Management's Discussion and Analysis

August 11, 2022

This management's discussion and analysis ("MD&A") has been prepared by Hardwoods Distribution Inc. ("HDI" or the "Company") as of August 11, 2022. This MD&A covers our unaudited condensed consolidated interim financial statements as at and for the three and six month periods ended June 30, 2022 and 2021 ("Interim Financial Statements"). As well, it provides an update to the MD&A section contained in our 2021 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, 2021 and 2020 ("Audited Financial Statements"). Results are reported in U.S. 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 Financial Ratios, such as EBITDA margin (being EBITDA as a percentage of sales), net debt-to-EBITDA after rents (net 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), net debt-to-capitalization (net debt as compared to capitalization as described in section 4.3), and operating cash flow before changes in working capital, per share (as defined in section 4.1 of this report). In addition to profit, we consider EBITDA, Financial 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, Financial Ratios, and Liquidity Ratios 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 and transaction expenses. "Adjusted EBITDA margin" and "net debt-to-Adjusted EBITDA after rent" (together the "Adjusted EBITDA Ratios") are as defined above, before non-cash LTIP expense and transaction expenses. 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 and transaction expenses. 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 and transaction expenses.

EBITDA, Financial 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.

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1.0 Executive Summary

1.1 Overview

Our record-setting pace continued in the second quarter as we eclipsed the all-time highs for quarterly sales set just one quarter ago. Our record performance reflects a combination of favorable market conditions, excellent execution on the strategic and operating fronts, and the significant benefits of our Q3 2021 acquisition of Novo Building Products Holdings LLC ("Novo") and Q1 2022 acquisition of Mid-Am Building Supply, Inc. ("Mid-Am"). Please see section 1.2 "Recent Acquisitions" for further details of these transactions.

As we anticipated, consumer demand and product pricing were resilient through the second quarter, despite an environment of higher interest rates.

Our results year-to-date continue to reflect HDI's successful growth strategy and diversified market position. In the past five years, and on a pro forma basis, we have added over $1.1 billion in annual revenues via acquisitions, and we have further bolstered our revenues with strong organic sales growth. Our business is not only larger, but more diversified than ever from a customer segment and end-market perspective, and we have enhanced our geographic and product diversification as well. HDI now operates 86 locations across North America, which limits our exposure to any one region, and on a pro forma basis, no individual product category exceeds 20% of our sales mix. Our product mix is also generally comprised of specialty, higher-margin products that are installed during the finishing stages of construction projects.

Combined, our large platform and proven business model have provided us with competitive advantages, helping us achieve profitability improvements over time. Over the long term, our strategic plan includes continued growth both organically and via acquisitions, and we will continue to apply our proven formula for identifying, assessing, and integrating targeted opportunities.

Summary financial highlights (Q2 2022 as compared to Q2 2021)

- **Sales** grew 107.2% to $700.3 million, an increase of $362.2 million
    - Organic sales growth of 23.1%; acquisition-based growth of 84.7%
- **Gross margin percentage** of 22.0%, similar to 22.5% in Q2 2021
- **Operating expenses** represented 13.3% of sales, as compared to 12.4% last year
- **Profit per share** grew to $1.77 per share, an increase of $0.63, or 54.9%
- **Adjusted EBITDA** climbed 78.6% to $78.6 million; **Adjusted EBITDA margin** of 11.2%, as compared to 13.0% in the comparative period
- **Operating cash flow before changes in working capital, per share** grew to $1.79, an increase of $0.25 or 16.2%
- **Return of capital to shareholders** of approximately $10 million, comprised of share repurchases and quarterly dividends

On the topline, second quarter sales more than doubled to $700.3 million, the best quarterly result in HDI's history and up $362.2 million year-over-year. Organic sales generated $78.2 million of this growth, representing a 23.1% gain in sales as strong market demand contributed to increased market prices for our products. Acquired businesses contributed another $286.2 million or 84.7% to total sales, reflecting the addition of the Novo and Mid-Am operations.

Our record sales performance was paired with a strong second quarter gross margin percentage of 22.0%. This gross margin performance reflects favorable demand/supply dynamics and the strength of our price pass-through model, which keeps our selling prices closely aligned with changes in product costs. This is especially critical when demand-supply imbalances drive up product costs as we have experienced in the past year and a half.

The combination of record sales and strong gross profit percentage contributed to quarterly profitability. Second quarter Adjusted EBITDA climbed 78.6% year-over-year to near quarterly high of $78.6 million and profit per share grew 54.9% to $1.77.

Consistent with our strategy of pursuing profitable growth, our balance sheet remains responsibly managed. Our Leverage Ratio at the end of the second quarter (see section 4.3) was 2.9 times, reflecting our recent purchases of the Mid-Am and Novo businesses. Both transactions were financed in part with our renegotiated credit facilities, making efficient use of our strong balance sheet. The remainder was financed with the issuance of equity in December of 2021.

We ended the second quarter with significant unused borrowing capacity of over $165 million, which will enable us to manage any short-term economic headwinds, fund anticipated future growth, and continue executing on our strategies.

Going forward, our capital allocation priorities will continue to include paying down debt, supporting organic growth, growing through acquisitions where we see appropriate and accretive opportunities, and returning value to shareholders in the form of dividends and share repurchases. As it relates to share repurchases, we believe that the market price of HDI's common shares may not, from time to time, reflect the underlying value of the Company. In the first half of 2022 we repurchased 335,753 common shares for CAD$10.6 million, and we will continue to assess share repurchases as a component of our capital allocation plan going forward.

1.2 Recent Acquisitions

Over the last five years HDI has completed 11 acquisitions, adding annual pro forma revenue of over $1.1 billion. These transactions have diversified our product offering such that no individual product category exceeds 20% of our pro forma sales mix, and at the same time, significantly expanded the proportion of our revenues sourced from higher-margin specialty products. Our acquisitions have also broadened our customer segments to include fabricators, Pro Dealers, and home centers, increasing our access to large new addressable markets in the process.

Our two most recent acquisitions, Mid-Am and Novo, have enhanced our growth trajectory and strengthened HDI's position as one of North America's largest suppliers of specialty building products to fabricators, home centers and Pro Dealers servicing the new residential, repair and remodel, and commercial construction end-markets.

Mid-Am Acquisition

On February 7, 2022 we completed the acquisition of Mid-Am, a leading distributor of architectural grade building products to Pro Dealers in the U.S. Midwest, for a purchase price of $270 million, subject to final working capital adjustments (the "Mid-Am Transaction"). The Mid-Am Transaction is expected to be 15% accretive to our 2022 earnings per share on a pro forma basis, with further upside expected from synergies over time. Mid-Am is expected to generate annual pro forma revenues of $270 million.

Strategically, the Mid-Am acquisition represents a natural geographic extension to our current footprint, providing access to customers and markets in the U.S. Midwest that we did not reach previously. Mid-Am's product mix includes doors, millwork and other diversified building materials, which is complementary to our own.

Novo Acquisition

On July 30, 2021 we completed the acquisition of Novo, a leading U.S. distributor of architectural grade building products to home centers and to home builder distribution yards in the U.S., for a purchase price of $307 million, including final working capital adjustments (the "Novo Transaction"). The Novo business has performed well, generating annualized pro forma revenue of over $670 million and annualized pro forma EBITDA of over $60 million in 2021, which was in line with our expectations.

Strategically, the Novo acquisition has significantly enhanced HDI's size and scale, with the addition of 14 facilities primarily in the Eastern and Midwestern U.S., Florida and Texas, and no significant geographic or customer overlap. Novo also provides valuable turnkey entry to the home center customer segment where it acts as a critical product category manager in both the physical and digital store aisles. Novo's product mix includes mouldings and millwork, stair systems, decorative boards, and doors, all of which are complementary to our own product offering.

1.3 Outlook

Over the long term, we expect demand for our products to remain resilient, supported by strong fundamentals in our end markets. We also continue to see a multi-year runway for growth in the repair and remodel, residential, and commercial end-markets that we participate in.

In the nearer term, rising inflation and recent interest rate hikes could have a negative impact on economic activity. As we have demonstrated in previous cycles, we will take all necessary actions required to effectively manage our business and cash flows. We maintain a strong balance sheet which provides financial stability through periods of changing market conditions. Our business model also converts a high proportion of EBITDA to operating cash flow before changes in working capital, and during periods of reduced activity our investment in working capital has historically decreased, resulting in an additional source of cash.

Outlook for our end-markets

The **repair and remodel market (~40% of sales)** is benefiting from current market trends. The increase in mortgage rates may effectively "lock in" current homeowners by offering a financial incentive to stay in existing homes that were financed at lower mortgage rates. At the same time, home equity per owner is at record levels and the median age of homes in the U.S. is over 40 years, helping to support strong levels of repair and remodeling activity. These trends are expected to be an important driver of multi-year demand for our products.

In the **residential construction market (~40% of sales)**, new building starts are expected to moderate in the near term as affordability headwinds weigh on consumers. However, given that housing completions have not kept pace with starts over the past quarters, we expect to see an elongated demand curve for our products, which are typically installed during the finishing stages of home construction. Over the longer term, leading indicators for the residential construction market remain highly favourable. Housing starts have meaningfully lagged population growth this past decade, and it is estimated that the U.S. has a housing supply deficit of over 3.5 million units. This supply deficit, combined with positive demographic factors, is expected to underpin long-term demand for new housing.

The demand outlook for U.S. **commercial markets (~15% of sales)** is mixed, with some sectors showing strength and others recovering at a slower pace. Commercial market participation is highly diverse for HDI and includes construction activity in healthcare, education, public buildings, hospitality, office, retail facilities and recreational vehicles. We expect certain of these commercial end markets will perform better than others, with the broad nature of our participation reducing the impact of dynamics in any one geography or end market.

2.0 Results of Operations

2.1 Three-Month Periods Ended June 30, 2022 and 2021

Selected Consolidated Financial Information (in thousands of US dollars)

		Three months ended June 30 2022		Three months ended June 30 2021	$ Increase (Decrease)	% Increase (Decrease)
Total sales	**$**	**700,263**	$	338,014	$ 362,249	107.2 %
Sales in the US		**645,899**		291,358	354,541	121.7 %
Sales in Canada (CAD$)		**69,412**		57,559	11,853	20.6 %
Gross profit		**153,829**		75,934	77,895	102.6 %
Gross profit %		***22.0%***		*22.5%*		
Operating expenses		**(92,875)**		(41,930)	50,945	121.5 %
Profit from operating activities	**$**	**60,954**	$	34,004	$ 26,950	79.3 %
Add: Depreciation and amortization		**16,487**		6,202	10,285	165.8 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	**$**	**77,441**	$	40,206	$ 37,235	
EBITDA as a % of revenue		***11.1%***		*11.9%*		
Add (deduct):						
Depreciation and amortization		**(16,487)**		(6,202)	(10,285)	
Net finance expense		**(5,789)**		(1,355)	(4,434)	
Income tax expense		**(13,250)**		(8,341)	(4,909)	
Profit for the period	**$**	**41,915**	$	24,310	$ 17,606	72.4 %
Basic profit per share	**$**	**1.77**	$	1.14		
Diluted profit per share	**$**	**1.76**	$	1.13		
Average US dollar exchange rate for one Canadian dollar	**$**	**0.783**	$	0.814		

Analysis of Specific Items Affecting Comparability (in thousands of US dollars)

		Three months ended June 30 2022		Three months ended June 30 2021	$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	**$**	**77,441**	$	40,206	$ 37,235	92.6 %
Non-cash LTIP expense		**1,152**		1,622	(470)	
Transaction expense		**—**		2,168	$ (2,168)	
Adjusted EBITDA	**$**	**78,593**	$	43,996	$ 34,597	78.6 %
Adjusted EBITDA as a % of revenue		***11.2%***		*13.0%*		
Profit for the period, as reported	**$**	**41,915**	$	24,310	$ 17,605	72.4 %
Adjustments, net of tax		**1,049**		3,127	(2,078)	
Adjusted profit for the period	**$**	**42,964**	$	27,437	$ 15,527	56.6 %
Basic profit per share, as reported	**$**	**1.77**	$	1.14	$ 0.63	54.9 %
Net impact of above items per share		**0.04**		0.15	(0.11)	
Adjusted basic profit per share	**$**	**1.81**	$	1.29	$ 0.52	40.3 %
Diluted profit per share, as reported	**$**	**1.76**	$	1.13	$ 0.63	55.4 %
Net impact of above items per share		**0.04**		0.15	(0.11)	
Adjusted diluted profit per share	**$**	**1.80**	$	1.28	$ 0.52	40.6 %

Sales

For the three months ended June 30, 2022, consolidated sales climbed to a record $700.3 million, an increase of $362.2 million, or 107.2%, from $338.0 million in the same period in 2021. Organic sales growth accounted for $78.2 million of this gain, representing a 23.1% increase in consolidated sales. The Novo and Mid-Am businesses ("Acquired Businesses") contributed an additional $201.7 million and $84.5 million of sales growth respectively, representing a combined 84.7% increase in sales from the Acquired Businesses. The increase in revenue was partially offset by $2.1 million of unfavorable foreign exchange impact.

Second quarter sales from our U.S. operations grew to $645.9 million, an increase of $354.5 million, or 121.7%, from $291.4 million in the same period in 2021. Organic sales growth accounted for $68.3 million of this improvement, representing a 23.5% increase in U.S. sales. The strong organic growth was primarily supported by robust market demand, which in turn contributed to improved product prices. The Novo and Mid-Am operations contributed an additional $286.2 million to second quarter U.S. sales growth, representing a 98.2% increase in U.S. sales.

In Canada, second quarter sales increased by C$11.9 million, or 20.6%, compared to the same period in 2021. The Canadian sales growth was entirely organic and reflects continued strong market demand, which has resulted in improved market prices for our products year-over-year.

Gross Profit

Gross profit for the second quarter grew 102.6% to $153.8 million, from $75.9 million in the same quarter last year. This $77.9 million improvement reflects significant organic sales growth together with the addition of sales from the Acquired Businesses. Our second quarter gross profit margin of 22.0% was similar to the 22.5% achieved in the same period last year.

Operating Expenses

For the three months ended June 30, 2022, operating expenses increased by $50.9 million to $92.9 million, from $41.9 million in Q2 2021. As a percentage of sales, operating expenses were higher at 13.3%, as compared to 12.4% in the same period last year.

The $50.9 million increase in operating expenses includes $40.3 million related to the operations of the Novo and Mid Am businesses, $8.4 million to support organic growth, and $4.9 million of amortization on intangible assets acquired in connection with the Novo and Mid-Am acquisitions. These increases were partially offset by $2.2 million of Novo-related transaction costs incurred in Q2 2021, which did not repeat in 2022.

Depreciation and Amortization

For the three months ended June 30, 2022, depreciation and amortization increased to $16.5 million, from $6.2 million in Q2 2021. This $10.3 million increase relates to the acquisition and operations of the Novo and Mid-Am businesses and is primarily comprised of $4.9 million of amortization on acquired intangible assets, and $5.2 million from depreciation related to operations.

Net Finance Expense

For the three months ended June 30, 2022, net finance expense increased to $5.8 million, from $1.4 million last year. The increase was primarily driven by a higher interest on bank indebtedness used to finance the acquisitions of Novo and Mid-Am, and higher interest rates.

Income Tax Expense

For the three months ended June 30, 2022, income tax expense increased to $13.2 million, from $8.3 million last year. This increase primarily reflects higher taxable income.

Adjusted EBITDA

Second quarter Adjusted EBITDA climbed 78.6% to $78.6 million, from $44.0 million during the same period in 2021. The $34.6 million improvement was driven primarily by the $77.9 million increase in gross profit, partially offset by the $43.3 million increase in operating expenses (before changes in depreciation and amortization, non-cash LTIP expense, and transaction expenses).

Profit for the Period

Profit for the second quarter grew 72.4% to $41.9 million, from $24.3 million in Q2 2021. The $17.6 million improvement primarily reflects the $37.2 million increase in EBITDA, partially offset by a $10.3 million increase in depreciation and amortization, the $4.9 million increase in income tax expense, and the $4.3 million increase in net finance expense.

For the three months ended June 30, 2022, basic profit per share climbed 54.9% to $1.77, from $1.14 in Q2 2021. Adjusted profit increased 56.6% to $43.0 million, from $27.4 million in Q2 2021 and Adjusted diluted profit per share grew 40.6% to $1.80, from $1.28 in the same period last year.

2.2 Six-Month Periods Ended June 30, 2022 and 2021

Selected Consolidated Financial Information (in thousands of US dollars)							
		Six months ended June 30 2022		Six months ended June 30 2021		$ Increase (Decrease)	% Increase (Decrease)
Total sales	$	1,345,149	$	629,173	$	715,976	113.8 %
Sales in the US		1,237,121		543,654		693,467	127.6 %
Sales in Canada (CAD$)		137,357		106,875		30,482	28.5 %
Gross profit		301,611		133,830		167,781	125.4 %
Gross profit %		*22.4%*		*21.3%*			
Operating expenses		(177,647)		(80,857)		96,790	119.7 %
Profit from operating activities	$	123,964	$	52,973	$	70,991	134.0 %
Add: Depreciation and amortization		31,693		12,315		19,378	157.4 %
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$	155,657	$	65,287	$	90,370	138.4 %
EBITDA as a % of revenue		*11.6%*		*10.4%*			
Add (deduct):							
Depreciation and amortization		(31,693)		(12,315)		(19,378)	
Net finance expense		(11,171)		(2,861)		(8,310)	
Income tax expense		(27,390)		(12,808)		(14,582)	
Profit for the period	$	85,403	$	37,303	$	48,100	128.9 %
Basic profit per share	$	3.60	$	1.75			
Diluted profit per share	$	3.58	$	1.73			
Average US dollar exchange rate for one Canadian dollar	$	0.786	$	0.802			

Analysis of Specific Items Affecting Comparability (in thousands of US dollars)							
		Six months ended June 30 2022		Six months ended June 30 2021		$ Increase (Decrease)	% Increase (Decrease)
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	$	155,657	$	65,287	$	90,370	138.4 %
Non-cash LTIP expense		1,850		2,288		(438)	
Transaction expense		892		2,168		(1,276)	
Adjusted EBITDA	$	158,399	$	69,743	$	88,656	127.1 %
Adjusted EBITDA as a % of revenue		*11.8%*		*11.1%*			
Profit for the period, as reported	$	85,403	$	37,303	$	48,100	128.9 %
Adjustments, net of tax		2,299		3,732		(1,433)	(38.4)%
Adjusted profit for the period	$	87,702	$	41,035	$	46,667	113.7 %
Basic profit per share, as reported	$	3.60	$	1.75	$	1.85	105.7 %
Net impact of above items per share		0.10		0.18		(0.08)	(46.1)%
Adjusted basic profit per share	$	3.70	$	1.93	$	1.77	91.6 %
Diluted profit per share, as reported	$	3.58	$	1.73	$	1.85	106.7 %
Net impact of above items per share		0.10		0.17		(0.07)	(43.4)%
Adjusted diluted profit per share	$	3.68	$	1.90	$	1.78	93.7 %

Sales

For the six months ended June 30, 2022, consolidated sales climbed to $1.3 billion, an increase of $716.0 million, or 113.8%, from $629.2 million in the same period in 2021. Organic sales growth accounted for $192.9 million of this gain, representing a 30.7% increase in consolidated sales. The Novo and Mid-Am businesses contributed an additional $394.6 million and $136.9 million of sales growth respectively, representing a combined 84.5% increase in sales from the Acquired Businesses. These gains were partially offset by the first quarter 2021 divestiture of our HMI business, which resulted in $6.4 million of sales from the first half of 2021 not recurring in the current period. Foreign exchange fluctuations in the Canadian dollar also had an unfavorable $2.1 million impact on sales results.

First-half sales from our U.S. operations grew to $1.2 billion, a year-over-year increase of $693.5 million, or 127.6%, from $543.7 in the same period last year. Organic sales growth accounted for $168.3 million of this improvement, representing a 31.0% year-over-year increase in U.S. sales. The strong organic growth was primarily supported by robust market demand, which in turn contributed to improved product prices. The Novo and Mid-Am operations contributed an additional $531.6 million to first-half U.S. sales growth, representing a 97.8% increase in U.S. sales.

In Canada, sales for the first six months increased by C$30.5 million, or 28.5%, compared to the same period in 2021. The Canadian sales growth was entirely organic and reflects continued strong market demand, which has resulted in improved market prices for our products year-over-year.

Gross Profit

Gross profit for the first half grew 125.4% to $301.6 million, from $133.8 million in the same period last year. This $167.8 million improvement reflects our significant organic and acquisition-based sales growth. At 22.4%, our gross profit margin was higher than the 21.3% we achieved in the same period last year. The increase in gross profit percentage includes the impact of favorable changes in product mix, and the successful execution of our internal strategies designed to improve gross margin percentage over time.

Operating Expenses

For the six months ended June 30, 2022, operating expenses were $177.6 million as compared to $80.9 million in the same period last year, an increase of $96.8 million. As a percentage of sales, operating expenses were well controlled at 13.2%, similar to 12.9% in the first half of last year.

The $96.8 million increase in operating expenses includes $75.6 million related to the operations of our newly acquired Novo and Mid Am businesses, $14.9 million to support organic growth, and $9.0 million of amortization on intangible assets acquired in connection with the Novo and Mid-Am acquisitions. These increases were partially offset by $1.3 million of Novo-related transaction costs incurred in the first half of 2021, which did not repeat in the 2022 period.

Depreciation and Amortization

For the six months ended June 30, 2022, depreciation and amortization increased by $19.4 million to $31.7 million, from $12.3 million in the prior-year period. This increase relates to the acquisition and operations of the Novo and Mid-Am businesses and is primarily comprised of $9.0 million of amortization on acquired intangible assets, and $10.3 million from depreciation related to operations.

Net Finance Expense

For the six months ended June 30, 2022, net finance expense increased to $11.2 million, from $2.9 million last year. The increase was primarily driven by a higher interest on bank indebtedness used to finance the acquisitions of Novo and Mid-Am.

Income Tax Expense

For the six months ended June 30, 2022, income tax expense increased to $27.4 million, from $12.8 million last year, primarily driven by a higher taxable income.

Adjusted EBITDA

First-half 2022 Adjusted EBITDA climbed 127.1% to $158.4 million, from $69.7 million in the same period of 2021. The $88.7 million improvement reflects the $167.8 million increase in gross profit, partially offset by the $79.1 million increase in operating expenses (before changes in depreciation and amortization, non-cash LTIP expense, and transaction expenses).

Profit for the Period

Profit for the first six months grew 128.9% to $85.4 million, from $37.3 million in the first half of 2021. The $48.1 million profit improvement primarily reflects the $90.4 million increase in EBITDA, partially offset by a $19.4 million increase in depreciation and amortization, the $14.6 million increase in income tax expense and the $8.3 million increase in net finance expense.

For the six months ended June 30, 2022, basic profit per share climbed 105.7% to $3.60, from $1.75 in the same period last year. Adjusted profit increased 113.7% to $87.7 million, from $41.0 million in the first half of 2021 and Adjusted diluted profit per share grew 93.7% to $3.68, from $1.90 in the same period last year.

3.0 Selected Financial Information and Seasonality

Quarterly Financial Information

(in thousands of US dollars)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Total sales	**$700,263**	$644,883	$515,353	$471,673	$338,014	$291,159	$236,515	$237,086
Profit	**41,915**	43,487	32,145	33,696	24,310	12,993	5,825	7,845
Basic profit per share	**1.77**	1.83	1.47	1.58	1.14	0.61	0.28	0.37
Fully diluted profit per share	**1.76**	1.82	1.46	1.56	1.13	0.61	0.27	0.37
EBITDA	**77,441**	78,214	58,987	60,635	40,206	25,080	15,666	17,232
Adjusted profit	**42,964**	44,737	34,391	36,275	27,437	13,608	8,140	9,387
Adjusted basic profit per share	**1.81**	1.88	1.57	1.70	1.29	0.64	0.39	0.45
Adjusted diluted profit per share	**1.80**	1.87	1.56	1.68	1.28	0.64	0.38	0.45
Adjusted EBITDA	**78,593**	79,801	61,658	63,826	43,996	25,756	18,601	19,579

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 U.S. 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 US dollars)	Three months ended June 30			Six months ended June 30		
	2022	**2021**	**$ change**	**2022**	**2021**	**$ change**
Cash provided by operating activities before changes in non-cash working capital	**$ 42,715**	$ 33,095	$ 9,620	**$ 118,046**	$ 58,025	$ 60,021
Changes in non-cash working capital	**(16,093)**	(54,545)	38,452	**(121,679)**	(93,365)	(28,314)
Net cash (used in) provided by operating activities	**26,622**	(21,450)	48,072	**(3,633)**	(35,340)	31,707
Net cash (used in) provided by investing activities	**(7,593)**	(3,897)	(3,696)	**(276,543)**	5,237	(281,780)
Net cash (used in) provided by financing activities	**(32,065)**	20,511	(52,576)	**277,363**	31,986	245,377
(Decrease) increase in cash and cash equivalents	**(13,036)**	(4,836)	(8,200)	**(2,813)**	1,883	(4,696)
Cash and cash equivalents, beginning of period	**16,405**	7,212	9,193	**7,762**	459	7,303
Foreign exchange gain (loss) on cash position held in a foreign currency	**1,533**	163	1,370	**(47)**	197	(244)
Cash and cash equivalents, end of the period	**$ 4,902**	$ 2,539	$ 2,363	**$ 4,902**	$ 2,539	$ 2,363
Weighted average common shares (in thousands) - diluted	**23,874**	21,552		**23,882**	21,518	
Cash provided by operating activities before changes in non-cash working capital, per share	**$ 1.79**	$ 1.54	$ 0.25	**$ 4.94**	$ 2.70	$ 2.24

Net cash used in operating activities

For the three months ended June 30, 2022, net cash provided by operating activities increased to $26.6 million, from net cash used of $21.5 million in the same period last year, a change of $48.1 million. This primarily reflects a a $38.5 million increase in cash provided by changes in non-cash working capital, together with a $9.6 million increase in cash provided by operating activities before changes in non-cash working capital (see section 4.2 for further details).

For the six months ended June 30, 2022, net cash used by operating activities was $3.6 million, as compared to $35.3 million in the same period last year, an increase of $31.7 million. This primarily reflects a $60.0 million increase in cash generated by operating activities before working capital, partially offset by $28.3 million additional cash used in non-cash working capital (see section 4.2 for further details). The $60.0 million increase in cash generated by operating activities before working capital was primarily driven by the $48.1 million increase in profit for the period and a $19.4 million higher adjustment for depreciation and amortization.

Net cash used in investing activities

For the three months ended June 30, 2022, net cash used in investing activities increased by $3.7 million to $7.6 million, primarily driven by an increase in investments and additions to property, plant and equipment.

For the six months ended June 30, 2022, net cash used by investing activities was $276.5 million, primarily relating to the purchase price paid for Mid-Am.

Net cash (used in) provided by financing activities

For the three months ended June 30, 2022, net cash used in financing activities increased by $52.6 million primarily reflecting $12.2 million net repayment of bank indebtedness in Q2 2022 compared to $28.0 million net issuance of bank indebtedness in Q2 2021 (see Section 4.3 for further details). In addition, we used cash of $7.8 million for share repurchases, and $4.1 million of higher payments on finance lease obligations.

For the six months ended June 30, 2022, net cash provided by financing activities increased by $245.4 million primarily related to the increase in issuance of new bank indebtedness of $272.6 million, partially offset by $10.0 repayment of long-term bank indebtedness. We also incurred $8.3 million for the repurchase of shares, and $7.9 million of higher payments on finance lease obligations.

4.2 Working Capital

(in thousands of US dollars)				
	Three months ended June 30		**Six months ended June 30**	
Source (use) of funds	**2022**	**2021**	**2022**	**2021**
Accounts receivable	9,426	(14,885)	(38,248)	(37,866)
Inventories	(31,784)	(33,964)	(86,609)	(47,684)
Prepaid expenses	3,224	(8,438)	(7,859)	(17,801)
Accounts payable and accrued liabilities	3,041	2,742	11,037	9,986
Change in non-cash operating working capital	(16,093)	(54,545)	(121,679)	(93,365)

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 for the three and six months ended June 30, 2022 were $16.1 million and $121.7 million respectively.

The inventory balance at June 30, 2022 includes a significant amount of inventory in-transit and finished goods. This balance is higher than it would be under normal market conditions and is the result of our taking certain inventory stocking positions since the second half of 2021 to ensure we maintain sufficient product to meet market demand. It also reflects significant increases in the value of freight costs and longer freight lead times due to global freight challenges. We expect the inventory balance to decrease in the second half of 2022.

The 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 are seasonally slower periods for construction activity, resulting in reduced demand for architectural building products.

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

4.3 Revolving Credit Facilities and Debt Management Strategy

Selected Unaudited Consolidated Financial Information (in thousands of US dollars)				
		As at June 30, 2022		**As at December 31, 2021**
Cash	**$**	**(4,902)**	$	(7,762)
Bank indebtedness		**722,811**		415,191
Net bank debt		**717,909**		407,429
Shareholders' equity		**486,618**		414,032
Capitalization	**$**	**1,204,527**	$	821,461
Net debt to capitalization		**60%**		**50%**
Previous 12 months Adjusted EBITDA	**$**	**283,878**	$	195,229
Rental payments related to warehousing and trucks		**(34,019)**		(26,591)
Previous 12 months Adjusted EBITDA after rent		**249,859**		168,638
Net debt to previous 12 months Adjusted EBITDA after rent ("Leverage Ratio")		**2.9**		**2.4**

We consider our capital to be debt (net of cash) and shareholders' equity. Overall net debt compared to total capitalization stood at 60% at June 30, 2022, as compared to 50% at December 31, 2021. As at June 30, 2022, our ratio of net debt-to-Adjusted-EBITDA after rent for the year was 2.9 times, compared to 2.4 times at December 31, 2021. The increases in these ratios are primarily the result of financing the Mid-Am and Novo acquisitions with bank debt, partially offset by the equity raise completed in December 2021.

We consider these measures to be 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.

In connection with the closing of the Mid-Am acquisition, certain of our subsidiaries amended the existing credit arrangement with Bank of America, N.A. and a syndicate of lenders (the "Lender"). The Credit Facility consists of (i) a revolving credit facility of up to $500 million with a maturity date of July 2026, (ii) and a term loan of $400 million with an amortizing balance and maturity date of July 2026. A summary of the Credit Facility as at June 30, 2022 is provided in the following table.

Selected unaudited consolidated financial information (in millions of US dollars)				
		Committed		**Drawn**
Revolving credit commitment	$	500.0	$	331.5
Term commitment	$	400.0	$	391.3
Total	**$**	**900.0**	**$**	**722.8**
Financial covenants include:				
Consolidated interest coverage ratio		*3:1*		
Consolidated leverage ratio		*4.25:1*		

The Credit Facility bears interest at a rate equal to SOFR plus up to 2.25% or the base rate of interest charged by the Lender from time to time plus 1.0%. 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 adjusted EBITDA to total interest expense, determined on a consolidated basis of the Company), and (ii) a consolidated leverage ratio (a ratio of total funded debt to adjusted EBITDA, determined on a consolidated basis of the Company).

In addition to the financial covenants, our ability to pay dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow our assets to become subject to liens, complete affiliate transactions and make capital expenditures are limited and subject to the satisfaction of certain conditions. The Credit Facility can be prepaid at any time, with no prepayment penalty.

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

4.4 Contractual Obligations

There were no significant changes in our contractual commitments outside the normal course of business, compared with those set forth in our 2021 Annual Report, available on SEDAR at www.sedar.com.

4.5 Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

4.6 Financial Instruments

Financial assets include cash and cash equivalents, and current and non-current receivables, which are measured at amortized cost, and investments which are measured at fair value. Financial liabilities include bank indebtedness, accounts payable and accrued liabilities, income taxes payable, dividend payable, notes payable and finance lease obligations which are measured at amortized cost. The carrying values of our cash and cash equivalents, current accounts receivable, income taxes payable, accounts payable 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, other liabilities and finance lease obligations are not expected to differ materially from carrying value given the interest rates being charged and term to maturity. The carrying values of the credit facilities approximate their fair values due to the existence of floating market-based interest rates.

4.7 Share Data

As at August 11, 2022, the date of this MD&A, we had 23,356,393 common shares issued and outstanding.

On December 29, 2021, we announced a notice to renew the normal course issuer bid (NCIB) to provide us with the option to purchase up to a maximum of 1,855,938 of our common shares during the period from December 31, 2021 to December 30, 2022 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable us to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents approximately 10% of our Public Float (as that term is defined in the policies of the TSX) as at December 17, 2021. During the six months ended June 30, 2022, we repurchased 335,753 shares under the NCIB.

In addition, at August 11, 2022, we had outstanding 142,338 performance shares and 300,062 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 second quarter of 2022, we declared a quarterly dividend of C$0.12 per common share, which was paid on July 29, 2022 to shareholders of record as at July 18, 2022. On August 11, 2022, we declared a quarterly dividend of C$0.12 per common share, payable on October 28, 2022 to shareholders of record as at October 17, 2022.

5.0 Related-Party Transactions

There were no material related-party transactions during the three-month period ended June 30, 2022 or in the comparative period in the prior year.

6.0 Critical Accounting Estimates & Adoption of Changes in Accounting Policies

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

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

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

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

Business acquisitions: We are required to make estimates and assumptions related to the fair value of assets acquired and liabilities assumed in business acquisitions. In 2022, we made estimates in respect to the Mid-Am acquisition.

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.

7.0 Risks and Uncertainties

On July 25, 2022 the U.S. Department of Commerce (“Commerce”) issued a preliminary determination that certain hardwood plywood produced in Vietnam are circumventing a previously established anti-dumping and countervailing duty order against hardwood plywood from China (the "Circumventing Products"). In addition, Commerce's preliminary determination also lists mills in Vietnam that they believe are subject to the preliminary determination. Some of our Vietnamese suppliers are included on this list.

Certain hardwood plywood that we sell is obtained from mills in Vietnam. We believe our products do not meet Commerce's definition of Circumventing Product. Furthermore, we believe the inclusion of certain of our suppliers on Commerce's list is incorrect.

There remains risk however that Commerce may determine such hardwood plywood is subject to anti-dumping and countervailing duties, including retroactive duties. This action, and potential future government actions or regulations against the products we sell, could lead to outcomes that negatively impact upon our existing business.

Trade action or sanction by one country against another could impact upon our importation of product from outside North America. The probability of future trade barriers and the resulting impact on our import business cannot be determined 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.sedar.com.

8.0 Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”). Any systems of DC&P and ICFR, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to information required to be disclosed and financial statement preparation and presentation. During the quarter ended June 30, 2022, there were no changes in our ICFR that materially affected, or are reasonably likely to materially affect, our ICFR.

In accordance with Multilateral 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 Novo and Mid-Am, which were acquired not more than 365 days before the end of the interim period ended June 30, 2022. Included in our condensed consolidated interim financial statements for the three and six month periods ended June 30, 2022 is summary financial information related to Novo and Mid-Am.

9.0 Note Regarding Forward Looking Information

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

Forward-looking information is included, but not limited to, information included under the headings "Executive Summary", "Results of Operations", "Selected Financial Information and Seasonality", "Liquidity and Capital Resources", "Critical Accounting Estimates and Adoption of Changes in Accounting Policies", and "Risks and Uncertainties".

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: it is difficult to reliably measure the potential impact of this uncertainty caused by the COVID-19 pandemic on our future financial results and the impacts to our Company are not determinable at the date of these financial statements, however they could be material and include impairments of receivables, inventory and reduction in available liquidity; given the uncertainty around the potential impact of COVID-19, this may impact our estimates disclosed in the consolidated financial statements given that there is significant judgment and estimation uncertainty; our results are dependent upon the general state of the economy and downturns in the economy (including inflation and rising interest rates), natural disasters, disease outbreaks, terrorist activities, or threats or acts of armed conflict (including the conflict between Russia and Ukraine), could have a negative impact on our business, financial condition, and results of operations; decreases in the supply of, demand for, or market values of our products could harm our business; our products may be subject to negative trade outcomes; we may not be able to sustain our level of sales or EBITDA margins; competition in our markets may lead to reduced revenues and profitability; we may become subject to more stringent regulations; 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; 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.