



Doman Building Materials Group Ltd.
Unaudited Interim Condensed
Consolidated Financial Statements

September 30, 2022
(in thousands of Canadian dollars)



Interim Condensed Consolidated Statements of Financial Position (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	As at September 30, 2022 \$	As at December 31, 2021 \$
Assets			
Current assets			
Cash		2,918	2,333
Trade and other receivables	5	256,875	213,132
Income taxes receivable		1,115	2,036
Inventories	6	370,477	405,667
Prepaid expenses and deposits		11,536	13,181
		642,921	636,349
Non-current assets			
Property, plant and equipment	7	145,612	151,808
Right-of-use assets	8	151,077	151,954
Timber	9	47,412	47,697
Deferred income tax assets		3,053	3,390
Intangible assets	10	159,041	162,538
Goodwill	11	405,460	382,370
Other assets		1,986	2,057
		913,641	901,814
Total assets		1,556,562	1,538,163
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		6,959	3,034
Trade and other payables		177,142	156,696
Performance bond obligations	12	11,629	11,233
Dividends payable	15	12,178	12,137
Income taxes payable		2,242	10,823
Current portion of loans and borrowings	13	2,667	3,681
Current portion of lease liabilities	8	21,588	20,041
		234,405	217,645
Non-current liabilities			
Loans and borrowings	13	583,153	665,332
Lease liabilities	8	138,250	138,582
Reforestation and environmental		1,999	3,389
Deferred income tax liabilities		12,568	11,723
Retirement benefit obligations	14	2,595	3,783
		738,565	822,809
Total liabilities		972,970	1,040,454
Equity			
Common shares	15	584,894	583,086
Contributed surplus		11,014	11,317
Foreign currency translation		56,188	10,747
Deficit		(68,504)	(107,441)
		583,592	497,709
Total liabilities and equity		1,556,562	1,538,163
Commitments and contingencies	8,24		

Interim Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except per share and share amounts)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Revenue	20,21	744,119	625,288	2,466,142	1,902,038
Cost of sales		652,640	544,622	2,139,346	1,599,774
Gross margin from operations		91,479	80,666	326,796	302,264
Expenses					
Distribution, selling and administration		51,501	46,171	156,616	112,517
Depreciation and amortization	7,8,10	16,875	17,339	49,462	39,614
		68,376	63,510	206,078	152,131
Operating earnings		23,103	17,156	120,718	150,133
Finance costs	16	9,833	8,665	27,803	18,724
Acquisition costs	4	-	1,303	-	4,893
Other (income) loss	18	(69)	22	(69)	1,292
Earnings before income taxes		13,339	7,166	92,984	125,224
Provision for (recovery of) income taxes					
Current income tax		4,819	(2,079)	18,191	34,532
Deferred income tax (recovery)		(3,110)	1,590	386	(4,208)
		1,709	(489)	18,577	30,324
Net earnings		11,630	7,655	74,407	94,900
Other comprehensive income					
Exchange differences on translation of foreign operations ⁽¹⁾		36,078	13,927	45,441	12,679
Net actuarial gain from pension and other benefit plans ⁽²⁾		54	280	961	2,063
Comprehensive earnings		47,762	21,862	120,809	109,642
Net earnings per share					
Basic and diluted		0.13	0.09	0.86	1.15
Weighted average number of shares					
Basic		86,960,239	86,677,251	86,851,373	82,498,273
Diluted		86,960,239	86,732,456	86,851,373	82,553,478

1. Item that may be reclassified to earnings in subsequent periods.

2. Item will not be reclassified to earnings.



Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except share amounts)	Common shares		Contributed surplus	Foreign currency translation	Deficit	Total
	#	\$	\$	\$	\$	\$
As at December 31, 2021	86,694,158	583,086	11,317	10,747	(107,441)	497,709
Shares issued pursuant to (Note 15):						
Restricted Equity Common Share Plan	69,403	506	(506)	-	-	-
Employee Common Share Purchase Plan	222,808	1,314	-	-	-	1,314
Transaction costs on issue of shares, net of deferred income tax	-	(12)	-	-	-	(12)
Share-based compensation charged to operations	-	-	258	-	-	258
Reversal of accrued dividends on unvested restricted shares	-	-	(55)	-	55	-
Dividends	-	-	-	-	(36,486)	(36,486)
Comprehensive earnings for the period	-	-	-	45,441	75,368	120,809
As at September 30, 2022	86,986,369	584,894	11,014	56,188	(68,504)	583,592
As at December 31, 2020	77,935,719	499,597	11,150	266	(170,430)	340,583
Shares issued pursuant to (Note 15):						
Public offering of common shares	8,625,000	86,250	-	-	-	86,250
Restricted Equity Common Share Plan	5,182	45	(45)	-	-	-
Employee Common Share Purchase Plan	121,943	829	-	-	-	829
Transaction costs on issue of shares, net of deferred income tax	-	(3,697)	-	-	-	(3,697)
Share-based compensation charged to operations	-	-	148	-	-	148
Accrued dividends on unvested restricted shares	-	-	22	-	(22)	-
Dividends	-	-	-	-	(33,276)	(33,276)
Comprehensive earnings for the period	-	-	-	12,679	96,963	109,642
As at September 30, 2021	86,687,844	583,024	11,275	12,945	(106,765)	500,479



Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Operating activities					
Net earnings for the period		11,630	7,655	74,407	94,900
Items not affecting cash					
Provision for (recovery of) income taxes		1,709	(489)	18,577	30,324
Depreciation and amortization	7,8,10	16,875	17,339	49,462	39,614
Other		(297)	(668)	(1,186)	48
Income taxes paid		(8,357)	(5,579)	(25,803)	(33,347)
Interest paid on loans and borrowings		(2,848)	(1,444)	(17,090)	(6,096)
Finance costs	16	9,833	8,665	27,803	18,724
Cash flows from operating activities before changes in non-cash working capital		28,545	25,479	126,170	144,167
Changes in non-cash working capital	19	135,324	127,938	27,767	(128,381)
Net cash flows provided by operating activities		163,869	153,417	153,937	15,786
Financing activities					
Shares issued, net of transaction costs	15	684	436	1,302	82,014
Dividends paid	15	(12,157)	(10,395)	(36,445)	(32,226)
Payments of lease liabilities, including interest	8	(6,252)	(6,038)	(18,403)	(17,650)
(Repurchase) issuance of unsecured notes	13	(431)	-	(431)	325,000
Net (repayments) advances on loans and borrowings (excluding unsecured notes)		(142,885)	(137,270)	(102,030)	140,389
Financing costs on loans and borrowings		-	(194)	-	(7,903)
Net cash flows (used in) provided by financing activities		(161,041)	(153,461)	(156,007)	489,624
Investing activities					
Business acquisitions	4	-	-	-	(498,326)
Purchase of property, plant and equipment	7	(1,304)	(2,327)	(5,268)	(4,508)
Proceeds from disposition of property, plant and equipment		1,179	416	2,222	1,055
Net cash flows used in investing activities		(125)	(1,911)	(3,046)	(501,779)
Increase (decrease) in cash and cash equivalents		2,703	(1,955)	(5,116)	3,631
Foreign exchange difference		(84)	(347)	1,776	(1,106)
Cash and cash equivalents - beginning of period		(6,660)	(105)	(701)	(4,932)
Cash and cash equivalents - end of period		(4,041)	(2,407)	(4,041)	(2,407)



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Doman Building Materials Group Ltd. (the “Company”) (formerly, “CanWel Building Materials Group Ltd.”) was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange (“TSX”). The Company’s head office is located at Suite 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company’s operations commenced in 1989.

The Company operates through its wholly owned subsidiaries, distributing various building materials, as well as producing and treating lumber and providing other value-add services across Canada and in the United States (“US”).

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the Company’s audited Annual Consolidated Financial Statements for the year ended December 31, 2021.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on November 3, 2022 by the Board of Directors of the Company.

b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company’s last year-end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company’s audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2021.

c) Functional and presentation currency

These unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except common share volumes and per share amounts.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2021 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

Changes in accounting standards

Effective January 1, 2022, the Company adopted amendments to IAS 37, *Provisions, contingent liabilities and contingent assets* ("IAS 37").

Amendments to IAS 37 specify which costs should be included in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparative figures are not restated.

The adoption of IAS 37 did not have an impact on these unaudited Interim Condensed Consolidated Financial Statements.

4. BUSINESS ACQUISITIONS

Hixson Acquisition

On June 4, 2021, the Company completed the acquisition of certain assets of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber, operating in the Central United States.

Total purchase consideration comprised of US\$408,000, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Hixson Acquisition.

The Company engaged an independent valuations expert to assist with the determination of estimated fair value for acquired property, plant and equipment. The valuation model used consisted of a market comparison technique and cost technique which considers market prices for similar assets when they are available, and depreciated replacement cost when they are not. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset's estimated replacement cost at the time of acquisition and estimated remaining useful life.

The Company applied the multi-period excess earnings method in determining the fair value of the customer list intangible asset recognized on acquisition. The multi-period excess earnings method considers the present value of incremental after-tax cash flows expected to be generated by the customer relationships after deducting contributory asset charges. The key assumptions used in applying this valuation technique include: the forecasted revenues relating to Hixson's existing customers at the time of acquisition; the forecasted attrition rates relating to these customers; forecasted operating margins; and the discount rate.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Details of the fair value of the consideration transferred and the fair value of the identifiable assets at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	Notes	2021 \$
Fair value of purchase consideration		
Cash consideration		493,802
Fair value of assets acquired		
Inventory		85,083
Property, plant and equipment		85,385
Intangible assets (customer lists)		127,928
Intangible assets (brand)		3,683
Right-of-use assets		283
Total identifiable net assets at fair value		302,362
Goodwill arising on acquisition		191,440
Assets acquired		493,802

Goodwill recognized is primarily attributed to expected synergies arising from the Hixson Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

In the comparative 2021 period, from the date of the Hixson Acquisition on June 4, 2021 and up to December 31, 2021, the acquired business contributed \$540,079 of revenue and \$8,245 of net earnings to the Company's consolidated results.

L.A. Lumber Acquisition

On June 22, 2021, the Company completed the acquisition of certain assets of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (through the Company's wholly owned subsidiary, and now doing business as, L.A. Lumber Treating, Ltd. "L.A. Lumber") (the "L.A. Lumber Acquisition").

The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired and liabilities assumed was based on the exchange rate as at the date of the acquisition.

The purchase price was allocated to inventory, property, plant and equipment, right-of-use assets and lease liabilities, and goodwill, which was primarily attributable to the expected synergies arising from the L.A. Lumber Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

The purchase price and the impact on net earnings and revenue related to the L.A. Lumber Acquisition was not material to the Company.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise primarily from sales of lumber and building materials to customers. These are summarized as follows:

	September 30, 2022 \$	December 31, 2021 \$
Trade receivables	251,672	202,825
Allowance for doubtful accounts	(1,965)	(991)
Net trade receivables	249,707	201,834
Other receivables	7,168	11,298
Total trade and other receivables	256,875	213,132

The aging analysis of trade and other receivables was as follows:

	September 30, 2022 \$	December 31, 2021 \$
Neither past due nor impaired	238,992	202,593
Past due but not impaired:		
Less than 1 month	9,974	5,134
1 to 3 months	3,629	4,940
3 to 6 months	4,280	465
Total trade and other receivables	256,875	213,132

Activity in the Company's provision for doubtful accounts was as follows:

	\$
Balance at December 31, 2021	991
Accruals during the period	931
Accounts written off	(74)
Foreign exchange difference	117
Balance at September 30, 2022	1,965

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

6. INVENTORIES

	September 30, 2022	December 31, 2021
	\$	\$
Inventories held for resale	305,700	335,131
Inventories held for processing	64,777	70,536
	370,477	405,667

7. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings, leasehold improvements and roads \$	Machinery, automotive and other equipment \$	Computer equipment and systems development \$	Total \$
Cost					
Cost at December 31, 2021	36,305	37,189	151,876	6,067	231,437
Additions	-	1,019	2,359	1,890	5,268
Disposals	-	(178)	(7,381)	(146)	(7,705)
Foreign exchange difference	420	1,297	8,388	131	10,236
Cost at September 30, 2022	36,725	39,327	155,242	7,942	239,236
Accumulated depreciation					
Accumulated depreciation at December 31, 2021	-	10,630	64,142	4,857	79,629
Depreciation	-	2,017	15,269	224	17,510
Disposals	-	(178)	(5,993)	(145)	(6,316)
Foreign exchange difference	-	182	2,589	30	2,801
Accumulated depreciation at September 30, 2022	-	12,651	76,007	4,966	93,624
Net book value at December 31, 2021	36,305	26,559	87,734	1,210	151,808
Net book value at September 30, 2022	36,725	26,676	79,235	2,976	145,612

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company enters into various leases for the operation of its business, including distribution facilities, treatment plant facilities, computer equipment, light vehicles, forklifts and other equipment as required to operate efficiently.

Right-of-use assets

	Facilities ⁽¹⁾ \$	Machinery, automotive and other equipment ⁽²⁾ \$	Computer equipment \$	Total \$
Balance at December 31, 2021	140,080	11,728	146	151,954
Additions	677	3,850	47	4,574
Modifications and remeasurements	4,984	51	-	5,035
Amortization	(13,211)	(3,485)	(84)	(16,780)
Disposals	-	(280)	-	(280)
Foreign exchange movements	6,077	489	8	6,574
Balance at September 30, 2022	138,607	12,353	117	151,077

Lease liabilities

	Facilities ⁽¹⁾ \$	Machinery, automotive and other equipment ⁽²⁾ \$	Computer equipment \$	Total \$
Balance at December 31, 2021	146,275	12,202	146	158,623
Additions	677	3,850	47	4,574
Modifications and remeasurements	4,984	51	-	5,035
Disposals	-	(282)	-	(282)
Finance costs	2,977	271	3	3,251
Lease payments	(14,650)	(3,663)	(90)	(18,403)
Foreign exchange movements	6,485	548	7	7,040
Balance at September 30, 2022	146,748	12,977	113	159,838
Less: current portion	(16,549)	(4,982)	(57)	(21,588)
	130,199	7,995	56	138,250

1. Includes agreements related to distribution, wood treatment, manufacturing and office facility leases.

2. Includes forklifts, light vehicles and other heavy equipment leases.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 17):

Years ending December 31	\$
Remainder of 2022	7,090
2023	27,228
2024	24,119
2025	18,815
2026	14,262
Thereafter	80,569
	172,083

9. TIMBER

	\$
Balance at December 31, 2021	47,697
Reforestation provision on harvested land	294
Harvested timber transferred to inventory in the period	(1,270)
Change in fair value	691
Balance at September 30, 2022	47,412

The Company's private timberlands comprise an area of approximately 45,983 hectares ("ha") of land as at September 30, 2022 (2021 - 45,983 ha) with standing timber consisting of mixed-species softwood forests.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

10. INTANGIBLE ASSETS

	US operations \$	Value-added services \$	Total \$
Cost			
Cost at December 31, 2021	190,740	9,989	200,729
Foreign exchange difference	15,481	-	15,481
Cost at September 30, 2022	206,221	9,989	216,210
Accumulated amortization			
Accumulated amortization at December 31, 2021	34,752	3,439	38,191
Amortization	14,419	753	15,172
Foreign exchange difference	3,806	-	3,806
Accumulated amortization at September 30, 2021	52,977	4,192	57,169
Net intangible assets at December 31, 2021	155,988	6,550	162,538
Net intangible assets at September 30, 2022	153,244	5,797	159,041

11. GOODWILL

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Balance at December 31, 2021	62,624	284,399	35,347	382,370
Foreign exchange difference	-	23,090	-	23,090
Balance at September 30, 2022	62,624	307,489	35,347	405,460



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

12. PERFORMANCE BOND OBLIGATIONS

The Company assumes performance bond obligations related to certain construction projects. Proceeds temporarily received by the Company in excess of payments with respect to outstanding projects' performance bonds are outlined below.

	September 30, 2022 \$	December 31, 2021 \$
Funds received on bonding obligations ⁽¹⁾	79,947	73,619
Payments made on bonding obligations ⁽¹⁾	(68,715)	(62,799)
Receipts in excess of payments	11,232	10,820
Provision for loss on bonds	397	413
	11,629	11,233

1. Funds received and disbursed, from contract commencement to reporting date.

Activity in the Company's performance bond obligations was as follows:

	\$
Balance at December 31, 2021	11,233
Net payments on bonding obligations during the period	(436)
Change in provision for loss on bonds	(47)
Foreign exchange difference	879
Balance at September 30, 2022	11,629

Total gross bonding contracts on all outstanding projects at September 30, 2022 were \$113,208 (December 31, 2021 - \$115,433).

The Company manages risk associated with exposure to loss on these performance bond obligations through rigorous underwriting practices which include reviewing construction estimates, evaluating contractors' experience and financial condition, managing bond proceeds assigned to the Company, and obtaining security or personal guarantees from contracted parties for certain performance bond obligations.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

13. LOANS AND BORROWINGS

	September 30, 2022				December 31, 2021			
	Face value	Carrying amount	Current portion	Non-current portion	Face value	Carrying amount	Current portion	Non-current portion
	\$	\$	\$	\$	\$	\$	\$	\$
2026 Unsecured notes ⁽¹⁾	324,500	318,799	-	318,799	325,000	318,109	-	318,109
2023 Unsecured notes ⁽²⁾	60,000	59,291	-	59,291	60,000	58,772	-	58,772
Revolving loan facility	200,353	192,474	-	192,474	275,576	273,931	-	273,931
Non-revolving term loan	15,458	15,256	2,667	12,589	17,458	17,187	2,667	14,520
Promissory notes	-	-	-	-	1,014	1,014	1,014	-
	600,311	585,820	2,667	583,153	679,048	669,013	3,681	665,332

1. Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%, payable semi-annually ("2026 Unsecured Notes").
2. Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%, payable semi-annually ("2023 Unsecured Notes").

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 15 to the 2021 audited Annual Consolidated Financial Statements unless otherwise stated below.

The Company was not in breach of any of its covenants during the period ended September 30, 2022.

During the nine months ended September 30, 2022, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange loss of \$20,707 was recognized in Foreign currency translation in Other comprehensive income.

Private placement of senior unsecured notes

On May 10, 2021, the Company completed a private placement offering of senior unsecured notes (the "2026 Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of \$325,000. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The 2026 Unsecured Notes accrue interest at the rate of 5.25% per annum, payable on a semi-annual basis, maturing on May 15, 2026. Cash proceeds raised from the 2026 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Amendment of revolving loan facility

On June 4, 2021, the Company amended its existing revolving loan facility. The maximum credit available was increased from \$360,000 to \$500,000. The maturity date of December 6, 2024 remained unchanged.

Repurchase of senior unsecured notes

On September 29, 2022, the Company repurchased for cancellation a portion of its 2026 Unsecured Notes with a face value of \$500, at the market price in effect at the time of the repurchase. Upon cancellation, the difference between the face value of the repurchased notes and the consideration paid, amounting to \$69, was recognized in Other income (loss).

14. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans for the quarter ended September 30, 2022 was \$498 (2021 - \$496) and for the nine-month period ended September 30, 2022 was \$1,513 (2021 - \$1,501). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

The table below reflects liabilities related to employee future benefit plans.

	September 30, 2022 \$	December 31, 2021 \$
Pension benefit plan	867	1,701
Other benefit plans	1,728	2,082
	2,595	3,783

Further information about these plans is disclosed in Note 16 to the 2021 audited Annual Consolidated Financial Statements.

Annuity contract

During the nine months ended September 30, 2022, the Company purchased an annuity buy-in for plan retirees for \$3,915 through its defined benefit pension plan. Future cash flows from the annuity will match the amount and timing of benefits payable under the plan, substantially mitigating the exposure to future volatility in the related pension obligation. An actuarial loss of \$157 relating to the purchase was recognized in Other comprehensive income (loss), reflecting the difference between the annuity buy-in rate (which is comparable to solvency rates) compared to the discount rate used to value the obligations on a going concern basis.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

15. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common and preferred shares with no par value.

Public offering of common shares

On May 11, 2021, the Company completed a public offering of 7,500,000 common shares, by way of a short form prospectus, at a price of \$10.00 each for gross proceeds of \$75,000, with an underwriters' option to purchase up to an additional 1,125,000 common shares at the same price (the "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were \$86,250. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

Cash proceeds raised from the Public Offering, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Normal Course Issuer Bid ("NCIB")

On November 24, 2021, the Company renewed its NCIB with respect to its common shares. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Shares acquired will be at the market price of the shares at the time of acquisition.

Since the inception of the NCIB, the Company's NCIB activity was as follows:

Effective period	Authorized #	Repurchased #	Expired #	Remaining authorized #
November 26, 2018 - November 25, 2019	6,085,605	142,200	5,943,405	-
November 26, 2019 - November 25, 2020	5,995,340	-	5,995,340	-
November 26, 2020 - November 25, 2021	5,972,461	-	5,972,461	-
November 26, 2021 - November 25, 2022	6,825,000	-	-	6,825,000
As at September 30, 2022		142,200	17,911,206	6,825,000

Upon the cancellation of the common shares, the difference between the consideration paid for the repurchased shares and the average carrying value of the common shares is credited to contributed surplus.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Restricted Equity Common Share Plan ("RECSP")

Outstanding Restricted Share Units ("RSUs") pursuant to the RECSP are as follows:

	Nine months ended September 30,	
	2022	2021
	#	#
Balance at January 1	57,242	53,424
Granted	24,403	5,182
(Reversal of) RSUs earned as notional dividends	(12,242)	2,625
Vested and converted to common shares during the period	(69,403)	(5,182)
Balance at September 30	-	56,049

Compensation expense in respect of RSUs for the quarter ended September 30, 2022 was \$35 (2021 - \$34) and for the nine-month period to date was \$258 (2021 - \$148).

Employee Common Share Purchase Plan ("ECSP")

For the quarter ended September 30, 2022, the Company issued 126,774 (2021 - 60,907) common shares from treasury for gross proceeds of \$682 (2021 - \$436) and for the nine-month period to date the Company has issued 222,808 (2021 - 121,943) common shares from treasury for gross proceeds of \$1,314 (2021 - \$829), pursuant to the ECSP.

Dividends

The following dividends were declared and paid by the Company:

	2022				2021			
	Declared			Payment date	Declared			Payment date
Record date	Per share \$	Amount \$	Record date		Per share \$	Amount \$		
Quarter 1	Mar 31, 2022	0.14	12,151	Apr 14, 2022	Mar 31, 2021 ⁽¹⁾	0.16	12,479	Apr 15, 2021
Quarter 2	Jun 30, 2022	0.14	12,157	Jul 15, 2022	Jun 30, 2021	0.12	10,395	Jul 15, 2021
Quarter 3	Sep 30, 2022	0.14	12,178	Oct 14, 2022	Sep 30, 2021	0.12	10,402	Oct 15, 2021
		0.42	36,486			0.40	33,276	
Quarter 4					Dec 31, 2021	0.14	12,137	Jan 14, 2022
						0.54	45,413	

1. Includes the then regular quarterly dividend of \$0.12 per share and a one-time special dividend of \$0.04 per share.

The Company is continually assessing its dividend policy in the context of overall profitability, cash flows, capital requirements, general economic conditions and other business needs. Accordingly, on November 4, 2021, the Company announced a dividend increase beginning with the dividend payable on January 14, 2022, to shareholders of record on December 31, 2021, increasing its quarterly dividend from \$0.12 to \$0.14 per share.

In addition to the regular quarterly dividends in 2021, the Company paid a one-time special dividend of \$0.04 per share on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

16. FINANCE COSTS

Finance costs include the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Loans and borrowings	8,191	6,885	22,588	14,051
Lease liabilities	1,065	1,098	3,251	3,198
Other	(187)	(61)	(309)	(213)
Net cash interest	9,069	7,922	25,530	17,036
Amortization of financing costs	736	706	2,190	1,576
Interest on net defined benefit liability	28	37	83	112
	9,833	8,665	27,803	18,724

17. RELATED PARTY TRANSACTIONS

Transactions

The Company has transactions with related parties in the normal course of operations at amounts as agreed between the related parties as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Leased distribution ⁽¹⁾ and treatment facilities ⁽²⁾	1,047	1,052	3,140	3,136
Purchase of product ⁽³⁾	867	1,420	2,479	3,507
Management fees and other ⁽⁴⁾	236	314	905	812
Professional fees and other ⁽⁵⁾	136	136	404	604

1. Paid to a company controlled by a member of key management personnel who is a director and officer of the Company, or a close family member of that person's family.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
4. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
5. Paid to a company controlled by an officer of the Company.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Commitments with related parties

Future undiscounted minimum payments under the terms of the leases with companies, in which a member of key management personnel who is also a director and officer of the Company has an interest in, are as follows:

Years ending December 31	\$
Remainder of 2022	1,122
2023	4,210
2024	3,930
2025	2,455
2026	1,896
Thereafter	11,900
	25,513

Payable to related parties

As at September 30, 2022, trade and other payables include amounts due to related parties as follows:

	September 30, 2022 \$	December 31, 2021 \$
Purchase of product ⁽¹⁾	49	219
Management fees and other ⁽²⁾	44	37
Professional fees and other ⁽³⁾	82	312

- Owing to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
- Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
- Owing to a company controlled by an officer of the Company.

18. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The carrying amounts of non-derivative financial instruments approximate fair value, with the exception of the following:

	September 30, 2022		December 31, 2021	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
2026 Unsecured notes ⁽¹⁾	318,799	279,881	318,109	315,250
2023 Unsecured notes ⁽²⁾	59,291	59,250	58,772	61,800
Revolving loan facility	192,474	193,708	273,931	275,576
Non-revolving term loan	15,256	15,458	17,187	17,458

- Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%.
- Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

The following methods and assumptions were used to determine the estimated fair value of each class of financial instrument:

- The fair values of cash, trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair value of the Company's publicly traded 2023 Unsecured Notes was based on the quoted active market price.
- The fair value of the Company's non-publicly traded 2026 Unsecured Notes was based on a price quoted by an independent investment brokerage.
- The fair values of the Company's revolving loan facility and non-revolving term loan approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.
- The fair values of the Company's promissory notes and lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

IFRS 13, *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments are categorized as Level 2 fair values, with the exception of the Company's publicly traded 2023 Unsecured Notes, which are categorized as Level 1.

The expenses resulting from financial assets and liabilities recorded in net earnings are as disclosed in Note 16.

Derivative financial instruments

From time to time, the Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments are measured at fair value through profit and loss with changes in fair value recorded in net earnings.

The Company held no outstanding foreign exchange contracts as at September 30, 2022 and December 31, 2021. Additionally, the Company held a nominal amount of lumber futures contracts.

During the comparative nine months ended September 30, 2021, the Company had an outstanding foreign exchange contract to purchase US\$200,000 at an exchange rate of 1.21665, which was used as partial consideration for the Hixson Acquisition (Note 4). A loss of \$1,270 was recognized on this contract and was recorded in Other income (loss).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored and restricted by senior management, including limits for a maximum number of outstanding contracts at any point in time, the risk of a material credit loss on these financial instruments is considered low.

Hedge of investment in foreign operations

Certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the three months ended September 30, 2022, the Company recorded an unrealized foreign exchange loss of \$15,484 (2021 - \$7,953), and for the nine-month period to date the Company recorded an unrealized foreign exchange loss of \$20,707 (2021 - \$14,179), arising on revaluation of hedged foreign currency debt in Foreign currency translation in Other comprehensive income (loss) during the period.

Financial risk management

The Company's activities result in exposure to a variety of financial risks from its financial assets and financial liabilities, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and lease liabilities. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management, which seeks to minimize any potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's trade and other receivables. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly.

The Company regularly reviews the collectability of its trade accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

As at September 30, 2022, trade accounts receivable, excluding other receivables, were as follows:

	\$
Current	246,417
Past due over 60 days	5,255
Trade receivables	251,672
Less: Allowance for doubtful accounts	(1,965)
	249,707

As at September 30, 2022, the maximum exposure to credit risk, including both trade and other receivables, was \$256,875 (December 31, 2021 - \$213,132), representing the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility and non-revolving term loan (Note 13). Based on the Company's average revolving loan facility and non-revolving term loan during the nine-month period ended September 30, 2022, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of \$614 in quarterly net earnings.

Currency risk

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

At September 30, 2022, the Company had US dollar drawings under its Revolving loan facility of US\$184,000 (December 31, 2021 - US\$205,105), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at September 30, 2022, a quarterly increase of \$0.05 in the US dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in Other comprehensive earnings of approximately \$22,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Other price risk

Other price risk is defined as the potential adverse impact on net earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

19. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Trade and other receivables	79,819	136,821	(34,291)	(82,261)
Inventories	61,204	39,019	51,162	(74,046)
Prepaid expenses and deposits	1,228	1,448	2,143	2,303
Trade and other payables	(7,321)	(49,388)	9,236	26,858
Performance bond obligations	394	38	(483)	(1,235)
	135,324	127,938	27,767	(128,381)

20. REVENUE

The following table presents disaggregated revenues for the Company in categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Geographic markets						
Canada	322,642	8,383	331,025	265,925	9,047	274,972
US	410,587	2,507	413,094	348,998	1,318	350,316
	733,229	10,890	744,119	614,923	10,365	625,288
Revenue categories						
Products	731,899	10,690	742,589	612,987	10,117	623,104
Services	1,330	200	1,530	1,936	248	2,184
	733,229	10,890	744,119	614,923	10,365	625,288



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Geographic markets						
Canada	992,101	23,030	1,015,131	1,092,175	26,404	1,118,579
US	1,444,659	6,352	1,451,011	778,930	4,529	783,459
	2,436,760	29,382	2,466,142	1,871,105	30,933	1,902,038
Revenue categories						
Products	2,431,818	28,017	2,459,835	1,868,307	29,656	1,897,963
Services	4,942	1,365	6,307	2,798	1,277	4,075
	2,436,760	29,382	2,466,142	1,871,105	30,933	1,902,038

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of \$7,683 as at September 30, 2022 (December 31, 2021 - \$7,034), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

The Company has sold products to certain customers who each contribute greater than 10% of its revenues. During the quarter ended September 30, 2022, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of \$203,962 (2021 - \$98,947 representing one customer), and for the nine-month period to date, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of \$726,024 (2021 - \$676,427 representing two customers).

21. SEGMENTED INFORMATION

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as Other.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

Business segment revenues and specified expenses were as follows:

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	733,229	10,890	744,119	614,923	10,365	625,288
Specified expenses						
Depreciation and amortization	16,052	823	16,875	15,971	1,368	17,339
Finance costs	9,533	300	9,833	8,359	306	8,665
Net earnings	10,440	1,190	11,630	7,047	608	7,655
Purchase of property, plant and equipment	1,175	129	1,304	2,104	223	2,327
	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	2,436,760	29,382	2,466,142	1,871,105	30,933	1,902,038
Specified expenses						
Depreciation and amortization	47,039	2,423	49,462	34,607	5,007	39,614
Finance costs	27,055	748	27,803	17,676	1,048	18,724
Net earnings (loss)	70,179	4,228	74,407	94,917	(17)	94,900
Purchase of property, plant and equipment	4,881	387	5,268	3,935	573	4,508

Business segment long-term assets were as follows:

	September 30, 2022				December 31, 2021			
	Building Materials \$	Other \$	Percent %	Consolidated \$	Building Materials \$	Other \$	Percent %	Consolidated \$
Canada	174,825	93,293	29	268,118	177,847	97,336	31	275,183
US	645,523	-	71	645,523	626,631	-	69	626,631
Long-term assets	820,348	93,293	100	913,641	804,478	97,336	100	901,814

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

The percentage of total revenue from external customers from product groups was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	%	%	%	%
Construction materials	72	66	77	71
Specialty and allied	24	30	20	25
Other	4	4	3	4
	100	100	100	100

22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit and cumulative dividends on shares, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurate with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy over the long-term, is to dividend all available cash from operations to shareholders after reducing debt and providing for cash required for maintenance of capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during the current period.

23. SEASONALITY

The Company's revenues are subject to seasonal variances that fluctuate in accordance with the normal home building season, depending on the geographical location, which creates a timing difference between free cash flow earned and dividends paid.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2022 and 2021
(in thousands of Canadian dollars)

24. CONTINGENCIES

Product liability and other claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.



Corporate Information

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Solicitors

Goodmans LLP

Toronto, Ontario

DLA Piper (Canada) LLP

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Officers

Amar S. Doman

Chairman and CEO

James Code

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R.S. (Rob) Doman

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Stock Exchange

Toronto Stock Exchange

Trading Symbols:

DBM, DBM.NT.A