiplier. The restricted and performance share units vest over periods of up to three years and employees have the option, when the restricted and performance share units vest, to receive up to half the fair value in cash and the remainder in common shares. We intend to issue common shares from treasury to settle the portion of the obligation not paid to employees in cash.

4.8 Dividends

In the third quarter of 2024, we declared a quarterly dividend of C$0.14 per common share, which was paid on July 26, 2024 to shareholders of record as of July 15, 2024. On November 13, 2024, we declared a quarterly dividend of C$0.15 per common share, payable on January 31, 2025 to shareholders of record as at January 20, 2025.

5.0 Related-Party Transactions

There were no material related-party transactions during the nine-month period ended September 30, 2024 or in the comparative period in the prior year.

6.0 Critical Accounting Estimates & Adoption of Changes in Accounting Policies

The preparation of financial statements in accordance with IFRS requires that we make estimates and assumptions that can have a material impact on our results of operations as reported on a periodic basis. We base our estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. Actual results could differ from these estimates. The critical estimates used in preparing our financial statements are:

Leases: We are required to make estimates and assumptions related to leases, including the discount rates used for each lease, determining the lease term, and consideration of lease renewal options.

Goodwill impairment testing: We are required to make estimates and assumptions related to the annual goodwill impairment test, including the cash generating unit ("CGU") to which goodwill relates, the recoverable amount of a CGU, gross margin percentage, and the discount rates. The value assigned to these factors is based on management's estimate of future trends and is based on historical data from both internal and external sources.

Accounts receivable provision: Due to the nature of our business and the credit terms we provide to our customers, we anticipate that a certain portion of required customer payments will not be made, and we maintain an allowance for these doubtful accounts. The allowance is based on our estimate of the potential of recovering our accounts receivable, and incorporates current and expected collection trends.

Valuation of inventory: We are required to make estimates and assumptions regarding the net realizable value of our inventory. The estimates and assumptions may have a material impact on the values at which we recognize inventory.

Interest rate swap: We are required to make estimates and assumptions regarding the valuation and effectiveness of our interest rate swap. The estimates and assumptions may have a material impact on the values recognized in other comprehensive income for the effective portion, net income for the ineffective portion, and the carrying amount of the financial instrument.

Business acquisitions: We are required to make estimates and assumptions related to the fair value of the contingent consideration, assets acquired and liabilities assumed in business acquisitions. In 2024, we made estimates with respect to the Woolf acquisition.

7.0 Risks and Uncertainties

On July 14, 2023, the U.S. Department of Commerce ("Commerce") issued its final determination ("Final Determination") with respect to certain hardwood plywood products produced in Vietnam that Commerce believes 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, we estimate the value of products 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, we accrued duties of $15.5 million and recorded the related impact in our selling, distribution and administration expense for the year ended December 31, 2023.

The Circumventing Products are specifically defined by Commerce and we believe that the products we import 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 we intend to vigorously pursue recovery of the duties paid. The appeal process is typically a multi-year procedure, however, and the actual timing and outcome of the appeal is not estimable at this time.

As of September 30, 2024, we received notices to pay duties of $25.7 million. This includes certain notices related to imports that we believe are outside the scope of the Final Determination. We are challenging these out-of-scope notices. While our challenge is pending, we have elected to pay the out of scope notices to avoid interest and penalties. As at September 30, 2024 we have paid $10.4 million related to the out-of-scope notices, which are included as an asset in the consolidated statement of financial position. To the extent we are unsuccessful in challenging the out-of-scope notices and are unable to recover the related payments, then such payments would instead be recorded as selling, distribution and administration expenses. The timing and outcome of our challenge is not estimable at this time.

On August 7, 2024, Commerce announced the preliminary results of a further administrative review regarding the Circumventing Products. Based on these results, we believe that some of the products we import that were previously categorized as Circumventing Products may no longer fall under that classification, and we 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. We expect Commerce to issue a final decision on the results of their administrative review in early 2025. The timing of the final determination could change and the outcome is not estimable at this time.

We are exposed to a number of risks and uncertainties in the normal course of business that could have a negative effect on our financial condition or results of operations. We identify significant risks that we were aware of in our Annual Information Form, which is available to readers along with other disclosure documents at www.sedarplus.ca.

8.0 Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”). Any systems of DC&P and ICFR, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to information required to be disclosed and financial statement preparation and presentation. During the quarter ended September 30, 2024, there were no changes in our ICFR that materially affected, or are reasonably likely to materially affect, our ICFR.

In accordance with National Instrument 52-109 issued by the Canadian Securities Administrators, we have limited the design and disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Woolf, which was acquired not more than 365 days before the end of the interim period ended September 30, 2024. Included in our condensed consolidated interim financial statements for the nine month periods ended September 30, 2024 and 2023 is summary financial information related to Woolf.

9.0 Note Regarding Forward Looking Information

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

Forward-looking information is included, but not limited to: This acquisition also enhances our access to the attractive Pro Dealer customer channel, where we anticipate strong and sustained demand from the new residential and repair and remodel markets; This leverage ratio is well within our target range of 2-3x, giving us the financial flexibility to execute on our strategic priorities; Looking ahead, we anticipate generating additional cash flow in Q4, enabling further debt repayment; Our capital priorities include a focused approach executing on our robust pipeline of acquisition opportunities; Dividends are also an important part of our capital allocation plan; Affordability pressures stemming from the cumulative impact of consumer price inflation in the broader economy, alongside continued market challenges related to elevated interest rates, will impact Q4 2024 as compared to Q4 2023; We anticipate that these headwinds will be offset by strong operational execution and the inclusion of Woolf, resulting in fourth quarter Adjusted EBITDA aligning closely with Q4 2023 levels; These strategies are integral to our Destination 2028 plan, which targets $800 million in additional run-rate revenue through acquisitions by 2028, along with achieving a 10%+ EBITDA margin and 12%+ ROIC; our third quarter acquisition of Woolf has put us on pace to meet these goals, delivering immediate benefits while positioning us for continued growth; As one of North America's largest distributors of architectural building products, with approximately 6% market share, we are well-positioned to pursue further growth, and we maintain a robust pipeline of acquisition opportunities; Looking ahead, forecasters indicate a favorable outlook for building market conditions in the second half of 2025 and beyond; We are confident in our multi-year growth trajectory across core markets in repair and remodel, residential, and commercial sectors; Historically, the first and fourth quarters can be seasonally slower periods for our business; In addition, net earnings reported in each quarter may be impacted by acquisitions, foreign currency fluctuations, and changes in customer buying patterns, sales force, competition, pricing inputs, and supply constraints; Our investment in working capital may fluctuate from quarter-to-quarter based on factors such as sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers; Historically, the first and fourth quarters can be seasonally slower periods for construction activity, resulting in reduced demand for architectural building products; Our debt management strategy is to repay a portion of our credit facilities related to acquisitions, and maintain a base level of debt as part of our capital structure; Our intent is to roll and renew our credit facilities when they expire; We do not intend to restrict future dividends in order to fully extinguish our debt obligations upon their maturity; The amount of debt that will actually be drawn on our available revolving credit facilities will depend upon the seasonal and cyclical needs of the business and our cash generating capacity going forward; When making future dividend and share repurchase decisions, we will consider the amount of financial leverage, and therefore debt, we believe is appropriate given existing and expected market conditions and available business opportunities; We do not target a specific financial leverage amount; We believe our current credit facilities are sufficient to finance our working capital needs and market expansion strategy; The fair value of non-current receivables, notes payable, other liabilities and finance lease obligations are not expected to differ materially from carrying value given the interest rates being charged and term to maturity; We intend to vigorously pursue recovery of the duties paid. The appeal process is typically a multi-year procedure, however, and the actual timing and outcome of the appeal is not estimable at this time; To the extent we are unsuccessful in challenging the out-of-scope notices and are unable to recover the related payments, then such payments would instead be recorded as selling, distribution and administration expenses; The timing and outcome of our challenge is not estimable at this time; we 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; We expect Commerce to issue a final decision on the results of their administrative review in early 2025; and the timing of the final determination could change and the outcome is not estimable at this time.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: there are no material exchange rate fluctuations between the Canadian and US dollar that affect our performance; the general state of the economy does not worsen; we do not lose any key personnel; there is no labor shortage across multiple geographic locations; there are no circumstances, of which we are aware that could lead to the Company incurring costs for environmental remediation; there are no decreases in the supply of, demand for, or market values of our products that harm our business; we do not incur material losses related to credit provided to our customers; our products are not subjected to negative trade outcomes; we are able to sustain our level of sales and earnings margins; we are able to grow our business long term and to manage our growth; we are able to integrate acquired businesses; there is no new competition in our markets that leads to reduced revenues and profitability; we can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of components or other innovative products does not increase and replace products manufactured in North America; our management information systems upon which we are dependent are not impaired; we are not adversely impacted by disruptive technologies; an outbreak or escalation of a contagious disease does not adversely affect our business; and, our insurance is sufficient to cover losses that may occur as a result of our operations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations between the Canadian and US dollar could affect our performance; our results are dependent upon the general state of the economy; the impacts of COVID-19, further mutations thereof or other outbreaks of disease, could have significant impacts on our business; we depend on key personnel, the loss of which could harm our business; a labour shortage across multiple geographic locations could harm our business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm our business; we may incur losses related to credit provided to our customers; our products may be subject to negative trade outcomes; we may not be able to sustain our level of sales or earnings margins; we may be unable to grow our business long term or to manage any growth; we are unable to integrate acquired businesses; competition in our markets may lead to reduced revenues and profitability; we may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect our revenues, profitability and reputation; importation of components or other innovative products may increase, and replace products manufactured in North America; disruptive technologies could lead to reduced revenues or a change in our business model; we are dependent upon our management information systems; disruptive technologies could lead to reduced revenues or a change in our business model; our information systems are subject to cyber securities risks; our insurance may be insufficient to cover losses that may occur as a result of our operations; an outbreak or escalation of a contagious disease may adversely affect our business; our credit facility affects our liquidity, contains restrictions on our ability to borrow funds, and impose restrictions on distributions that can be made by us and certain of our subsidiaries; the market price of our Shares will fluctuate; there is a possibility of dilution of existing Shareholders; and, other risks described in our Annual Information Form, our Information Circular and in this MD&A.

This MD&A contains information that may constitute a “financial outlook” within the meaning of applicable securities laws. The financial outlook has been approved by our management as of the date of this MD&A. The financial outlook is provided for the purpose of providing readers with an understanding of our anticipated financial performance. Readers are cautioned that the information contained in the financial outlook may not be appropriate for other purposes.

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

10.0 Third-Party Information

Certain information contained in this MD&A includes market and industry data that has been obtained from or is based upon estimates derived from third-party sources, including industry publications, reports and websites. Although the data is believed to be reliable, we have not independently verified the accuracy, currency or completeness of any of the information from third-party sources referred to in this MD&A or ascertained from the underlying economic assumptions relied upon by such sources. We hereby disclaim any responsibility or liability whatsoever in respect of any third-party sources of market and industry data or information.