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To our Shareholders

One of the enduring truths of the commercial landscape is its dynamic nature - fluctuating between periods of expansion and periods of adversity. In my 20 years with ADENTRA, one of our top priorities has been to smooth the impact of those hills and valleys. By building a larger, diversified and more resilient business, we have positioned ourselves for increased stability during periods of shifting market conditions.

Our Long Track Record of Success

In the past five years, ADENTRA has more than doubled pro forma annual sales to nearly $2.2 billion, while delivering an impressive 13% compound annual growth rate in earnings per share. In this same time frame, we've generated total operating cash flows of over $596.5 million, enabling us to invest in our business organically and also grow through acquisitions, reduce leverage, and consistently return capital to our investors through regular dividends, with annual increases in each of the past 12 years. We have achieved all this while navigating a changing macroeconomic environment, from the global supply chain disruptions during the pandemic to deflationary product price trends within an otherwise inflationary economy over the past two years.

Reflecting on fiscal 2024, I take pride in the resilience of our results amid a year marked by price pressures in several of our product categories, persistently high mortgage rates, and weakened demand in the building market. Not only did we hold sales volumes steady in this environment, but we also improved our gross margin percentage by 90 basis points to 21.7% while maintaining Adjusted EBITDA and Adjusted net income despite lower total dollar sales. Our 2024 cash flow generation of $142.8 million, together with use of our credit facilities and an equity raise, enabled us to complete our $130 million acquisition of Woolf Distributing in July. And we ended the year with a stronger balance sheet, bringing our leverage ratio down to 2.4x.

Executing Effectively on our Growth Strategy

These achievements in a challenging year underscore the successful execution of our strategies, particularly M&A, a core strength of ADENTRA. Over the past 15 years, we have added $1.7 billion in sales through 16 acquisitions, including Woolf in 2024. This acquisition expanded our geographic reach in the US Midwest, strengthened our presence in the high-growth ProDealer customer channel, and broadened our outdoor living portfolio, including a key supplier relationship with AZEK, a global leader in premium decking and railing.

Woolf aligned seamlessly with our strategic goals, enhancing diversification across geography, end markets, and products while moving ADENTRA further up the value chain. Like our previous acquisitions, it was accretive to Adjusted EPS from day one, advancing us towards our Destination 2028 goal of $1.3 billion in new sales, including $800 million through acquisitions. On a full-year basis, the Woolf operations will add approximately $165 million of pro forma sales, building on the competitive advantages that we have already achieved with our platform.

Leveraging our Size and Strength

ADENTRA is one of North America's largest distributors of architectural building products in a market largely made up of smaller regional distributors. Our scale and strength enable strategic initiatives that drive stability and success.

Our focus on digital engagement strategies is a key differentiator for ADENTRA and enhances our ability to serve a full range of customers. Whether we're fulfilling orders for a world-leading DIY retailer managing thousands of SKUs across hundreds of locations, or an owner-operated millwork business using our online ordering systems to secure a small, mixed-load, just-in-time delivery, we have capabilities that are difficult to replicate.

While technological strength is a crucial part of our business, we balance it with a highly skilled and engaged workforce. Our team provides the real-world expertise that complements our digital systems. From product specialists collaborating with designers and architects, to customer support teams managing complex orders, we attract top talent and invest in their growth. Through initiatives like ADENTRA University, which provided specialized training to over 800 of our employees in 2024, we continue to cultivate excellence.

Our synergy of talent and technology has cultivated a loyal customer base of over 60,000 and attracted top product manufacturers, reinforcing our competitive advantage. I am especially proud of the world-renowned, predominantly American brands that have partnered with ADENTRA, many through exclusive and semi-exclusive arrangements. Combined with our proprietary global sourcing program, we have built a specialty, high-margin product portfolio that further strengthens our market position.

Navigating Uncertainty from a Position of Strength

In the current evolving and uncertain economic landscape, we are well-positioned to navigate challenges from a foundation of strength, resilience, and adaptability. Unlike the last major pre-pandemic downturn, our business today is significantly more diversified, operationally sophisticated, and strategically prepared to manage volatility while continuing to capture market opportunities.

Over the past decade, we have transformed from a company concentrated in two major product categories to one offering nine distinct product categories, expanding our reach across multiple end markets. We have evolved from a regional player to a truly national presence, diversified across the US, reducing dependence on any single geographic market. This broad footprint strengthens our ability to respond to shifting demand patterns across different regions.

Our growth has been underpinned by a highly skilled team that has been significantly strengthened across all functions, including supply chain, digital, sales and marketing, and acquisitions capabilities. We have also deepened our executive bench strength, ensuring strong leadership to guide us through evolving market conditions.

Beyond internal capabilities, our supplier network has expanded to over 30 countries, providing access to a diverse and strategically sourced product portfolio, including exclusive and semi-exclusive offerings that enhance our competitive edge. Our SKU count has grown significantly, allowing us to serve a broader customer base with tailored solutions.

Our investment in people and technology has further enhanced our business intelligence, offering deeper insight into daily operations, cash management, and working capital optimization. This enables us to reduce working capital to generate cash flow in a decelerating economy, ensuring financial flexibility while maintaining service levels. Our strategy of offering good, better, and best product options enables us to engage with customers across the full affordability spectrum.

Finally, our pricing pass-through revenue model ensures that cost fluctuations are reflected expeditiously, minimizing risk exposure. With over 90% of our business domiciled in the US, we are also strategically positioned to benefit from any relative strength of the US economy versus global markets.

While the economic outlook remains unpredictable, we are confident in our ability to navigate these conditions from a position of strength, leveraging our scale, financial discipline, and operational excellence to continue driving value for our stakeholders.

I want to take this opportunity in closing to thank you, our investors, for your continued confidence in ADENTRA. With your support we have created a large, diversified and growing business that is positioned well for current and future market conditions. We look forward to rewarding your confidence in us again in 2025.

Rob Brown, President and CEO

Management's Discussion and Analysis

March 13, 2025

This management's discussion and analysis ("MD&A") has been prepared by ADENTRA Inc., hereby referred to as "ADENTRA" or the "Company", as of March 13, 2025. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Audited Financial Statements") of the Company for the years ended December 31, 2024 and 2023. Results are reported in US dollars unless otherwise stated. The financial information contained herein has been prepared in accordance with IFRS Accounting Standards ("IFRS"), unless otherwise indicated. 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 sales" consists of quantifying the change in total sales as either related to organic or acquisition-based, 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 sales. Organic sales 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 sales to provide useful information to investors to help better understand our financial results.

- “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 3.0, Working Capital in section 5.2, and Revolving Credit Facilities and Debt Management Strategy in section 5.3 of this report.

1.0 Executive Summary

1.1 Highlights

Despite a challenging macroeconomic environment, we achieved another year of solid financial performance. Through effective execution of our business strategy and disciplined operations, we maintained steady sales volumes year-over-year. Although product price deflation of 4% impacted our top-line, the increase in our gross margin percentage to 21.7% representing a 90-basis point improvement, along with strong contributions from our newly acquired Woolf Distributing Co. Inc. operations (“Woolf”), offset this deflation. Consequently, we were successful in growing gross margin dollars by $8.0 million, or 1.7% year-over-year. This, combined with tight control of operating expenses, resulted in Adjusted EBITDA of $184.3 million and Adjusted Net Income of $71.8 million, consistent with our 2023 performance.

Summary financial highlights (2024 as compared to 2023, unless otherwise noted)

- **Generated full-year sales** of $2.18 billion, as compared to $2.24 billion in the prior year, a decrease of 2.5%. **Q4 sales** grew to $530.8 million, from $514.9 million in Q4 2023, up 3.1%.

- **Gross margin percentage** grew to 21.7% in 2024, a 90 bps increase from 20.8% in 2023; **Q4 2024** gross margin percentage increased slightly to 21.7%, from 21.6% in Q4 2023.

- **Operating expenses** increased by $3.4 million to $377.2 million, from $373.8 million in 2023. **Q4 2024 operating expenses** increased by $8.3 million, or 9.7%.

- **Basic earnings per share** increased to $1.95 in 2024, from $1.61 in 2023. **Q4 basic earnings per share** decreased to $0.34, from $0.40 per share in Q4 2023.

- **Adjusted basic earnings per share** of $3.01 in 2024, compared to $3.18 in 2023; **Q4 2024 adjusted basic earnings per share** of $0.51, compared to $0.66 per share in Q4 2023.

- **Achieved full-year Adjusted EBITDA** of $184.3 million, similar to $185.2 million in 2023; **Q4 2024 Adjusted EBITDA** of $42.2 million decreased 5.1% from $44.5 million in Q4 2023.

- **Generated strong cash flow from operating activities** of $142.8 million in 2024, including $41.0 million in Q4 2024.

- **Effectively deployed capital in 2024**, reducing our leverage ratio, purchasing Woolf, and returning $9.6 million in cash to shareholders via dividends

- **Increased quarterly dividend** by 7% to C$0.15 per share, or C$0.60 annually, effective November 13, 2024

Our annual sales were 2.5% lower year-over-year, reflecting a 5.3% decrease in organic revenues, partially offset by the $65.7 million of sales generated by the acquired Woolf operations. Product price deflation accounted for approximately 4% of the 5.3% decrease in organic sales. On a quarterly basis and as compared to the same period in the prior year, product price deflation had a steadily lower impact on sales results as the year progressed, moving from 9% in Q1, to 6% in Q2, to 3% in Q3, and 1% in Q4.

Our gross margin of 21.7% reflects strong execution of our business strategies. In particular, our successful efforts to diversify our business across products, geographies, customer channels, and end markets continue to support solid, consistent and predictable performance even amidst market fluctuations.

Our 2024 operating costs increased by $3.4 million, or 0.9%, year-over-year, a modest increase in the year's generally inflationary cost environment. We continued to exert tight control over operating expenses, with actions including a reduction in organic costs related to headcount and premises.

Our cash flow performance underscores the efficiency of our business model, particularly in softer market conditions. During the year ended December 31, 2024, we converted Adjusted EBITDA of $184.3 million into $147.8 million of operating cash flow before changes in working capital, achieving an 80% conversion ratio. Importantly, our investment in working capital was nominal. We leveraged our operating cash flow, an equity raise, 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 2.4x at the end of 2024, a reduction from 2.6x in the preceding year.

Looking ahead, we expect to generate additional cash flow in fiscal 2025, enabling further debt repayment. Our capital priorities include a focused approach to executing on our robust pipeline of acquisition opportunities. Dividends and opportunistic share repurchases are also an important part of our capital allocation plan. On March 13, 2025, ADENTRA's Board of Directors approved a quarterly dividend of C$0.15 per share, to be paid April 25, 2025 to shareholders of record as at April 14, 2025.

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. 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. From the date of acquisition to December 31, 2024, Woolf achieved $65.7 million in sales.

1.3 Outlook

In the first two months of Q1 2025 our organic sales were down 6% as compared to the same period in the prior year, primarily due to lower volumes. Unfavorable winter weather resulted in fewer sales days for some of our operations in January. In addition, market headwinds have persisted into early 2025, with elevated US mortgages rates and constrained housing supply contributing to continued affordability issues, and the onset of a trade war between the US and its key trading partners increasing the prospect of renewed inflationary pressure and economic uncertainty.

Despite these challenges, we believe ADENTRA's potential tariff exposure at this time is limited, with 90% of our operations based in the US and an estimated 92% of purchases not anticipated to be impacted by tariffs that were declared in March, or those expected to come into effect in April. In the event tariffs are implemented that lead to renewed inflationary pressures, the Company operates under a pricing pass-through revenue model, allowing it to adjust pricing in response to market fluctuations within a reasonable timeframe.

The broader economic impact of tariffs, including inflationary pressures and potential constraints on growth, adds uncertainty to the near-term outlook. US housing activity, already facing affordability challenges, may experience further headwinds. Long-term fundamentals however remain intact, supported by historic undersupply, favorable demographics, strong home equity levels, and an aging housing stock.

With pricing trends stabilizing following declines in 2024, we remain focused on enhancing operational efficiency and implementing our strategic plan. Our focus on cost control, global sourcing, vendor management, and high-value, installation-ready products, combined with advanced data analytics and digital capabilities, strengthens our ability to optimize asset management, maintain pricing discipline, and capitalize on market opportunities as they arise.

ADENTRA’s strong balance sheet, diversified portfolio, national presence, and robust supplier network, set it apart from the smaller, regional competitors that comprise the majority of the industry. Well-equipped to navigate any potential near-term volatility, the company remains steadfast in its commitment to long-term growth and value creation for shareholders.

2.0 Business and Industry Overview

Serving customers for over 60 years, ADENTRA is one of North America's largest distributors of architectural building products to the residential, repair and remodel and commercial construction markets. We operate 86 facilities across North America. Certain of these facilities include light manufacturing capabilities, which enable us to create custom millwork packages for our customers.

Our product mix comprises a wide array of products, including doors, decorative surfaces, mouldings, stair parts, hardwood lumber, hardwood plywood, composite panels, outdoor living and other building products. Many of our product lines are complementary, and we typically sell our customers some combination of key products from the categories described.

Our primary role in the industry is to provide the critical link between suppliers that generally manufacture and want to sell large volumes of certain products, and customers that generally require lesser quantities of many different products on a just-in-time basis. In addition to fulfilling this essential role in the supply chain, we provide value-added services when some level of customization is required by our customers.

Our customers include industrial manufacturers, home builder distribution yards ("Pro Dealers"), and home centers.

- Industrial manufacturers are comprised of thousands of small to mid-sized customers that require materials on a just-in-time basis, typically need a wider range of products than they can source from any one mill, and seek time to pay in the form of credit terms. These customers manufacture a range of end-use products including cabinetry, furniture and custom millwork.

- Pro Dealers are comprised of smaller and larger customers that manufacture and supply building materials to both custom and production home builders. Pro Dealers require us to manage the complex supply chain and lead times associated with the architectural building products that we sell. Increasingly, Pro Dealers also want to align with suppliers like ADENTRA that have a national footprint and that can work with them on an organized and consistent basis across multiple regions.

- Home centers are comprised of building materials retailers such as Lowe's, Home Depot, and Marvin's. The majority of our home center customers "turn over the aisle" to ADENTRA and require us to be a full category manager. This includes managing the complex supply chain and lead times associated with the architectural products that we sell, determining what product to stock in which locations, shipping the product to each individual store and physically replenishing the aisle, counting and culling inventory as needed, training home center staff on the product, and supporting e-commerce activities.

As it relates to our suppliers, we add value by buying their products in volume and paying them promptly, by providing access to our large North American distribution network, and by supporting their products with strong sales and marketing support. We effectively act as their third-party sales force.

Customers sell our products across multiple sectors of the economy, including new home construction, renovation, non-residential construction, institutional markets and manufacturing. As a result of this diversity, it is difficult to determine with certainty how our sales break out across these sectors. We estimate that approximately 40% of our products end up in new residential construction and another 40% in the repair and remodel end markets. We estimate that the remaining 20% ends up in other sectors of the economy not associated with new residential construction, such as finishing millwork for office buildings, recreational vehicles, restaurant and bar interiors, hotel lobbies, retail point-of-purchase displays, schools, hospitals, custom motor coaches, yacht interiors and other specialty areas.

3.0 Results of Operations

3.1 Years Ended December 31, 2024 and 2023

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

		For the year ended December 31 2024		For the year ended December 31 2023		$ Increase (Decrease)	% Increase (Decrease)
Total sales	**$**	**2,184,258**	$	2,239,324	$	(55,066)	(2.5)%
Sales in the US		**2,011,895**		2,069,660		(57,765)	(2.8)%
Sales in Canada (CAD$)		**235,926**		228,995		6,931	3.0 %
Gross margin		**474,064**		466,102		7,962	1.7 %
Gross margin %		***21.7%***		*20.8%*			
Operating expenses		**(377,156)**		(373,797)		3,359	0.9 %
Income from operations	**$**	**96,908**	$	92,305	$	4,603	5.0 %
Add: Depreciation and amortization		**76,099**		69,857		6,242	8.9 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	**$**	**173,007**	$	162,162	$	10,845	6.7 %
EBITDA as a % of revenue		***7.9%***		*7.2%*			
Add (deduct):							
Depreciation and amortization		**(76,099)**		(69,857)		6,242	
Net finance expense		**(41,614)**		(49,406)		(7,792)	
Income tax expense		**(8,816)**		(6,851)		1,965	
Net income for the year	**$**	**46,478**	$	36,048	$	10,430	28.9 %
Basic earnings per share	**$**	**1.95**	$	1.61			
Diluted earnings per share	**$**	**1.92**	$	1.59			
Average US dollar exchange rate for one Canadian dollar	**$**	**0.730**	$	0.741			

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

		For the year ended December 31 2024		For the year ended December 31 2023 [(1)]		$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	**$**	**173,007**	$	162,162	$	10,845	6.7 %
LTIP expense		**9,309**		7,440		1,869	
Accrued trade duties		**—**		15,640		(15,640)	
Transaction expense		**1,935**		—		1,935	
Adjusted EBITDA	**$**	**184,251**	$	185,242	$	(991)	(0.5)%
Adjusted EBITDA as a % of revenue		***8.4%***		*8.3%*			
Net income for the year, as reported	**$**	**46,478**	$	36,048	$	10,430	28.9 %
LTIP expense, net of tax		**6,842**		6,812		30	
Accrued trade duties, net of tax		**—**		11,495		(11,495)	
Transaction expenses, net of tax		**1,422**		—		1,422	
Foreign exchange (gain) loss, net of tax		**(642)**		681		(1,323)	
Amortization of acquired intangible assets, net of tax		**17,723**		16,248		1,475	
Adjusted net income for the year	**$**	**71,823**	$	71,284	$	539	0.8 %
Basic earnings per share, as reported	**$**	**1.95**	$	1.61	$	0.34	21.0 %
Net impact of above items per share		**1.06**		1.57		(0.51)	(32.5)%
Adjusted basic earnings per share	**$**	**3.01**	$	3.18	$	(0.17)	(5.4)%
Diluted earnings per share, as reported	**$**	**1.92**	$	1.59	$	0.33	20.8 %
Net impact of above items per share		**1.05**		1.56		(0.51)	(32.7)%
Adjusted diluted earnings per share	**$**	**2.97**	$	3.15	$	(0.18)	(5.7)%

[(1)] Prior year comparative figures have been adjusted to add back amortization of acquired intangible assets, foreign exchange (gain) loss, and LTIP tax deductibility to conform with current year presentation.

Sales

For the year ended December 31, 2024, we generated total sales of $2.18 billion, compared to $2.24 billion in 2023, a decrease of $55.1 million or 2.5%. Organic sales decreased by $118.2 million, or 5.3%, with product prices representing 4% of the decrease and lower sales volumes representing approximately 1%. The decline in organic sales was partially offset by $65.7 million, or 2.9%, of acquisition-based revenue growth generated by the acquired Woolf business. Foreign exchange fluctuations in the Canadian dollar negatively impacted sales results by $2.6 million.

Sales in the US

Our US operations generated annual sales of $2.01 billion in 2024, compared to $2.07 billion in 2023. This included a $123.5 million, or 6.0%, year-over-year decrease in organic sales, with product price deflation representing approximately 4% of the decrease and lower sales volumes accounting for approximately 2%. The decrease in organic sales was partially offset by the addition of the Woolf operations, which added $65.7 million, or 3.2% to 2024 US sales.

Sales in Canada

In Canada, sales for the 2024 year increased to C$235.9 million, up C$6.9 million, or 3.0%, from 2023. The year-over-year improvement reflects an approximate 8% increase in sales volume, partially offset by a 5% decrease in product prices.

Gross Margin

Gross margin for the year ended December 31, 2024 increased to $474.1 million, up $8.0 million, or 1.7%, from 2023. This improvement was driven by an increase in gross margin percentage to 21.7%, from 20.8% in 2023, partially offset by lower sales year over year. The improvement in gross margin percentage primarily reflects the positive impact of our strategic initiatives, operating efficiency, and a reduction in inventory write-downs.

Operating Expenses

For the year ended December 31, 2024, operating expenses increased to $377.2 million, up modestly from $373.8 million in 2023. The $3.4 million, or 0.9% increase, reflects $7.6 million of additional operating expenses and $1.9 million of transaction costs related to the Woolf acquisition, together with an $8.4 million increase in people costs related to inflation. These increases were partially offset by $15.6 million of accrued trade duties recognized in 2023, which did not recur in the current year (discussed further in section 7.0) and a $5.1 million reduction in premise costs.

Depreciation and Amortization

For the year ended December 31, 2024, depreciation and amortization increased to $76.1 million, up from $69.9 million in 2023. The year-over-year increase was attributed to higher depreciation of premise leases and additional amortization of intangible assets. Included in the depreciation and amortization was $24.1 million of amortization on acquired intangible assets, an increase of $2.1 million from 2023, driven by intangible assets acquired as a result of the Woolf acquisition.

Net Finance Expense

For the year ended December 31, 2024, net finance expense was $7.8 million lower at $41.6 million, as compared to $49.4 million in 2023. This improvement was primarily driven by a reduction in our average bank indebtedness balance and, to a lesser extent, lower interest rates during the period. The decrease in net finance expense was partially offset by higher interest associated with leases.

Income Tax Expense

For the year ended December 31, 2024, income tax expense was $8.8 million, up from $6.9 million in 2023. This equates to an effective tax rate 15.9% for 2024, and 16.0% for 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 year ended December 31, 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 $13.1 million, representing an effective tax rate of 23.7%, compared to 16.0% in 2023. The increase in the effective tax rate is due to the EIFEL legislation, and the OECD Pillar Two global minimum tax ("Pillar Two tax"), which came into effect in 2024 and added $2.7 million to our current income tax expense.

Adjusted EBITDA

For the year ended December 31, 2024, we generated Adjusted EBITDA of $184.3 million, a $1.0 million or 0.5% decrease from $185.2 million in 2023. The modest year-over-year decrease reflects the $8.9 million increase in operating expenses (before changes in depreciation and amortization, LTIP expense, accrued trade duties, and transaction costs), largely offset by the $8.0 million increase in gross margin.

Net Income for the Year

Net income for the year ended December 31, 2024 grew 28.9% to $46.5 million (basic earnings per share of $1.95), from $36.0 million (basic earnings per share of $1.61) in 2023. The $10.4 million increase was driven by the $10.8 million improvement in EBITDA and the $7.8 million decrease in net finance expense, partially offset by the $6.2 million increase in depreciation and amortization and income tax expense that was $2.0 million higher year over year.

Adjusted net income grew 0.8% to $71.8 million in 2024, from $71.3 million in the prior year. Adjusted basic earnings per share were $3.01, compared to $3.18 in 2023, a decrease of 5.4%.

3.2 Three-Month Periods Ended December 31, 2024 and 2023

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

		Three months ended December 31 2024		Three months ended December 31 2023		$ Increase (Decrease)	% Increase (Decrease)
Total sales	**$**	**530,809**	$	514,859	$	15,950	3.1 %
Sales in the US		**489,865**		475,978		13,887	2.9 %
Sales in Canada (CAD$)		**57,134**		53,014		4,120	7.8 %
Gross margin		**115,228**		111,353		3,875	3.5 %
Gross margin %		***21.7%***		*21.6%*			
Operating expenses		**(94,415)**		(86,090)		8,325	9.7 %
Income from operations	**$**	**20,813**	$	25,263	$	(4,450)	(17.6)%
Add: Depreciation and amortization		**20,518**		17,736		2,782	15.7 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	**$**	**41,331**	$	42,999	$	(1,668)	(3.9)%
EBITDA as a % of revenue		***7.8%***		*8.4%*			
Add (deduct):							
Depreciation and amortization		**(20,518)**		(17,736)		2,782	
Net finance expense		**(8,878)**		(12,420)		(3,542)	
Income tax recovery (expense)		**(3,547)**		(3,846)		(299)	
Net income for the period	**$**	**8,388**	$	8,997	$	(609)	(6.8)%
Basic earnings per share	**$**	**0.34**	$	0.40			
Diluted earnings per share	**$**	**0.33**	$	0.40			
Average US dollar exchange rate for one Canadian dollar	**$**	**0.715**	$	0.734			

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

		Three months ended December 31 2024		Three months ended December 31 2023 (1)		$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	**$**	**41,331**	$	42,999	$	(1,668)	(3.9)%
LTIP expense		**853**		1,454		(601)	
Adjusted EBITDA	**$**	**42,184**	$	44,453	$	(2,269)	(5.1)%
Adjusted EBITDA as a % of revenue		***7.9%***		*8.6%*			
Net income for the period, as reported	**$**	**8,388**	$	8,997	$	(609)	(6.8)%
LTIP expense, net of tax		**627**		1,344		(717)	
Foreign exchange loss, net of tax		**(1,246)**		441		(1,687)	
Amortization of acquired intangible assets, net of tax		**4,946**		4,062		884	
Adjusted net income for the period	**$**	**12,715**	$	14,844	$	(2,129)	(14.3)%
Basic earnings per share, as reported	**$**	**0.34**	$	0.40	$	(0.06)	(15.0)%
Net impact of above items per share		**0.17**		0.26		(0.09)	
Adjusted basic earnings per share	**$**	**0.51**	$	0.66	$	(0.15)	(22.7)%
Diluted earnings per share, as reported	**$**	**0.33**	$	0.40	$	(0.07)	(17.1)%
Net impact of above items per share		**0.17**		0.27		(0.10)	
Adjusted diluted earnings per share	**$**	**0.50**	$	0.67	$	(0.17)	(25.2)%

(1) Prior year comparative figures have been adjusted to add back amortization of acquired intangible assets, foreign exchange (gain) loss, and LTIP tax deductibility to conform with current year presentation.

Sales

For the three months ended December 31, 2024, total sales grew by $16.0 million to $530.8 million, from $514.9 million in Q4 2023. The year-over-year growth was driven by the acquired Woolf business, which contributed sales of $34.3 million during the Q4 2024 period. This was partially offset by a $17.3 million, or 3.4%, decrease in organic sales, reflecting an approximate 1% decrease in product prices and a 2% decrease in sales volumes compared to Q4 2023. Foreign exchange fluctuations in the Canadian dollar had an additional $1.1 million unfavorable impact on sales results.

Sales in the US

In our US operations, fourth quarter sales increased by $13.9 million to $489.9 million, from $476.0 million in the same period in 2023. The year-over-year improvement was driven by the $34.3 million contribution from the acquired Woolf business, partially offset by a $20.4 million, or 4.3%, decrease in organic sales. Approximately 1% of the change in organic sales was due to product price deflation, with 3% attributable to lower sales volumes.

Sales in Canada

In Canada, fourth quarter sales of C$57.1 million increased by C$4.1 million, or 7.8%, from Q4 2023 levels. The year-over-year improvement in Canadian sales reflects an approximate 11% increase in sales volumes, partially offset by a 3% decrease in product prices.

Gross Margin

Third quarter gross margin increased to $115.2 million, a $3.9 million, or 3.5%, improvement from Q4 2023, primarily driven by higher sales. Gross margin percentage of 21.7% was 10 basis points higher than the same period in 2023.

Operating Expenses

For the three months ended December 31, 2024, operating expenses increased to $94.4 million, from $86.1 million in Q4 2023. This $8.3 million, or 9.7%, increase reflects the addition of $4.5 million of expense related to the acquired Woolf business. People costs were also $2.5 million higher in the current period, primarily due to inflationary adjustments and an increase in employee benefits expense. The remaining $1.3 million increase is mainly attributable to a one-time insurance accrual reversal in Q4 2023.

Depreciation and Amortization

For the three months ended December 31, 2024, depreciation and amortization increased to $20.5 million, from $17.7 million in Q4 2023. The year-over-year increase was mainly due to higher premise lease costs and an additional $1.2 million in amortization of acquired intangible assets related to the Woolf acquisition. Depreciation and amortization included $6.7 million of amortization on acquired intangible assets.

Net Finance Expense

For the three months ended December 31, 2024, net finance expense decreased to $8.9 million, from $12.4 million in Q4 2023. The $3.5 million improvement was partially attributable to a $1.7 million change in unrealized foreign exchange gains (losses) from intercompany loans held in foreign currencies. Lower interest rates also contributed to the reduced finance expense.

Income Tax Expense

For the three months ended December 31, 2024, income tax expense was $3.5 million, representing an effective tax rate of approximately 29.7%, comparable to 29.8% in Q4 2023.

Adjusted EBITDA

We generated fourth quarter Adjusted EBITDA of $42.2 million, as compared to $44.5 million in Q4 2023. This $2.3 million, or 5.1%, change reflects a $6.2 million increase in operating expenses (before changes in depreciation and amortization, LTIP expense, accrued trade duties, and transaction expense), partially offset by the $3.9 million improvement in gross margin.

Net Income for the Period

Net income for the fourth quarter of 2024 decreased 6.8% to $8.4 million (basic earnings per share of $0.34), from $9.0 million (basic earnings per share of $0.40) in Q4 2023. The $0.6 million decrease reflects the $1.7 million decrease in EBITDA and a $2.8 million increase in depreciation and amortization, partially offset by a $3.5 million reduction in net finance expense and a $0.3 million decrease in income tax expense.

Fourth quarter adjusted net income was $12.7 million, a decrease of 14.3% from $14.8 million in the same period in 2023. Adjusted basic earnings per share for Q4 2024 were $0.51, compared to $0.66 in Q4 2023, a decrease of 22.7%.

4.0 Selected Financial Information and Seasonality

4.1 Quarterly Financial Information

(in thousands of US dollars, except per share amounts)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Sales	**$530,809**	$568,819	$549,492	$535,138	$514,859	$558,673	$585,935	$579,857
Cost of goods sold	**(415,581)**	(447,435)	(430,274)	(416,904)	(403,506)	(440,366)	(466,486)	(462,864)
Gross profit	**115,228**	121,384	119,218	118,234	111,353	118,307	119,449	116,993
Selling, distribution, and administration	**(75,883)**	(79,348)	(76,243)	(77,388)	(70,251)	(85,283)	(78,024)	(76,671)
Depreciation	**(11,441)**	(10,649)	(10,105)	(10,578)	(9,983)	(9,740)	(10,714)	(10,078)
Amortization of intangible assets	**(7,091)**	(6,690)	(5,871)	(5,869)	(5,856)	(5,837)	(5,681)	(5,679)
Operating expenses	**(94,415)**	(96,687)	(92,219)	(93,835)	(86,090)	(100,860)	(94,419)	(92,428)
Income from operations	**20,813**	24,697	26,999	24,399	25,263	17,447	25,030	24,565
Net finance expense	**(8,878)**	(11,240)	(10,418)	(11,078)	(12,420)	(12,662)	(12,105)	(12,219)
Income before income taxes	**11,935**	13,457	16,581	13,321	12,843	4,785	12,925	12,346
Current income tax (expense) recovery	**(1,510)**	1,245	(3,346)	(2,053)	1,138	1,073	(3,015)	(3,042)
Deferred income tax (expense) recovery	**(2,037)**	(4,299)	3,781	(597)	(4,984)	2,228	(542)	293
Income tax (expense) recovery	**(3,547)**	(3,054)	435	(2,650)	(3,846)	3,301	(3,557)	(2,749)
Net income	**8,388**	10,403	17,016	10,671	8,997	8,086	9,368	9,597
Other comprehensive income:								
Exchange differences translating foreign operations	**(4,788)**	1,448	(315)	(66)	1,266	(291)	34	(17)
Gain (loss) on interest rate swap	**3,921**	(4,670)	507	2,841	(4,954)	2,384	—	—
Total comprehensive income	**7,521**	7,181	17,208	13,446	5,309	10,179	9,402	9,580
Basic earnings per share	**0.34**	0.42	0.74	0.48	0.40	0.36	0.42	0.43
Fully diluted earnings per share	**0.33**	0.41	0.73	0.47	0.40	0.36	0.41	0.42
EBITDA	**41,331**	43,984	44,964	42,728	42,999	34,837	42,743	41,583
Adjusted net income[1]	**12,715**	18,611	23,482	17,015	14,844	25,168	16,445	14,827
Adjusted basic earnings per share[1]	**0.51**	0.74	1.02	0.76	0.66	1.13	0.74	0.66
Adjusted diluted earnings per share[1]	**0.50**	0.73	1.01	0.75	0.66	1.11	0.73	0.65
Adjusted EBITDA	**42,184**	48,034	48,481	45,552	44,453	51,770	46,150	42,869

(1) Prior year comparative figures have been restated to add back amortization of acquired intangible assets, foreign exchange (gain) loss, and LTIP tax deductibility to conform with current year presentation.

(in thousands of US dollars)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Cash flow from operating activities	**$ 34,893**	$ 38,580	$ 37,454	$ 36,856	$ 37,597	$ 25,939	$ 24,675	$ 29,980
Changes in non-cash working capital	**6,073**	29,123	(13,683)	(26,544)	28,216	33,187	28,076	39,770
Net cash from operating activities	**40,966**	67,703	23,771	10,312	65,813	59,126	52,751	69,750
Net cash (used in) from financing activities	**(14,885)**	54,090	(7,336)	(1,870)	(55,066)	(63,434)	(65,094)	(102,396)
Net cash used in investing activities	**(5,432)**	(124,150)	(12,540)	(5,336)	(10,577)	(2,429)	(5,109)	(4,727)
Increase (decrease) in cash and cash equivalent	**20,649**	(2,357)	3,895	3,106	170	(6,737)	(17,452)	(37,373)
Cash and cash equivalents, beginning of period	**8,301**	10,942	6,927	3,643	3,734	10,433	27,772	65,068
Foreign exchange (loss) gain on cash held in foreign currency	**(839)**	(284)	120	178	(261)	38	113	77
Cash and cash equivalents, end of period	**$ 28,111**	$ 8,301	$ 10,942	$ 6,927	$ 3,643	$ 3,734	$ 10,433	$ 27,772

The preceding tables provide 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.

4.2 Annual Financial Information

(in thousands of dollars except per share amounts)	For the year ended Dec 31 2024	For the year ended Dec 31 2023	For the year ended Dec 31 2022
Total sales	**$ 2,184,258**	$ 2,239,324	$ 2,579,568
Net income	**46,478**	36,048	128,668
Basic earnings per share	**1.95**	1.61	5.50
Fully diluted earnings per share	**1.92**	1.59	5.47
Total assets	**1,397,651**	1,232,119	1,428,974
Total non-current financial liabilities	**484,739**	477,526	488,574
Dividends declared	**10,128**	8,700	8,755

The decline in total sales from 2022 to 2024 was primarily due to product deflation following a period of accelerated inflation in the COVID-19 pandemic period.

5.0 Liquidity and Capital Resources

5.1 Cash Flows from Operating, Investing and Financing Activities

Selected Unaudited Consolidated Financial Information (in thousands of US dollars, except per share amounts)	Year ended December 31			Three months ended December 31		
	2024	2023	$ change	2024	2023	$ change
Cash provided by operating activities before changes in non-cash working capital	**$ 147,783**	$ 118,191	$ 29,592	**$ 34,893**	$ 37,597	$ (2,704)
Changes in non-cash working capital	**(5,031)**	129,249	(134,280)	**6,073**	28,216	(22,143)
Net cash provided by operating activities	**142,752**	247,440	(104,688)	**40,966**	65,813	(24,847)
Net cash used in investing activities	**(147,458)**	(22,842)	(124,616)	**(5,432)**	(10,577)	5,145
Net cash provided by (used in) financing activities	**29,999**	(285,990)	315,989	**(14,885)**	(55,066)	40,181
Increase (decrease) in cash and cash equivalents	**25,293**	(61,392)	86,685	**20,649**	170	20,479
Cash and cash equivalents, beginning of period	**3,643**	65,068	(61,425)	**8,301**	3,734	4,567
Foreign exchange loss on cash position held in a foreign currency	**(825)**	(33)	(792)	**(839)**	(261)	(578)
Cash and cash equivalents, end of the period	**$ 28,111**	$ 3,643	$ 24,468	**$ 28,111**	$ 3,643	$ 24,468

Net cash provided by operating activities

For the year ended December 31, 2024, cash flow provided by operating activities was $142.8 million, compared to $247.4 million in 2023. The $104.7 million decrease primarily reflects the $129.2 million inflow of cash from the release of working capital in 2023, as well as a $5.0 million utilization of working capital in 2024. Our investment in working capital in 2024 reflects a normal pace, contrasting sharply with the prior year when we were actively reducing inventory levels. The cash flow decrease was partially offset by a $29.6 million increase in cash provided by operating activities before working capital relating primarily to higher net income after adjusting for non-cash items, and lower interest and income taxes paid as compared to the prior year. For further information on the changes in non-cash working capital, see Section 4.2.

For the three months ended December 31, 2024, cash flow provided by operating activities was $41.0 million, compared to $65.8 million in the same period last year. The $24.8 million decrease is attributable to a $22.1 million change in working capital investments primarily related to changes in our inventory levels as discussed above. In addition, there was a $2.7 million decrease in cash provided by operating activities before changes in non-cash working capital in Q4 2024, as compared to the same period in the prior year.

Net cash used in investing activities

For the year ended December 31, 2024, net cash used in investing activities increased by $124.6 million to $147.5 million. The increase was mainly due to the acquisition of Woolf and payments made on trade duty notices (see section 7.0), partially offset by a decrease in investments made during the period.

For the three months ended December 31, 2024, net cash used in investing activities decreased by $5.1 million to $5.4 million. The decrease is attributed to a reduction in cash used for investments in Q4 2024, compared to the same period in the prior year.

Net cash provided in financing activities

For the year ended December 31, 2024, net cash provided by financing activities was $30.0 million, compared to $286.0 million used in financing activities in the prior year. The $316.0 million change was primarily driven by net borrowings from bank indebtedness and the issuance of common shares for net proceeds of $69.5 million (see section 5.7).

For the three months ended December 31, 2024, net cash used in financing activities decreased to $14.9 million, from $55.1 million in the prior-year period. The $40.2 million change in net cash used in financing activities primarily relates to changes in bank indebtedness.

5.2 Working Capital

(in thousands of US dollars)								
	Years ended December 31				**Three months ended December 31**			
Source (use) of funds		**2024**		**2023**		**2024**		**2023**
Accounts receivable	$	16,929	$	9,113	$	29,764	$	29,156
Inventories		10,927		120,823		12,821		29,903
Prepaid expenses		(11,373)		237		(7,621)		(1,944)
Accounts payable and accrued liabilities		(21,514)		(924)		(28,891)		(28,899)
Change in non-cash operating working capital	$	(5,031)	$	129,249	$	6,073	$	28,216

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 year ended December 31, 2024, $5.0 million of cash was invested in working capital, as compared to $129.2 million provided by working capital in 2023. Our investment in working capital in 2024 has returned to normal levels, and contrasts sharply with the prior-year period when we were actively reducing inventory.

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 5.3 of this report.

5.3 Revolving Credit Facilities and Debt Management Strategy

Selected Unaudited Consolidated Financial Information (in thousands of US dollars, except percentages and ratios)				
		As at December 31, 2024		**As at December 31, 2023**
Cash	**$**	**(28,111)**	$	(3,643)
Bank indebtedness		**410,536**		392,396
Net bank debt		**382,425**		388,753
Shareholders' equity		**634,572**		526,867
Capitalization	**$**	**1,016,997**	$	915,620
Net debt to capitalization		**38%**		**42%**
Previous 12 months Pro-forma Adjusted EBITDA [(1)] ("Pro-forma Adjusted EBITDA")	**$**	**198,269**	$	185,242
Rental payments related to premises [(2)]		**(39,564)**		(36,245)
Previous 12 months Pro-forma Adjusted EBITDA after rent		**158,705**		148,997
Net debt to previous 12 months Pro-forma Adjusted EBITDA after rent ("Leverage Ratio")		**2.4**		**2.6**

[(1)] Includes seven months of Woolf's pre-acquisition Adjusted EBITDA
[(2)] Includes seven months of Woolf's pre-acquisition rental payments related to warehouses

We consider our capital to be debt (net of cash) and shareholders' equity. As at December 31, 2024, our overall net debt compared to total capitalization decreased to 38% 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 December 31, 2024, our ratio of net debt-to-Pro-Forma-Adjusted-EBITDA after rent or Leverage Ratio, was 2.4 times.

On January 27, 2025, certain of our subsidiaries extended the existing credit arrangement with Bank of America, N.A. and a syndicate of lenders (the "Lender") for five years to January 27, 2030. The extended credit facilities consist of (i) a revolving credit facility of up to $600 million, and (ii) a term loan of $225 million with an amortizing balance and maturity date of January 2030. A summary of the Credit Facility as at December 31, 2024 is provided in the following table.

Selected unaudited consolidated financial information (in millions of US dollars)				
		Committed		**Drawn**
Revolving credit commitment	$	500.0	$	91.7
Term commitment	$	316.3	$	316.3
Total	**$**	**816.3**	**$**	**408.0**
Financial covenants include:				
Consolidated interest coverage ratio		*3.00:1*		
Consolidated leverage ratio		*4.25:1*		

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), and (ii) a consolidated leverage ratio (a ratio of total funded debt to Pro-Forma Adjusted EBITDA). 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 premises, 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.

Our debt management strategy is maintain financial flexibility to continue executing our strategic initiatives. We intend to maintain a base level of debt as part of our capital structure. Our intent is to roll and renew our credit facilities at or before the expiry date. 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 provide us with the financial flexibility required to advance our strategic initiatives towards Destination 2028.

5.4 Contractual Obligations

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

5.5 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 33 basis points less than the variable borrowing rate as at December 31, 2024. 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 December 31, 2024.

5.6 Financial Instruments

Financial instrument assets include cash and cash equivalents and current and non-current receivables which are designated as subsequently measured at amortized cost, and investments which are designated as fair value through profit or loss (FVTPL). Non-derivative financial instrument liabilities include bank indebtedness, accounts payable and accrued liabilities, income taxes payable, dividend payable, lease obligations and other liabilities. All financial liabilities, except for interest rate swaps, are designated as subsequently measured at amortized cost. Interest rate swaps are measured at fair value.

The carrying values of our cash and cash equivalents, accounts and other receivables, accounts payable and 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 and investments, other liabilities and lease obligations are not expected to differ materially from their respective 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.

5.7 Share Data

As at March 13, 2025, we had 25,068,668 common shares issued and outstanding.

On June 12, 2024, we issued 2,582,900 common shares at $28.27 (C$38.75) per common share through a bought deal treasury public offering ("Equity Raise"), raising total gross proceeds of $72.9 million (C$100.1 million). After deducting $3.6 million (CAD$4.9 million) in share issue costs, net proceeds from the Equity Raise were $69.5 million (CAD$95.2 million), which were used to repay bank indebtedness.

On December 28, 2023, we announced the renewal of our normal course issuer bid ("NCIB") to buy back up to 1,702,309 common shares from January 2, 2024, to December 31, 2024, through the TSX and alternative trading systems. This approximates 10% of our public float as of December 19, 2023. No shares were repurchased in 2024 (2023: 421,811 shares repurchased).

On December 30, 2024, we announced the renewal of our NCIB to buy back up to 2,391,609 common shares from January 2, 2025, to December 31, 2025, through the TSX and alternative trading systems. This approximates 10% of our public float as of December 19, 2024.

As of March 13, 2025, we had 207,778 performance shares units and 332,139 restricted share units outstanding under our long-term incentive plan. These units can be settled in common shares issued from treasury or purchased from the market, or in 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 up to two common shares, based on the payout multiplier. The units vest over up to three years and employees can choose 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 not paid in cash.

5.8 Dividends

In the fourth quarter of 2024, we declared a quarterly dividend of C$0.15 per common share, which was paid on January 31, 2025 to shareholders of record as of January 20, 2025. On March 13, 2025, we declared a quarterly dividend of C$0.15 per common share, payable on April 25, 2025 to shareholders of record as at April 14, 2025.

6.0 Related-Party Transactions

There were no material related-party transactions during the years ended December 31, 2024 and December 31, 2023.

7.0 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 estimate and make assumptions related to leases, including the discount rates, lease terms and renewal options.

Goodwill impairment testing: We estimate factors such as determining 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 estimate the net realizable value of our inventory, which can materially impact recognized inventory values.

Interest rate swap: We estimate the valuation and effectiveness of our interest rate swap, which may impact 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 estimate 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.

8.0 Risks and Uncertainties

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 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 $15.6 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 December 31, 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 December 31, 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 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.

9.0 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.

As required by National Instrument 52-109 issued by the Canadian Securities Administrators, we carried out an evaluation of the effectiveness of our DC&P as of December 31, 2024. The evaluation was carried out under the supervision of, and with the participation of, the CEO and CFO. Based on this evaluation, our CEO and CFO concluded that our DC&P were effective as of December 31, 2024.

As required by National Instrument 52-109 issued by the Canadian Securities Administrators, we carried out an evaluation of the effectiveness of our ICFR as of December 31, 2024. The evaluation was carried out within the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework (2013) and under the supervision of, and with the participation of, our CEO and the CFO. Based on this evaluation, our CEO and CFO concluded that our ICFR was effective as of December 31, 2024.

There have not been any changes in our ICFR during the year ended December 31, 2024 that have 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 year ended December 31, 2024. Included in our consolidated financial statements for the years ended December 31, 2024 and 2023 is summary financial information related to Woolf.

10.0 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: In the current evolving and uncertain economic landscape, we are well-positioned to navigate challenges; our pricing pass-through revenue models ensures that cost fluctuations are reflected expeditiously, minimizing risk exposure; Looking ahead, we expect to generate additional cash flow in fiscal 2025, enabling further debt repayment; Our capital priorities include a focused approach to executing our robust pipeline of acquisition opportunities; Dividends and opportunistic share repurchases are also an important part of our capital allocation plan; 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; Market headwinds have persisted into early 2025, with elevated US mortgage rates and constrained housing supply contributing to continued affordability issues, and the onset of a trade war between US and its key trading partners increasing the prospect of renewed inflationary pressure and economic uncertainty; ADENTRA's potential tariff exposure could be limited; an estimated 92% of purchases not anticipated to be impacted by tariffs that were declared in March, or those expected to come into effect in April; In the event tariffs are implemented that lead to renewed inflationary pressures, the Company operates under a pricing pass-through revenue model, allowing it to adjust pricing in response to market fluctuations within a reasonable timeframe; The broader economic impact of tariffs, including inflationary pressures and potential constraints on growth, adds uncertainty to the near-term outlook; US housing activity, already facing affordability challenges, may experience further headwinds, Long-term fundamentals however remain intact, supported by historic undersupply, favorable demographics, strong home equity levels, and an aging housing stock; Our focus on cost control, global sourcing, vendor management, and high-value, installation-ready products, combined with advanced data analytics and digital capabilities, strengthens our ability to optimize asset management, maintain pricing discipline, and capitalize on market opportunities as they arise; 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 constraint; 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 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; tariff policies extending to regions not currently under discussion; 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.

11.0 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.