

# BuildDirect Reports Second Quarter 2023 Financial Results

- *Delivered adjusted EBITDA of \$1.06 million for Q2 2023; the Company has delivered six consecutive quarters of positive adjusted EBITDA.*
- *Delivered gross margins of 39.7% for Q2 2023, an increase of 470 bps year-over-year and 50 bps quarter-over-quarter.*
- *Pro revenue reaches \$17.4 million for Q2 2023, which represents 88.8% of the Company's total revenue during the first quarter of 2023, an increase of 6.3% year-over-year.*
- *Company to host Second Quarter 2023 earnings conference call on Tuesday, August 29, 2023, at 10:00 AM (PDT) / 1:00 PM (EDT).*

*BuildDirect reports in US dollars and in accordance with IFRS.*

Vancouver, British Columbia--(Newsfile Corp. - August 29, 2023) - [BuildDirect.com Technologies Inc.](https://www.builddirect.com) (TSXV: BILD) ("BuildDirect" or the "Company") a leading omnichannel building material retailer, today announced its financial results for the Second Quarter 2023 ("Q2 2023").

"During Q2 2023, BuildDirect continued to produce strong financial results, as highlighted by our sixth consecutive quarter of positive adjusted EBITDA, which increased to \$1.06 million for the three months ended June 30, 2023," said Shawn Wilson, CEO of BuildDirect.

"As part of our growth strategy, we continue to expand our e-commerce platform and scale our brick-and-mortar operations with a focus on serving Pro customers," continued Shawn Wilson. "With the goal of driving profitability, we aim to maximize cost efficiencies by implementing additional operational initiatives, including insourcing our fulfillment operations in other locations and integrating our technology infrastructure across all business units while minimizing disruption to productivity."

## **Second Quarter 2023 Financial Results Conference Call**

BuildDirect will host a conference call to discuss the Company's financial results.

Time: **10:00 AM (PDT) / 1:00 PM (EDT)**

Date: **Tuesday, August 29, 2023**

Register: [https://us02web.zoom.us/webinar/register/WN\\_0baK8etbQMOoT6bW9y2D9Q](https://us02web.zoom.us/webinar/register/WN_0baK8etbQMOoT6bW9y2D9Q).

The replay will be available approximately 24 hours after the completion of the conference call. In addition, an archived replay will be available on the Investor Relations section of the Company's website at <https://ir.builddirect.com/events-and-presentations>.

Among other things, BuildDirect will discuss the long-term financial outlook on the conference call and related materials will be available on the Company's website at <https://ir.builddirect.com/events-and-presentations>. Investors should carefully review the factors, assumptions, risks, and uncertainties included in such related materials concerning such as the long-term financial outlook.

## **Second Quarter 2023 Financial Highlights**

|              | Q2 2023        | Q1 2023        | % Change<br>(Q2 2023 & Q1 2023) | Q2 2022        | %Change<br>(Q2 2023 & Q2 2022) |
|--------------|----------------|----------------|---------------------------------|----------------|--------------------------------|
| Revenue      | \$19.1 million | \$17.8 million | 7.1%                            | \$24.1 million | (20.6)%                        |
| Gross Profit | \$7.6 million  | \$7.0 million  | 8.3%                            | \$8.4 million  | (10.1)%                        |
| Gross Margin | 39.7%          | 39.2%          | 50 bps                          | 35.0%          | 470 bps                        |

|                              |                |                |      |                |       |
|------------------------------|----------------|----------------|------|----------------|-------|
| Adjusted EBITDA <sup>1</sup> | \$1.06 million | \$1.04 million | 2.1% | \$0.62 million | 72.0% |
|------------------------------|----------------|----------------|------|----------------|-------|

<sup>1</sup>Adjusted EBITDA is a non-IFRS measure. See "Non-IFRS Measures" in the MD&A and the reconciliation to the most directly comparable IFRS measure below.

- Total revenue was \$19.1 million for Q2 2023, a decrease of 20.6% year-over-year and an increase of 7.1% quarter-over-quarter. The decrease in revenue year-over-year is primarily driven by BuildDirect's e-commerce business. Historically, BuildDirect's e-commerce business has produced negative EBITDA, which was offset by strong positive EBITDA from its independent retailer businesses. In Q2 2022, BuildDirect scaled-back its e-commerce business and began implementing efficiency initiatives to improve the profitability of the e-commerce model. The increase in revenue quarter-over-quarter is due to E-Commerce beginning to scale back up. At this point, BuildDirect believes it is close to completing its efficiency initiatives and will soon be ready to grow its e-commerce business more aggressively.
- Gross margin was 39.7% for Q2 2023, an increase of 470 bps year-over-year and 50 bps quarter-over-quarter. The increase in gross margin is mostly the result of significant improvements BuildDirect made in the business including operational efficiency initiatives for the e-commerce operations.
- Pro revenue was \$17.4 million for Q2 2023, which represents 88.8% of the Company's total revenue during the second quarter of 2023, an increase of 6.3% year-over-year. The increase in Pro revenue was driven by an overall shift in strategy to focus on the more profitable Pro customer base.
- Adjusted EBITDA was \$1.06 million for Q2 2023, an increase of approximately \$0.44 million year-over-year. The increase is largely attributed to the Company's focus on profitability and running efficient operations.
- Cash flow from operations was \$1.7 million in the first six months of 2023 as compared to -\$2.0 million in the prior year comparable, an increase of \$3.7 million year-over-year.
- Loan payable and promissory note repayments totaling \$0.5 million were made in Q2 2023. Net External Debt decreased by \$0.9 million as of June 30, 2023 as compared December 31, 2022.

## Second Quarter 2023 Operational Highlights

- On April 3, 2023, BuildDirect announced that it appointed Jay Allen as General Manager. Mr. Allen has 25 years of experience in building e-commerce and digital divisions across fashion, home goods and flooring and consumables companies such as Starbucks, Lowe's and STAINMASTER.
- On May 23, 2023, BuildDirect announced that it granted an aggregate of 2,850,000 stock options to 5 officers and 9 employee of the Company and its subsidiaries in accordance with the Company's Omnibus Equity Incentive Plan
- On June 14, 2023, BuildDirect announced that it completed a project to consolidate BuildDirect's third-party warehouse operations in the Northeastern United States and will insource those operations through a wholly-owned location in Michigan. This project aims to unlock inventory synergies between BuildDirect's e-commerce and independent retailer businesses and lower fulfillment costs for the Company's e-commerce operations.

Actual results may differ materially from BuildDirect's financial outlook as a result of, among other things, the factors described under "Forward-Looking Statements" below. BuildDirect's unaudited condensed interim consolidated financial statements and accompanying notes and the Management's Discussion and Analysis for the three and six months ended June 30, 2023 and June 30, 2022, are available on the

Company's website at [www.BuildDirect.com](http://www.BuildDirect.com) and on the Company's SEDAR profile available at [www.sedar.com](http://www.sedar.com).

## **About BuildDirect**

BuildDirect (TSXV: BILD) is a growing omnichannel building material retailer. BuildDirect connects North American home improvement B2B and B2C organizations, and homeowners with quality building materials and services through its robust global supply chain network. BuildDirect's growth trajectory, strong product offering, and proprietary heavyweight delivery network are delivering value today, solidifying its position as an innovative player in the home improvement industry. For more information, visit [www.BuildDirect.com](http://www.BuildDirect.com).

## **Forward-Looking Information:**

This press release contains statements which constitute "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws (collectively, "forward-looking statements"), including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to future business activities and operating performance. Forward-looking statements are often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions. These statements reflect management's current beliefs and expectations and are based on information currently available to management as at the date hereof.

Forward-looking statements in this press release may include, without limitation, statements relating to the scaling back up and continued expansion of the Company's e-commerce business and scaling of its brick-and-mortar operations, maximization of cost efficiencies by implementing additional operational efficiencies (including insourcing of fulfillment operations in other locations and integrating technology infrastructure across all business units while minimizing disruption to productivity), the completion of efficiency initiatives in relation to the Company's e-commerce business and the aggressive growth of such business, the Company's continued focus on the Pro customer base, the profitability of the Company's e-commerce model and of the Pro customer base, the Company's focus on profitability and running efficient operations and improvement and the unlocking of inventory synergies between the Company's e-commerce and independent retailer businesses and lowering of fulfillment costs for the Company's e-commerce operations.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Among those factors are changes in consumer spending, inflation, availability of mortgage financing and consumer credit, changes in the housing market, changes in trade policies, tariffs or other applicable laws and regulations both locally and in foreign jurisdictions, availability and cost of goods from suppliers, fuel prices and other energy costs, interest rate and currency fluctuations, retention of key personnel and changes in general economic, business and political conditions and other factors referenced under the "Risks and Uncertainties" section of our MD&A. These forward-looking statements may be affected by risks and uncertainties in the business of the Company and general market conditions.

These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this press release reflect the Company's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release, and BuildDirect assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Reference is made in this press release to the following non-GAAP measures: Adjusted EBITDA. This

non-GAAP measure is commonly used by investors and other interested parties to evaluate the Company's financial performance and is employed by the Company to measure its operating and economic performance and to assist in business decision-making. This non-GAAP measure does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. This measure is provided as additional information to complement those IFRS measures by providing further understanding of the results of operations from management's perspective. Accordingly, this measure should not be considered in isolation nor as a substitute for analysis of the financial information reported under IFRS. Refer also to appendix tables and the "Second Quarter 2023 Financial Highlights" of this press release as well as our Management's Discussion and Analysis (for the three and six months ended June 30, 2023 and June 30, 2022) for definitions and reconciliations of non-IFRS measures to the nearest IFRS measures. The disclosure under such Management's Discussion and Analysis is incorporated by reference into this news release.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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## NON-IFRS MEASURES

The Company defines EBITDA as net income or loss before interest, income taxes and amortization. Adjusted EBITDA removes fair value adjustment of convertible debt and warrants, fair value adjustment of inventory, restructuring expenses, non-recurring bad debt expense, foreign exchange gains and losses, and share-based compensation items from EBITDA. The Company is presenting these measures because it believes that its current and potential investors, and many analysts, use them to assess our current and future operating results and to make investment decisions. Management uses these measures in managing the business and making decisions. EBITDA and adjusted EBITDA are not intended as substitutes for IFRS measures.

|                                                                          | For the three months ended June 30 |                  | For the six months ended June 30 |                  |
|--------------------------------------------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
| Adjusted EBITDA                                                          | 2023                               | 2022             | 2023                             | 2022             |
| Gain (Loss for the period)                                               | (975,778)                          | (597,149)        | (1,319,440)                      | (2,318,957)      |
| Income tax expense                                                       | 195,000                            | 212,575          | 390,000                          | 425,150          |
| Depreciation and amortization                                            | 919,035                            | 1,018,492        | 1,836,904                        | 2,026,042        |
| Interest                                                                 | 498,098                            | 462,879          | 1,009,734                        | 883,569          |
| <b>EBITDA</b>                                                            | <b>636,335</b>                     | <b>1,096,797</b> | <b>1,917,198</b>                 | <b>1,015,804</b> |
| EBITDA adjustments                                                       |                                    |                  |                                  |                  |
| Stock-based compensation                                                 | 74,286                             | 97,635           | 116,729                          | 195,270          |
| Foreign exchange (gain)/loss                                             | 250,720                            | (510,131)        | (8,407)                          | 67,583           |
| Fair value adjustment of convertible debt and warrants                   | 153                                | (65,400)         | (21,551)                         | (749,382)        |
| Impact of fair value adjustment of Inventory in acquisition <sup>1</sup> | -                                  | -                | -                                | 137,400          |
| Software Implementation Expenses <sup>2</sup>                            | 103,042                            | -                | 103,042                          | -                |
| <b>Adjusted EBITDA</b>                                                   | <b>1,064,555</b>                   | <b>618,901</b>   | <b>2,107,011</b>                 | <b>666,674</b>   |
| <i>Adjusted EBITDA %</i>                                                 | <i>6%</i>                          | <i>3%</i>        | <i>6%</i>                        | <i>1%</i>        |

## Condensed Consolidated Interim Statements of Financial Position (Unaudited) (Expressed in United States dollars)

|                           | As at June 30, 2023 | As at December 31, 2022 |
|---------------------------|---------------------|-------------------------|
|                           | \$                  | \$                      |
| <b>Assets</b>             |                     |                         |
| Current assets            |                     |                         |
| Cash and cash equivalents | 3,776,659           | 4,107,754               |
| Short-term investments    | 318,000             | 318,000                 |

|                                                             |               |               |
|-------------------------------------------------------------|---------------|---------------|
| Trade and other receivables (note 3)                        | 4,319,643     | 4,000,121     |
| Income taxes receivable                                     | -             | 171,502       |
| Inventories (note 4)                                        | 7,193,364     | 6,657,450     |
| Prepaid materials, expenses, and deposits                   | 1,428,250     | 1,696,828     |
| Total current assets                                        | 17,035,916    | 16,951,655    |
| Non-current assets                                          |               |               |
| Property and equipment (note 5)                             | 585,329       | 591,880       |
| Intangible assets (note 6)                                  | 6,935,795     | 8,155,769     |
| Right-of-use assets (note 7)                                | 2,979,892     | 3,566,442     |
| Non-current deposits                                        | 969,139       | 987,216       |
| Goodwill (note 6)                                           | 2,530,622     | 2,530,622     |
| Deferred tax asset                                          | 1,207,110     | 1,207,110     |
| Total non-current assets                                    | 15,207,887    | 17,039,039    |
| Total Assets                                                | 32,243,803    | 33,990,694    |
| Liabilities and Shareholders' Equity                        |               |               |
| Current liabilities                                         |               |               |
| Accounts payable and accrued liabilities (note 8)           | 6,345,690     | 5,475,426     |
| Income taxes payable                                        | 23,998        | -             |
| Current portion of lease liabilities (note 9)               | 1,488,950     | 1,441,420     |
| Deferred revenue (note 10)                                  | 1,940,273     | 1,767,136     |
| Loan payable (note 11)                                      | 8,644,016     | 3,691,672     |
| Current portion of promissory note (note 13)                | 1,096,816     | 1,065,131     |
| Current portion of deferred consideration payable (note 14) | 2,014,435     | 1,903,731     |
| Warrants (note 12)                                          | 6,831         | 28,382        |
| Total current liabilities                                   | 21,561,009    | 15,372,898    |
| Non-current liabilities                                     |               |               |
| Deferred consideration payable (note 14)                    | -             | 701,611       |
| Lease liabilities (note 9)                                  | 2,104,212     | 2,859,607     |
| Loan payable (note 11)                                      | -             | 4,974,463     |
| Promissory note (note 13)                                   | 2,027,356     | 2,634,573     |
| Total non-current liabilities                               | 4,131,568     | 11,170,254    |
| Shareholders' equity:                                       |               |               |
| Share capital (note 15)                                     | 123,109,599   | 122,803,204   |
| Share based payment reserve                                 | 11,238,514    | 11,121,785    |
| Deficit                                                     | (127,796,887) | (126,477,447) |
| Total Shareholders' equity                                  | 6,551,226     | 7,447,542     |
| Total Liabilities and Equity                                | 32,243,803    | 33,990,694    |

## Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited) (Expressed in United States dollars)

|                                                                  | For the three months ended June 30 |               | For the six months ended June 30 |               |
|------------------------------------------------------------------|------------------------------------|---------------|----------------------------------|---------------|
|                                                                  | 2023                               | 2022          | 2023                             | 2022          |
| Revenue (note 16)                                                | \$ 19,104,525                      | \$ 24,052,309 | \$ 36,950,824                    | \$ 48,448,385 |
| Cost of goods sold (note 5)                                      | 11,529,055                         | 15,627,205    | 22,382,913                       | 31,298,885    |
| Gross Profit                                                     | 7,575,470                          | 8,425,104     | 14,567,911                       | 17,149,500    |
| Operating expenses:                                              |                                    |               |                                  |               |
| Fulfillment costs                                                | 1,404,869                          | 1,952,198     | 2,564,525                        | 4,099,036     |
| Selling and marketing                                            | 1,390,105                          | 1,908,436     | 2,721,915                        | 4,227,982     |
| Administration                                                   | 3,804,933                          | 3,683,470     | 7,244,968                        | 7,717,821     |
| Research and development                                         | 150,005                            | 416,205       | 272,603                          | 883,598       |
| Depreciation and amortization                                    | 919,035                            | 1,018,492     | 1,836,904                        | 2,026,042     |
|                                                                  | 7,668,947                          | 8,978,801     | 14,640,915                       | 18,954,479    |
| Loss from operations                                             | (93,477)                           | (553,697)     | (73,004)                         | (1,804,979)   |
| Other income (expense):                                          |                                    |               |                                  |               |
| Interest income                                                  | 20,852                             | 15,383        | 35,980                           | 30,646        |
| Interest expense                                                 | (518,950)                          | (478,262)     | (1,045,714)                      | (914,215)     |
| Rental income                                                    | 61,670                             | 56,471        | 123,340                          | 112,942       |
| Fair value adjustment of convertible debt and warrants (note 13) | (153)                              | 65,400        | 21,551                           | 749,382       |
| Foreign exchange gain                                            | (250,720)                          | 510,131       | 8,407                            | (67,583)      |
|                                                                  | (687,301)                          | 169,123       | (856,436)                        | (88,828)      |

|                                                         |                         |                         |                         |                         |
|---------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Loss before income taxes                                | (780,778)               | (384,574)               | (929,440)               | (1,893,807)             |
| Income tax expense                                      | (195,000)               | (212,575)               | (390,000)               | (425,150)               |
| <b>Total loss and comprehensive loss for the period</b> | <b>\$ (975,778)</b>     | <b>\$ (597,149)</b>     | <b>\$ (1,319,440)</b>   | <b>\$ (2,318,957)</b>   |
| Deficit, beginning of period                            | \$ (126,821,108)        | \$ (120,328,828)        | \$ (126,477,447)        | \$ (118,607,020)        |
| <b>Deficit, end of period</b>                           | <b>\$ (127,796,887)</b> | <b>\$ (120,925,977)</b> | <b>\$ (127,796,887)</b> | <b>\$ (120,925,977)</b> |
| Loss per share:                                         |                         |                         |                         |                         |
| Basic and diluted loss per share (note 21)              | (0.02)                  | (0.02)                  | (0.03)                  | (0.08)                  |

## Condensed Consolidated Interim Statement of Cash Flows (Unaudited) (Expressed in United States dollars)

|                                                         | For the three months ended June 30 |                     | For the six months ended June 30 |                     |
|---------------------------------------------------------|------------------------------------|---------------------|----------------------------------|---------------------|
|                                                         | 2023                               | 2022                | 2023                             | 2022                |
| Cash provided by (used in):                             |                                    |                     |                                  |                     |
| Operating activities:                                   |                                    |                     |                                  |                     |
| Loss for the period                                     | \$ (975,778)                       | \$ (597,149)        | \$ (1,319,440)                   | \$ (2,318,957)      |
| Add (deduct) adjustments and items not affecting cash:  |                                    |                     |                                  |                     |
| Depreciation                                            | 919,037                            | 1,018,493           | 1,836,906                        | 2,026,043           |
| Income tax expense                                      | 195,000                            | 212,575             | 390,000                          | 425,150             |
| Stock-based compensation expense                        | 74,286                             | 97,635              | 116,729                          | 195,270             |
| Other interest and finance cost                         | 465,655                            | 403,592             | 933,641                          | 762,982             |
| Interest paid on leases                                 | 53,296                             | 74,669              | 112,075                          | 151,234             |
| Interest earned on lease receivables and other          | (20,852)                           | (15,383)            | (35,980)                         | (30,646)            |
| Fair value adjustment on convertible debt and warrants  | 153                                | (65,400)            | (21,551)                         | (749,382)           |
| Unrealized foreign exchange (gain) loss                 | 15,556                             | (151,697)           | 13,101                           | (61,808)            |
|                                                         | 726,351                            | 977,335             | 2,025,481                        | 399,886             |
| Interest paid                                           | (260,923)                          | (234,720)           | (496,998)                        | (488,234)           |
| Income taxes paid                                       | (194,500)                          | (1,311,000)         | (194,500)                        | (1,311,000)         |
| Changes in non-cash operating working capital:          |                                    |                     |                                  |                     |
| Trade and other receivables                             | (595,478)                          | (1,351,843)         | (449,985)                        | (944,493)           |
| Inventories                                             | (713,767)                          | (52,130)            | (535,914)                        | (80,567)            |
| Prepaid materials, expenses, and deposits               | 628,165                            | (195,190)           | 286,655                          | 402,238             |
| Accounts payable and accrued liabilities                | 847,500                            | (1,216,345)         | 870,264                          | 512,882             |
| Deferred revenue                                        | (663,158)                          | (224,298)           | 173,137                          | (493,376)           |
| <b>Total operating activities</b>                       | <b>(225,810)</b>                   | <b>(3,608,191)</b>  | <b>1,678,140</b>                 | <b>(2,002,664)</b>  |
| Investing activities:                                   |                                    |                     |                                  |                     |
| Purchase of property and equipment                      | (17,067)                           | (12,442)            | (23,831)                         | (15,453)            |
| Principal received on lease receivables                 | 65,963                             | 60,306              | 130,464                          | 119,275             |
| <b>Total investing activities</b>                       | <b>48,896</b>                      | <b>47,864</b>       | <b>106,663</b>                   | <b>103,822</b>      |
| Financing activities:                                   |                                    |                     |                                  |                     |
| Private placement proceeds                              | -                                  | -                   | 306,395                          | -                   |
| Principal lease payments                                | (356,897)                          | (334,352)           | (707,865)                        | (654,104)           |
| Loan repayment                                          | (189,193)                          | -                   | (416,898)                        | -                   |
| Promissory note repayment                               | (311,250)                          | (311,250)           | (622,500)                        | (622,500)           |
| Deferred consideration repayment                        | -                                  | -                   | (675,000)                        | (675,000)           |
| Loan proceeds                                           | -                                  | 1,500,000           | -                                | 4,500,000           |
| <b>Total financing activities</b>                       | <b>(857,340)</b>                   | <b>854,398</b>      | <b>(2,115,868)</b>               | <b>2,548,396</b>    |
| <b>Increase/(Decrease) in cash and cash equivalents</b> | <b>(1,034,254)</b>                 | <b>(2,705,929)</b>  | <b>(331,095)</b>                 | <b>649,554</b>      |
| Cash and cash equivalents, beginning of period          | 4,810,913                          | 5,072,469           | 4,107,754                        | 1,716,986           |
| <b>Cash and cash equivalents, end of period</b>         | <b>\$ 3,776,569</b>                | <b>\$ 2,366,540</b> | <b>\$ 3,776,569</b>              | <b>\$ 2,366,540</b> |

See accompanying notes to Condensed Consolidated Interim Financial Statements

To view the source version of this press release, please visit  
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