



Press Release

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CANWEL BUILDING MATERIALS ANNOUNCES SECOND QUARTER 2017 FINANCIAL RESULTS

Second Quarter 2017 Financial Highlights⁽¹⁾:

- Revenues increased by 10.3% to \$320 million
- Gross Margin dollars totaled \$39.2 million or 12.2% of revenues
- Adjusted EBITDA⁽³⁾ increased by 4.8% to record \$20.5 million
- Net Earnings⁽⁴⁾ increased by 13.4% to \$11.0 million, before non-recurring items

VANCOUVER, CANADA – July 27, 2017 – CanWel Building Materials Group Ltd. (“CanWel” or “the Company”) (TSX:CWX) announced today its second quarter 2017 financial results⁽¹⁾ for the period ended June 30, 2017.

For the three-month period ended June 30, 2017⁽¹⁾, revenues increased by 10.3% to \$320 million when compared to \$290 million in the same period in 2016. The increase in revenues was mainly attributable to the Company’s continuing focus on its product mix strategies and target customer base, continued strengthening of US housing markets, as well as the results of its completed acquisitions. The Forestry segment commenced operations on May 13, 2016 and therefore accounted for only six weeks of activity in the prior year comparative period versus the full quarter of 2017. Sales for the segment were negatively affected by adverse weather conditions at the beginning of the second quarter of 2017 which did not recover to seasonal expectations until the mid-point of the quarter.

During the second quarter, gross margin was \$39.2 million, compared to \$39.5 million during the corresponding period in 2016 a decrease of 0.8%. Gross margin percentage was 12.2% of revenues versus 13.7% during the same period in 2016. The decrease in gross margin percentage is mainly due to soft market conditions for construction materials during the quarter and the adverse impact of weather conditions at CanWel Fibre vis-a-vis fixed costs during the earlier half of the second quarter, resulting in lower margins during the period.

Adjusted EBITDA⁽³⁾ for the three months ended June 30, 2017 increased to \$20.5 million, a 4.8% increase in Adjusted EBITDA compared to \$19.5 million in the same quarter of 2016. EBITDA⁽²⁾ and net earnings⁽⁴⁾ were impacted by non-recurring items including direct acquisition and restructuring costs to optimize the respective operations, during the second quarter of 2017, in the amount of \$1.6 million, or \$1.2 million net of tax. As a result of the foregoing factors, net earnings before non-recurring items increased to \$11.0 million during the second quarter of 2017, when compared to \$9.7 million during the second quarter in 2016.

For the six-month period ended June 30, 2017⁽¹⁾, the Company generated Adjusted EBITDA of \$28.6 million, on revenues of \$543 million. Gross margin and gross margin percentage during the

same period amounted to \$66.2 million, and 12.2%, respectively. This compares to 2016 Adjusted EBITDA of \$24.9 million on revenues of \$488 million, and gross margin and gross margin percentage of \$63.2 million and 13.0%, respectively. Year-to-date EBITDA⁽²⁾ and net earnings⁽⁴⁾ were impacted by non-recurring items including the previously mentioned direct acquisition and restructuring costs in the amount of \$1.6 million, or \$1.2 million net of tax. As a result of the foregoing factors, net earnings before these non-recurring items increased to \$12.6 million during the first six months of 2017, when compared to \$10.7 million during the same period in 2016.

“We are seeing robust performance across our various business verticals with meaningful strength coming out of our U.S. operations and the resumption of peak activity levels at CanWel Fibre, both contributing to key operational metrics showing resilience and improvement across the board based on our current visibility,” commented Amar S. Doman, Chairman of the Board. “The combination of our efforts to optimize the performance of our acquisitions and our execution on disciplined strategic growth opportunities continue to demonstrate robust operating and financial results, while further strengthening our pillars of growth, which have resulted in CanWel’s revenues exceeding \$1 billion during the trailing twelve-month period.”

Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA:

(in thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings	9,829	31,212	11,497	32,122
Provision for income taxes	3,994	3,955	4,743	4,318
Finance costs	2,102	2,293	4,002	4,045
Depreciation of property, plant and equipment	2,179	2,520	5,292	4,123
Amortization of intangible assets	752	732	1,496	1,494
Share-based compensation	29	20	29	20
EBITDA	18,885	40,732	27,059	46,122
Gain on bargain purchase	-	(22,189)	-	(22,189)
Acquisition costs	734	976	734	976
Restructuring costs	834	-	834	-
Adjusted EBITDA	20,453	19,519	28,627	24,909

About CanWel

Founded in 1989, CanWel is headquartered in Vancouver, British Columbia and trades on the Toronto Stock Exchange under the symbol CWX and is Canada’s only fully integrated national distributor in the building materials and related products sector. CanWel operates multiple treating plant and planing facilities in Canada and the United States, and operates distribution centres coast-to-coast in all major cities and strategic locations across Canada and near San Francisco and Los Angeles, California. CanWel distributes a wide range of building materials, lumber and renovation products. In addition, through its Jemi Fibre division, CanWel operates a vertically integrated forest products company based in Western Canada, operating from British Columbia to Saskatchewan, also servicing the US Pacific Northwest. CanWel owns approximately 136,000 acres of private timberlands, strategic Crown licenses and tenures, log harvesting and trucking operations, several post and pole peeling facilities and two pressure-treated specialty wood production plants and a specialty saw mill.

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Certain statements in this press release may constitute "forward-looking" statements. When used in this press release, such statements use words, including but not limited to, "may", "will", "would", "should", "expect", "believe", "plan", "intend", "anticipate", "predict", "remain", "estimate", "potential", "continue", "could", "might", "project", "targeting", "future" and other similar terminology or the negative or inverse of such words or terminology. These forward-looking statements reflect the current expectations of CanWel's management regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CanWel, including the cash flow from operations, dividends or EBITDA⁽²⁾ generated or paid by CanWel, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors. These factors include (i) the risk that the integration of the acquisition of the assets of Total Forest Industries Ltd. ("TFI") in quarter 3, 2016, Jemi Fibre Corp. ("Jemi") in quarter 2, 2016, or the assets of California Cascade Industries ("CCI") in quarter 3, 2015, Pastway Planing Limited ("Pastway") in quarter 3, 2013, the assets of North American Wood Preservers ("NAWP"), completed in quarter 2, 2013 or Northwest Wood Preservers ("NWT"), completed in quarter 1, 2012 (collectively the "Acquisition") may result in significant challenges, and management of CanWel may be unable to accomplish the integration of the Acquisition smoothly or successfully or without spending significant amounts of time, money or other resources thereon; any inability of management to successfully integrate the operations of the combined business, including, but not limited to, information technology, financial reporting systems or environmental matters, any of which could have a material adverse effect on the business, financial condition and results of operations of CanWel; (ii) the risk that revenues, profits and margins of the Company may not remain consistent with historical levels, (iii) the risk that competing firms which manufacture or distribute competitive product lines will aggressively defend or seek market share, or that existing customers or suppliers of TFI, Jemi, CCI, Pastway, NAWP or NWT (some of whom are competitors of CanWel) will cease doing business with the Company, in each case reducing, eliminating or reversing any potential positive economic impact on CanWel of the Acquisition; (iv) the risk that any increased sales, margin, profit or distributable cash resulting from the Acquisition may not be fully realized, realized at all or may take longer to realize than expected; (v) the risk of disruption from the integration of the Acquisition making it more difficult to maintain relationships with customers, employees or suppliers. Factors also include, but are not limited to, dependence on market and economic conditions, sales and margin risk, competition, information system risks, availability of supply of products, risks associated with the introduction of new product lines, product design risk, environmental risks, regulatory risk, trade and tariff risks, differing law or regulations across jurisdictions, volatility of commodity prices, inventory risks, resource industry risks, resource extraction risks, risks relating to remote operations, forestry management and silviculture risks, fire, flood and natural disaster risks, customer and vendor risks, acquisition and integration risks, availability of credit, credit risks, litigation risks and interest rate risks. A further description of these and other risks which could cause results to differ materially from those described in these forward-looking statements can be found in the periodic and other reports filed by CanWel with Canadian securities commissions and available on SEDAR (<http://www.sedar.com>). In addition, a number of material factors or assumptions were utilized or applied in making the forward-looking statements, and may include, but are not limited to, assumptions regarding the performance of the Canadian and US economies, the relative stability of or level of interest rates, exchange rates, volatility of commodity prices, more limited availability of access to equity and debt capital markets to fund, at acceptable costs, the Company's future growth plans, the implementation and success of the integration of the Acquisition, the ability of the Company to refinance its debts as they mature, the Canadian and United States housing and building materials markets; international trade and tariff risks, political risks, the amount of the Company's cash flow from operations; tax laws; and the extent of the Company's future acquisitions and capital spending requirements or planning as well as the general level of economic activity, in Canada and the US, and abroad, discretionary spending, and unemployment levels. There is a risk that some or all of these assumptions may prove to be incorrect. These and other factors could cause or contribute to actual results differing materially from those contemplated by forward-looking statements. Accordingly, readers should not place undue reliance on any forward-looking statements or information. There are numerous risks associated with an investment in the Company's common shares, which are also further described in the "Risk Factors" sections of the Company's annual information form dated March 30, 2017 and final short form prospectus dated April 10, 2017, as well as its other public filings on SEDAR. These forward-looking statements speak only as of the date of this press release. We caution that the foregoing factors that may affect future results are not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by applicable securities laws, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

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- (1) Please refer to our Q2 2017 MD&A and Financial Statements for further information. Our Q2 2017 Financial Statements filings are reported under International Financial Reporting Standards ("IFRS").
 - (2) In the discussion, reference is made to EBITDA, which represents earnings from continuing operations before interest, provision for income taxes, depreciation and amortization, goodwill impairment loss and share-based compensation. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS, and therefore the measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as we believe it is a useful indicator of a Company's ability to meet debt service and capital expenditure requirements and because we interpret trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation of EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)".
 - (3) In the discussion, reference is made to Adjusted EBITDA, which is EBITDA as defined above, before certain one-time or unusual items. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS. The measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. Adjusted EBITDA is presented as we believe it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements from its regular business, before non-recurring items. Adjusted EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. For a reconciliation from EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)".
 - (4) Not including non-recurring items and before accounting for "Other Comprehensive Income"; please refer to our Q2 2017 Financial Statements for further information.