This management's discussion and analysis ("MD&A") has been prepared by Hardwoods Distribution Inc. ("HDI" or the "Company") as of May 9, 2019. This MD&A covers our unaudited condensed consolidated interim financial statements as at and for the three month periods ended March 31, 2019 and 2018 ("Interim Financial Statements"). As well, it provides an update to the MD&A section contained in our 2018 Annual Report. The information below should be read in conjunction with our Interim Financial Statements and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017 ("Audited Financial Statements"). Results are reported in Canadian dollars unless otherwise stated, and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as permitted by International Financial Reporting Standards ("IFRS"). For additional information, readers should also refer to our Annual Information Form and other information filed on www.sedar.com.

In this MD&A, references to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income. Furthermore, we discuss certain EBITDA Ratios, such as EBITDA margin (being EBITDA as a percentage of sales), net bank debt-to-EBITDA after rents (net bank debt as described in section 4.3 as compared to EBITDA after rent payments), and certain Liquidity Ratios such as working capital (as defined in section 4.2 of this report) and net bank debt-to-capitalization (net bank debt as compared to capitalization as described in section 4.3). In addition to profit, we consider EBITDA, EBITDA Ratios, and Liquidity Ratios to be useful supplemental measures of our ability to meet debt service and capital expenditure requirements, and we interpret trends in EBITDA and EBITDA Ratios (such as EBITDA margin) as an indicator of relative operating performance.

In this MD&A, references to "Adjusted EBITDA" are EBITDA as defined above, before non-cash Long Term Incentive Plan (LTIP) expense. "Adjusted EBITDA margin" and "net bank debt-to-Adjusted EBITDA after rent" (together the "Adjusted EBITDA Ratios") are as defined above, before non-cash LTIP expense. References to "Adjusted profit", "Adjusted basic profit per share", and "Adjusted diluted profit per share" are profit for the period, basic profit per share, and diluted profit per share, before non-cash LTIP expense. The aforementioned adjusted measures are collectively referenced as "the Adjusted Measures". We consider the Adjusted Measures to be useful supplemental measures of 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, before non-cash LTIP expense.

EBITDA, EBITDA Ratios, Liquidity Ratios and the Adjusted Measures (collectively "the Non-GAAP Measures") are not measures recognized by International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that the Non-GAAP Measures should not replace profit, earnings per share or cash flows (as determined in accordance with IFRS) as an indicator of our performance. Our method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, our Non-GAAP Measures may not be comparable to similar measures presented by other issuers. For a reconciliation between Non-GAAP Measures and measures as determined in accordance with IFRS, please refer to the discussion of Results of Operations described in section 2.0, Working Capital in section 4.2, and Revolving Credit Facilities and Debt Management Strategy in section 4.3 of this report.

Contents

This MD&A includes the following sections:

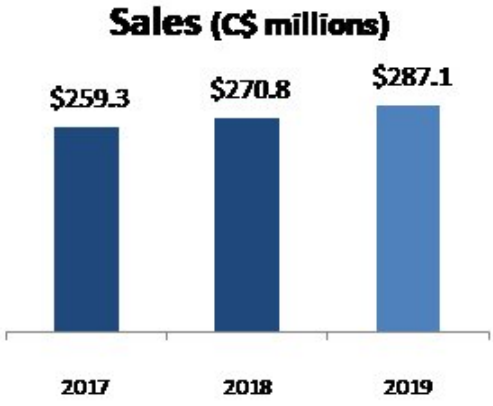
1.0 Executive Summary

1.1 Overview

Our first quarter 2019 results reflect challenging conditions, including severe weather that contributed to lost sales days in a number of our regions and uneven market sentiment that affected certain US construction markets. As a result of these challenges, our first quarter profit and EBITDA results were lower than in the same period in 2018.

Despite these impacts, we generated cash flow from operations of $15.8 million, as compared to cash used in operations of $12.8 million in the first quarter of 2018, an increase of $28.6 million. The improvement in cash flow was achieved through continued careful management of the balance sheet with our investment in non-cash working capital significantly reduced as compared to Q1 2018. The cash flow generated this quarter was primarily used to finance the acquisition of Far West Plywood (see Section 1.2), pay our dividend and repurchase shares, and reduce our bank indebtedness.

Sales for the three months ended March 31, 2019 grew by 6.0% to $287.1 million year-over-year on a combination of acquisitions-based growth and the positive foreign exchange impact of a stronger US dollar when converting US sales to Canadian sales for reporting purposes. Even without the foreign exchange benefit, sales grew 1.6%. Sales growth from acquisitions was 2.7%, partially offset by a 1.1% decrease in organic sales, which was in-line with our expectations and reflected the challenges noted in the first paragraph above.



Note that historical figures above have been restated to comply with IFRS 16 - leases (see Section 6.0 for further details).

Gross profit for the three months ended March 31, 2019 increased by $2.2 million to $51.0 million as a result of our higher sales. As a percentage of sales, we achieved gross profit margin of 17.8%, which was at the higher end of our forecast range of 17-18%.

Our first quarter operating expenses increased by $4.4 million to $41.0 million year-over-year, reflecting the impact of a stronger US dollar on translation of US operating expenses, investments in support of our growth strategy, expenses related to the addition of Acquired Businesses (see Section 1.2), and higher bad debt expense.

This, in turn, contributed to a decrease in first quarter profit to $6.0 million, from $8.1 million in the same period in 2018. The change in profit is primarily attributable to the higher operating expenses and an increase in interest expense, partially offset by higher gross profit dollars and a decrease in income tax expense.

Balance Sheet

Our balance sheet continues to be responsibly managed and our net bank debt-to-Adjusted EBITDA after rent ratio was 2.0 times at the end of the first quarter, net bank debt-to-capital ratio was 28%, and we had $85.8 million of unused borrowing capacity.

Share Repurchase Plan

We believe that the underlying share value of HDI may not be reflected in the market price of our shares and in March 2019, we repurchased 40,000 of our shares for $483,000. In April 2019 we repurchased an additional 54,130 shares for $699,068.

1.2 Recent Acquisitions

Through our acquisition strategy, we continue to enhance our position as North America's #1 distributor of architectural building products, while strengthening our presence in the large US market. Recent acquisition activity (the "Acquired Businesses") includes:

Far West Plywood

On January 28, 2019, we purchased substantially all of the assets and assumed certain liabilities of Far West Plywood ("Far West") for a total value of US$3.6 million. Far West is a single site distributor located in Southern California with estimated annual sales of US$12 million. The addition of Far West represents a contiguous expansion of our current Southern California operations and provides additional size and scale in an attractive growth market.

Certain distribution assets of Atlanta Hardwoods Corporation

On June 11, 2018, we purchased certain of the distribution assets of Atlanta Hardwoods Corporation ("Atlanta") for a total value of US$3.7 million. A distributor of architectural building products, Atlanta brought us three new operations, including two in Georgia and one in Alabama. The Georgia operations will be consolidated into our existing Atlanta and Suwanee facilities, and combined with the new Alabama location, gives us important new size and scale in an attractive and growing region. The new operations are expected to generate US$13 million in annual sales and provide a strong strategic fit with complementary product lines and suppliers.

1.3 Outlook

Despite the slow start to the year, our longer-term view on US construction demand remains positive, supported by the current level of housing starts relative to the long-term average, low levels of current housing inventory, and the favourable demographic characteristics of US consumers. We continue to view the recent softness in US housing markets as a temporary pause and not a directional change, and anticipate sales growth and gross margin percentage improvement later in the year.

Moving forward, we will continue to pursue our strategy of capturing market share in the US, including capitalizing on opportunities in the fragmented US distribution market and growing through acquisitions. As in the first quarter, our near-term focus will remain on responsible management of the balance sheet and meeting our capital allocation priorities, including executing on our robust pipeline of acquisition opportunities and continuing to return value to shareholders in the form of dividends and share re-purchases.

2.0 Results of Operations

2.1 Three Months Ended March 31, 2019 and March 31, 2018

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars)						
		Three months ended March 31 2019		Restated Three months ended March 31 2018	$ Increase (Decrease)	% Increase (Decrease)
Total sales	$	287,087	$	270,755	$ 16,332	6.0 %
Sales in the US (US$)		*190,363*		*185,885*	4,478	2.4 %
Sales in Canada		*34,000*		*35,666*	(1,666)	(4.7)%
Gross profit		51,032		48,861	2,171	4.4 %
Gross profit %		*17.8%*		*18.0%*		
Operating expenses		(41,166)		(36,554)	4,612	12.6 %
Profit from operating activities		9,866		12,307	(2,441)	(19.8)%
Add: Depreciation and amortization		6,830		6,049	781	12.9 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$	16,696	$	18,356	$ (1,660)	(9.0)%
EBITDA as a % of revenue		*5.8%*		*6.8%*		
Add (deduct):						
Depreciation and amortization		(6,830)		(6,049)	(781)	
Net finance income (expense)		(2,297)		(1,672)	(625)	
Income tax expense		(1,589)		(2,517)	928	
Profit for the period	$	5,980	$	8,118	$ (2,139)	(26.3)%
Basic profit per share	$	0.28	$	0.38		
Diluted profit per share	$	0.28	$	0.38		
Average Canadian dollar exchange rate for one US dollar	$	1.33	$	1.26		

Analysis of Specific Items Affecting Comparability (in thousands of Canadian dollars)						
		Three months ended March 31 2019		Restated Three months ended March 31 2018	$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per the table above	$	16,696	$	18,356	$ (1,660)	(9.0)%
Non-cash LTIP expense		586		566	20	
Adjusted EBITDA		17,282	$	18,922	$ (1,640)	(8.7)%
Adjusted EBITDA as a % of revenue		*6.0%*		*7.0%*		
Profit for the period, as reported	$	5,980	$	8,118	$ (2,138)	(26.3)%
Other adjustments, net of tax		514		511	3	
Adjusted Profit	$	6,494	$	8,629	$ (2,135)	(24.7)%
Basic profit per share, as reported	$	0.28	$	0.38	$ (0.10)	(26.3)%
Net impact of above items per share		0.02		0.02	—	
Adjusted basic profit per share	$	0.30	$	0.40	$ (0.10)	(25.0)%
Diluted profit per share, as reported	$	0.28	$	0.38	$ (0.10)	(26.3)%
Net impact of above items per share		0.02		0.02	—	
Adjusted diluted profit per share	$	0.30	$	0.40	$ (0.10)	(25.0)%

Sales

For the three months ended March 31, 2019, total sales increased by 6.0% to $287.1 million, from $270.8 million during the same period in 2018. Of the $16.3 million year-over-year increase, $7.4 million, representing a 2.7% increase in sales, was due to the addition of Acquired Businesses and $12.0 million was related to the positive foreign exchange impact resulting from a stronger US dollar when translating our US sales to Canadian dollars for reporting purposes. These gains were partially offset by a $3.0 million, or 1.1% year-over-year decrease in organic sales. First quarter organic sales were impacted by lost sales days due to severe weather and uneven market sentiment as it related to certain US construction sectors.

Sales from our US operations increased by US$4.5 million, or 2.4%, to US$190.4 million, from US$185.9 million in the same period in 2018. The Acquired Businesses contributed sales of US $5.5 million, partially offset by the US$1.1 million reduction in organic sales. Sales in Canada decreased by $1.7 million, or 4.7%, to $35.6 million.

Gross Profit

Gross profit for the three months ended March 31, 2019 increased 4.4% to $51.0 million, from $48.9 million during the same period in 2018. The $2.2 million improvement reflects higher sales, partially offset by a lower gross profit margin. As a percentage of sales, gross profit margin was 17.8% as compared to 18.0% during the same period in 2018.

Operating Expenses

Operating expenses increased to $41.2 million in the first quarter of 2019, from $36.6 million during the same period in 2018. The $4.6 million increase includes $1.7 million of expenses related to the impact of a stronger US dollar on translation of US operating expenses, $1.3 million of added costs to support our growth strategy, $1.1 million of operating expenses from the Acquired Businesses, and a $0.5 increase in bad debt expense. As a percentage of sales, operating expenses were 14.3%, compared to 13.5% in Q1 2018.

Adjusted EBITDA

For the three months ended March 31, 2019, we reported Adjusted EBITDA of $17.3 million, as compared to $18.9 million during the same period in 2018. The $1.6 million reduction reflects the increase in operating expenses of $3.6 million (before changes in depreciation and amortization), partially offset by the $2.2 million increase in gross profit.

Our EBITDA and Adjusted EBITDA results also reflect our 2019 adoption of IFRS 16 - leases, which affects our calculation of Adjusted EBITDA by converting rent expense to depreciation and interest (see Section 6.0).

Income Tax Expense

Income tax expense decreased to $1.6 million in the first quarter of 2019, from $2.5 million in the same period in 2018. The decrease was primarily driven by lower taxable income in the Q1 2019 period as compared to Q1 2018.

Profit for the Period

Profit for the three months ended March 31, 2019 was $6.0 million, as compared to $8.1 million in the same period in 2018. The $2.2 million decrease primarily reflects the $4.6 million increase in operating expenses and $0.6 million increase in net finance expense, partially offset by the $2.2 million increase in gross profit of and a $0.9 million decrease in income tax expense. First quarter diluted profit per share was $0.28 as compared to $0.38 in Q1 2018.

Adjusted profit for the three months ended March 31, 2019 was $6.5 million, as compared to $8.6 million in the same period in 2018. First quarter Adjusted diluted profit per share was $0.30 as compared to $0.40 in Q1 2018.

3.0 Selected Financial Information and Seasonality

3.1 Quarterly Financial Information

(in thousands of dollars)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
		Restated to comply with IFRS 16 - leases. See section 6.0 for further details						
Total sales	$ 287,087	$ 274,985	$ 290,354	$ 298,172	$ 270,755	$ 249,536	$ 259,483	$ 277,545
Profit	5,980	5,816	7,967	9,838	8,153	4,803	7,142	9,568
Basic profit per share	0.28	0.27	0.37	0.45	0.38	0.22	0.33	0.45
Fully diluted profit per share	0.28	0.27	0.37	0.45	0.38	0.22	0.33	0.44
EBITDA	16,696	16,254	19,750	21,556	18,361	16,067	18,249	22,218
Adjusted profit	6,494	5,548	9,030	11,128	8,664	5,334	8,876	10,399
Adjusted basic profit per share	0.30	0.26	0.42	0.51	0.40	0.24	0.41	0.49
Adjusted diluted profit per share	0.30	0.26	0.42	0.51	0.40	0.24	0.41	0.48
Adjusted EBITDA	17,282	15,993	20,922	23,111	18,927	16,625	20,118	23,120

The preceding table provides selected quarterly financial information for our eight most recently completed fiscal quarters. This information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Historically, the first and fourth quarters have been seasonally slower periods for our business. In addition, net earnings reported in each quarter may be impacted by acquisitions and by changes in the foreign exchange rate of the Canadian and US dollars.

4.0 Liquidity and Capital Resources

4.1 Cash Flows from Operating, Investing and Financing Activities

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars)	Three months ended March 31		
	2019	2018 restated	$ change
Cash provided by operating activities before:			
Changes in non-cash working capital	$ 16,401	$ 18,516	$ (2,115)
Changes in non-cash working capital	(552)	(31,361)	30,809
Net cash provided by (used in) operating activities	15,849	(12,845)	28,694
Net cash used in investing activities	(5,188)	(668)	(4,520)
Net cash provided by (used in) financing activities	(11,416)	13,613	(25,029)
Increase (decrease) in cash	(755)	100	(855)
Cash, beginning of period	1,547	313	1,234
Cash, end of the period	$ 792	$ 413	$ 379

Net cash provided by operating activities

For the three months ended March 31, 2019, net cash provided by operating activities was $15.8 million, compared to net cash used in operating activities of $12.8 million in the same period in 2018. Cash provided by operating activities before changes in non-cash working capital was $16.4 million compared to $18.5 million in the same period in 2018, primarily reflecting a decrease in EBITDA of $1.7 million and an increase in interest paid of $0.4 million. Investment in non-cash working capital decreased by $30.8 million for the three months ended March 31, 2019 as compared to the same period in 2018. An analysis of changes in working capital is provided in section 4.2 of this report.

Net cash used in investing activities

For the three months ended March 31, 2019, net cash used in investing activities increased $4.5 million, primarily relating to the purchase of Far West (see Section 1.2).

Capital expenditures in our distribution business have historically been low as we generally lease our buildings and typically contract out delivery equipment. Capital expenditures in this part of our business are principally for the replacement of forklifts, furniture and fixtures, leasehold improvements and computer equipment. We believe we have made sufficient expenditures to sustain productive capacity of our business as it relates to our needs for property, plant and equipment.

Net cash used in financing activities

For the three months ended March 31, 2019 net cash used in financing activities increased $25.0 million as compared to the same period in 2018, primarily related to the change in bank indebtedness. In Q1 2018 we borrowed $20.8 million, whereas in Q1 2019 we paid down the balance by $2.7 million. We accomplished this through continued careful management of our investment in working capital (see Section 4.2).

4.2 Working Capital

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.

Investments in working capital in the first quarter of Q1 2019 decreased by $30.8 million as compared to Q1 2018, primarily related to continued effective management of inventory and lesser sales activity than in the comparative period.

Our investment in working capital may fluctuate from quarter-to-quarter based on factors such as seasonal sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers. Historically the first and fourth quarters are seasonally slower periods for construction activity, resulting in reduced demand for hardwood products. A summary of changes in our non-cash operating working capital during the three months ended March 31, 2019 and 2018 is provided below.

Changes in working capital (in thousands of Canadian dollars)		
	Three months ended March 31 2019	Restated Three months ended March 31 2018
Uses of funds:		
Accounts receivable	$ (12,737)	$ (17,339)
Inventory	9,562	(11,184)
Prepaid expenses	(2,616)	(1,150)
Accounts payable, accrued liabilities and provisions	5,239	(1,688)
Change in non-cash operating working capital	$ (552)	$ (31,361)

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

4.3 Revolving Credit Facilities and Debt Management Strategy

Selected Unaudited Consolidated Financial Information (in thousands of dollars)				
		As at March 31, 2019		Restated As at December 31, 2018
Cash	$	(792)	$	(1,547)
Bank indebtedness		108,276		112,940
Net bank debt		107,484		111,393
Shareholders' equity		274,561		275,439
Capitalization	$	382,045	$	386,832
Net bank debt to capitalization		**28%**		**29%**
Previous 12 months Adjusted EBITDA	$	77,308	$	78,938
Rental payments related to warehousing and trucks		(23,351)		(22,723)
Previous 12 months Adjusted EBITDA after rent		53,957		56,215
Net bank debt to previous 12 months Adjusted EBITDA after rent		**2.0**		**2.0**

We consider our capital to be bank indebtedness (net of cash) and shareholders' equity. As shown above, our net bank debt balance decreased by $3.9 million to $107.5 million at March 31, 2019, from $111.4 million at December 31, 2018. Overall net bank debt compared to capitalization stood at 28% as at March 31, 2019, compared to 29% at December 31, 2018. At March 31, 2019, our ratio of net bank debt-to-Adjusted-EBITDA after rent for the previous 12 months was 2.0 times, compared to 2.0 times at December 31, 2018. Net bank debt-to-Adjusted-EBITDA after rent and net bank debt to capitalization serve as indicators of our financial leverage, however they are not measures prescribed by IFRS and our method of calculating these measures may differ from methods used by other issuers.

We have independent credit facilities in both Canada and the U.S. These facilities may be drawn down to meet short-term financing requirements such as fluctuations in non-cash working capital, and in the case of the Canadian credit facility, to also make capital contributions to our US operating subsidiary. The amount made available under our Canadian and US revolving credit facilities is limited to the extent of the value of certain accounts receivable and inventories held by our subsidiaries. Credit facilities also require ongoing compliance with certain credit ratios. A summary of our credit facilities as at March 31, 2019 is provided in the following table.

Selected unaudited consolidated financial information (in thousands of dollars)		
	Canadian Credit Facility	**US Credit Facility**
Maximum borrowings under the credit facility	$ 25.0 million	$ 161.2 million (US$125.0 million)
Credit facility expiry date	August 5, 2021	July 14, 2021
Available to borrow	$ 24.7 million	$ 164.4 million (US$123.1 million)
Credit facility borrowings	$ 7.9 million	$ 95.4 million (US$71.5 million)
Unused credit facility	$ 16.8 million	$ 69.0 million (US$51.6 million)
Financial covenants:	Covenants do not apply when the unused credit facility available exceeds $2.0 million	Covenants do not apply when the unused credit facility available exceeds 10% of the maximum borrowings under the credit facility or US$12.5 million

The terms of the agreements with our lenders provide that dividends cannot be made to our shareholders in the event that our subsidiaries are not compliant with their financial covenants. Our operating subsidiaries were compliant with all required credit ratios as at March 31, 2019. Accordingly, there were no restrictions on dividends arising from non-compliance with financial covenants.

We have a US credit facility ("the USLP II Credit Facility") and a Canadian credit facility ("the LP Credit Facility"). The USLP II Credit Facility consists of a revolving credit line of US$125.0 million. The amounts made available under the USLP II Credit Facility are limited based on a borrowing base determined by reference to the value of certain eligible accounts receivable and inventories held by certain of our subsidiaries. The financial covenants under the USLP II Credit Facility include, among others, a springing fixed charge coverage ratio of 1.0x, triggered if unused availability under the USLP II Credit Facility falls below US$12.5 million at any time.

In addition to the financial covenants, the ability of our subsidiaries to pay distributions and dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow assets to become subject to liens, complete affiliate transactions and make capital expenditures are limited and subject to the satisfaction of certain conditions. We were in compliance with these covenants as at March 31, 2019.

The LP Credit Facility consists of a revolving credit line of $25.0 million. The amounts made available under the LP Credit Facility are limited based on a borrowing base determined by reference to the value of certain eligible accounts receivable and inventories held by our

Canadian subsidiary. The covenants under the LP Credit Facility relate to our Canadian subsidiary and include, among others: (i) a springing fixed charge covenant ratio of 1.0x, triggered if unused availability under the LP Credit Facility falls below $2.0 million, and (ii) restrictions on our ability to pay distributions and dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow our assets to become subject to liens, complete affiliate transactions and make capital expenditures. We were in compliance with these covenants as at March 31, 2019.

Our debt management strategy is to roll and renew (as opposed to repay and retire) our credit facilities as they expire. We do not intend to restrict future dividends in order to fully extinguish our bank debt obligations upon their maturity. The amount of bank 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 decisions, we will consider the amount of financial leverage, and therefore bank debt, we believe is appropriate given existing and expected market conditions and available business opportunities. We do not target a specific financial leverage amount. We believe our current credit facilities are sufficient to finance our working capital needs and market expansion strategy.

4.4 Contractual Obligations

There were no significant changes in our contractual commitments outside the normal course of business, compared with those set forth in the Company's 2018 Annual Report, available on SEDAR at www.sedar.com.

4.5 Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

4.6 Financial Instruments

Financial assets include cash and current and non-current receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, accounts payable and accrued liabilities, income taxes payable, dividend payable, notes payable and finance lease obligations which are measured at amortized cost. The carrying values of our cash, current accounts receivable, income taxes payable, accounts payable and accrued liabilities, and dividend payable approximate their fair values due to the relatively short period to maturity of the instruments. The fair value of non-current receivables, notes payable and finance lease obligations are not

expected to differ materially from carrying value given the interest rates being charged and term to maturity. The carrying values of the credit facilities approximate their fair values due to the existence of floating market-based interest rates.

4.7 Share Data

As at May 9, 2019, the date of this MD&A, we had 21,499,116 common shares issued and outstanding. In addition, at May 9, 2019, we had outstanding 91,429 performance shares and 128,514 restricted shares under the terms of our long-term incentive plan. The performance and restricted shares can be settled in common shares of the Company issued from treasury, common shares purchased by us in the market, or in an amount of cash equal to the fair value of our common shares, or any combination of the foregoing. The restricted and performance shares vest over periods of up to three years and employees have the option, when the restricted and performance share vest, to receive up to half the fair value in cash and the remainder in common shares. We intend to issue common shares from treasury to settle the portion of the obligation not paid to employees in cash.

4.8 Dividends

In the first quarter of 2019, we declared a quarterly dividend of $0.08 per share, which was paid on April 26, 2019 to shareholders of record as at April 15, 2019. On May 9, 2019 we declared a quarterly dividend of $0.08 per share, payable on July 26, 2019 to shareholders of record as at July 15, 2019. The Board regularly assesses our dividend strategy, giving due consideration to anticipated cash needs for additional working capital to support growing the business, appropriate debt levels, acquisition opportunities which may be available, expected market conditions, demand for our products, and other factors.

5.0 Related Party Transactions

There were no material related party transactions in the three months ended March 31, 2019 or in the comparative period in the prior year.

6.0 Critical Accounting Estimates & Adoption of Changes in Accounting Policies

6.1 Critical Accounting Estimates

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:

Adoption of IFRS 16 - leases: We are required to make estimates and assumptions related to adoption of IFRS 16 - leases, including the discount rates used for each lease, determining the lease term, and consideration of lease renewal options.

Goodwill impairment testing: We are required to make estimates and assumptions related to the annual goodwill impairment test, including the cash generating unit ("CGU") to which goodwill relates, the recoverable amount of a CGU, future cash flows and growth rates, and the post-tax discount rate.

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

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

6.2 Adoption of New Accounting Policies

IFRS 16, Leases ("IFRS 16")

Effective January 1, 2019 we adopted IFRS 16, and elected to apply this new standard using the full retrospective approach. The adoption of IFRS 16 had a material impact on our consolidated financial statements, including the comparative information. For a summary of the financial statement line items affected, see our Interim Financial Statements.

The main impact of IFRS 16 was the recognition of lease assets and lease liabilities on the balance sheet for those leases that were previously classified as operating leases. As it relates to the Company, our operating leases were principally comprised of our warehouse facilities and automobiles. Under IFRS 16, we are required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method.

The adoption of IFRS 16 did not have a significant impact on profit. The adoption of IFRS 16 however did have a material impact on the balance sheet related to the recording of a right-of-use asset and related lease liability (see Interim Financial Statements for a summary of the impact).

The adoption of IFRS 16 also had a material impact on EBITDA and Adjusted EBITDA since the rental payments related to the operating leases described above are now reclassified as either interest expense or depreciation. EBITDA and Adjusted EBITDA increased by $6.0 million and $5.4 million for the periods ended March 31, 2019 and 2018 respectively as a result of IFRS 16. The Company expects a similar impact for the remaining quarters in 2019 and comparative periods, however this could change depending on the effect of new leases not yet considered, changes in estimates relating to lease renewal rates, and other factors.

7.0 Risks and Uncertainties

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 are aware of in our Annual Information Form which is available to readers along with other disclosure documents at www.sedar.com.

8.0 Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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. There have been no changes in our ICFR during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our ICFR.

9.0 Note Regarding Forward Looking Information

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

The forward-looking information in this MD&A includes, but is not limited to: We believe that the underlying share value of HDI may not be reflected in the market price of our shares; Our longer-term view on US construction demand remains positive; we continue to view the recent softness in US housing markets as a temporary pause and not a directional change and anticipate sales growth and gross margin percentage improvement later in the year; we will continue to pursue our strategy of capturing market share in the US, including capitalizing on opportunities in the fragmented US distribution market and growing through acquisitions; our near-term focus will remain on responsible management of the balance sheet and meeting our capital allocation priorities, including executing on our robust pipeline of acquisition opportunities and continuing to return value to shareholders in the form of dividends and share re-purchases; 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 have been seasonally slower periods for our business; net earnings reported in each quarter may be impacted by acquisitions and by changes in the foreign exchange rate of the Canadian and US dollars; our investment in working capital may fluctuate from quarter-to-quarter; historically the first and fourth quarters are seasonally slower periods for construction activity, resulting in reduced demand for hardwood products; we do not intend to restrict future dividends in order to fully extinguish our bank debt obligations upon their maturity; the amount of bank 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 decisions, we will consider the amount of financial leverage, and therefore bank debt, we believe is appropriate given existing and expected market conditions and available business opportunities; we believe our current credit facilities are sufficient to finance our working capital needs and market expansion strategy; EBITDA and Adjusted EBITDA increased by $6.0 million and $5.4 million for the periods ended March 31, 2019 and 2018 respectively as a result of IFRS 16 and the Company expects a similar impact for the remaining quarters in

2019 and comparative periods, however this could change depending on the effect of new leases not yet considered, changes in estimates relating to lease renewal rates, and other factors.

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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 are no decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods 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 EBITDA margins; we are able to grow our business long term and to manage our growth; there is no new competition in our markets that leads to reduced revenues and profitability; we do not become subject to more stringent regulations; we do not become subject to product liability claims that could adversely affect our revenues, profitability and reputation; importation of products manufactured with hardwood lumber or sheet goods does not increase and replace products manufactured in North America; our management information systems upon which we are dependent are not impaired; our insurance is sufficient to cover losses that may occur as a result of our operations; and, the financial condition and results of operations of our business upon which we are dependent is not impaired.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations between the Canadian and US dollar could affect our performance; our results are dependent upon the general state of the economy; we depend on key personnel, the loss of which 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 EBITDA margins; we may be unable to grow our business long term to manage any growth; competition in our markets may lead to reduced revenues and profitability; we may become subject to more stringent regulations; we may be subject to product liability claims that could adversely affect our revenues, profitability and reputation; importation of products manufactured with hardwood lumber or sheet goods may increase, and replace products manufactured in North America; we

are dependent upon our management information systems; our insurance may be insufficient to cover losses that may occur as a result of our operations; we are dependent upon the financial condition and results of operations of our business; our credit facilities affect our liquidity, contain restrictions on our ability to borrow funds, and impose restrictions on distributions that can be made by our operating limited partnerships; our future growth may be restricted by the payout of substantially all of our operating cash flow; and, other risks described in our Annual Information Form our Information Circular and in this MD&A.

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.