CanWel Building Materials Group Ltd.
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Press Release

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CANWEL BUILDING MATERIALS ANNOUNCES THIRD QUARTER 2019 FINANCIAL RESULTS

Q3 2019 Financial Highlights[1]:

- Revenues increased year-over-year to $373.2 million
- Gross Profit increased to $52.3 million with Gross Margin at 14.0%
- Adjusted EBITDA[3] amounted to $25.3 million
- Quarterly dividend of $0.14 per share paid

VANCOUVER, **CANADA** – November 7, 2019 – CanWel Building Materials Group Ltd. ("CanWel" or "the Company") (TSX:CWX; CWX.NT.A) announced today its third quarter 2019 financial results[1] for the period ended September 30, 2019.

For the three-month period ended September 30, 2019[1], consolidated revenues increased by 6.6% to $373.2 million when compared to $350.2 million in the same period in 2018. Sales for the Distribution segment increased by $24.5 million or 7.3%, largely due to the inclusion of the results from the Lignum acquisition in 2019 and the Company's 2018 acquisitions, and the Company's continuing focus on its product mix strategies and target customer base. These improvements in the quarter were partially offset by the impact of construction materials pricing which generally continued on a downward trend until late in the quarter. The Company's sales by product group in the quarter were made up of 57% construction materials, compared to 58% last year, with the remaining balance resulting from specialty and allied products of 37%, and forestry and other of 6%.

Gross margin dollars increased by 3.0% to $52.3 million, compared to $50.8 million during the corresponding period in 2018. Gross margin percentage was slightly lower at 14.0% of revenues versus 14.5% during the same period in 2018. The increase in gross margin dollars is mainly attributable to the inclusion of the results from the Lignum Acquisition in 2019 and the 2018 acquisitions, while the lower gross margin percentage is primarily driven by the downward trend in construction materials pricing.

EBITDA[2] and Adjusted EBITDA[3] for the period amounted to $25.0 million and $25.3 million, respectively, compared to $20.1 million during the third quarter of 2018. EBITDA and Adjusted EBITDA during the third quarter of 2019 was impacted by the adoption of IFRS 16, in the amount of $5.1 million. Excluding the impact of IFRS 16 adoption, Adjusted EBITDA increased by $113,000 or 0.6%, consistent with the comparative quarter in 2018. As a result of the foregoing factors, net earnings for the quarter ended September 30, 2019 were $6.4 million compared to net earnings of $8.5 million in the same quarter of 2018.

During the three-month period ended September 30, 2019, CanWel paid a $0.14 per share dividend to its shareholders of record on September 30, 2019.

For the nine-month period ended September 30, 2019[1], the Company generated EBITDA and Adjusted EBITDA of $67.4 million and $67.8 million, respectively, on revenues of $1.04 billion. Gross margin and gross margin percentage during the same period amounted to $147.8 million, and 14.2%, respectively. This compares to 2018 EBITDA and Adjusted EBITDA of $63.2 million on revenues of $1.03 billion. Gross margin and gross margin percentage during the 2018 period amounted to $154.3 million and 15.0%. EBITDA and Adjusted EBITDA were positively impacted by the adoption of IFRS 16, in the amount of $15.3 million. Excluding the impact of IFRS 16 adoption, EBITDA for the nine months ended September 30, 2019 decreased by $10.6 million or 16.8%, largely due to the aforementioned downward macro-economic trends. As a result of the foregoing factors, net earnings for the nine-month period ended September 30, 2019 were $13.8 million versus $29.6 million in the comparative period of 2018.

“We successfully continued to push through the macro headwinds during the quarter and drive top line growth while increasing gross margin dollars and stabilizing margins," commented Amar S. Doman, Chairman of the Board. "We are encouraged with the housing starts number showing signs of year-over-year improvement in our key markets in the US and Canada, which should bode well for overall volumes and activity level as we work through the fourth quarter and turn our focus on 2020. We are well positioned to benefit from improvement in pricing for lumber, plywood and OSB.”

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
(in thousands of dollars)	**$**	**$**	**$**	**$**
Net earnings	**6,396**	8,489	**13,847**	29,645
Provision for income taxes	**2,653**	3,995	**5,376**	11,570
Finance costs	**5,750**	3,070	**16,876**	8,538
Depreciation of property, plant and equipment	**3,141**	2,875	**9,962**	8,380
Amortization of right-of-use assets	**5,370**	-	**16,212**	-
Amortization of intangible assets	**1,698**	1,681	**5,124**	5,002
Share-based compensation	**-**	-	**19**	25
EBITDA	25,008	20,110	67,416	63,160
Acquisition costs	281	-	415	-
Adjusted EBITDA	25,289	20,110	67,831	63,160

About CanWel

Founded in 1989, CanWel is headquartered in Vancouver, British Columbia and trades on the Toronto Stock Exchange under the symbols CWX and CWX.NT.A 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; distribution centres coast-to-coast in all major cities and strategic locations across Canada; in the United States near Portland, Oregon, San Francisco and Los Angeles, California and in 14 locations in the State of Hawaii through its wholly owned Honsador Building Products Group. CanWel distributes a wide range of building materials, lumber, renovation and electrical products. In addition, through its CanWel 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 117,000 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, forward-looking statements often but not always, can be identified by the use of forward-looking words such as, 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 other known and unknown or unpredictable risks, uncertainties and other factors which may cause the actual results, performance or achievements of CanWel, including but not limited, to sales, earnings, cash flow from operations, dividends or EBITDA(1) 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. Such forward-looking statements should therefore be construed in the light of such factors. Actual events could differ materially from those projected herein and depend on a number of factors. These factors include but are not limited to, (i) the risk that CanWel may not be able to operate the lumber marketing and distribution business Lignum Forest Products LLP (the “Lignum Acquisition”) or integrate the Lignum Acquisition into its operations successfully, or without negative impact on its business, or without requiring spending significant or unexpected amounts of time, money or other resources thereon, or at all; may not be able to satisfy conditions to the Lignum Acquisition on the expected terms and schedule; (ii) the risk that cost savings and synergies expected to result from the Lignum Acquisition may not be fully realized or may take longer to realize than expected; (iii) the risk that the existing and acquired business from the Lignum Acquisition will not be integrated successfully or that there is an unexpected disruption from, or reaction to, the Lignum Acquisition making it more difficult to maintain relationships with customers, employees or suppliers; (iv) the risk that CanWel may not be able to operate the lumber pressure treating plant and related equipment and business formerly owned by Western Wood Treating, Inc. (the “Plant”) or integrate the Plant into its operations successfully, or without negative impact on its business, or without requiring spending significant or unexpected amounts of time, money or other resources thereon, or at all; (v) the risk that CanWel may not be able to obtain the final permits and operational authority to operate the Plant, or on terms and conditions or at a cost satisfactory to it, or at all; (vi) the risk that the construction and completion of CanWel’s plant in Oregon (originally announced in quarter 2, 2018 (the “Oregon Plant”)) originally expected to be in Q4 2018, may not be able to be completed or operated within expected timelines or costs, or on other terms, conditions or costs satisfactory to it, or at all; (vii) the risk that CanWel may not be able to obtain the final permits and operational authority to operate the Oregon Plant on the terms and conditions satisfactory to it, or at all, or at a cost satisfactory to it; (viii) the acquisition of Honsador Acquisition Corp. (“Honsador”) in quarter 3, 2017, 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 and California Cascade-Fontana, Inc. (“CCI”) in quarter 3, 2015, (collectively with the Lignum Acquisition, the Plant and the Oregon Plant, the “Acquisitions”) may result in significant challenges, and management of CanWel may be unable to accomplish the integration of the Acquisitions smoothly or successfully or without spending significant or unexpected amounts of time, money or other resources thereon; (ix) the risk that any inability of management to successfully integrate the operations of the businesses or combined businesses discussed above, including, but not limited to, operational, 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; (x) the risk that revenues, profits and margins of CanWel may not remain consistent with historical levels or be as expected; (xi) the risk that competing firms which manufacture or distribute competitive product lines will aggressively defend or seek market share, or that potential customers of the Plant and existing customers or suppliers of the Plant, Honsador, TFI, Jemi or CCI (some of whom are competitors of CanWel) will change, reduce or cease doing business with CanWel, in each case reducing, eliminating or reversing any potential positive economic impact on CanWel of the Acquisitions; (xii) the risk that any cost savings, synergies, increased sales, margin, profit or distributable cash resulting or expected from the Acquisitions may not be fully realized, realized at all or may take longer to realize than expected; (xiii) the risk of disruption from the introduction, implementation and/or integration of the Acquisitions making it more difficult to maintain relationships with customers, employees or suppliers; (xiv) risks related to the operation of pressure treatment facilities, including but not limited to environmental and remediation risks, labour risks, risks related to maintenance capital expenditures for manufacturing and processing facilities and risks related to capital expenditures for environmental risks; (xv) the potential inability of CanWel to complete the formal documentation and satisfy the other conditions required to complete the Oregon Plant; and (xvi) other statements other than historical facts. As indicated above, completion of the transactions described herein are subject to various conditions, including (among others) obtaining related necessary governmental operating and regulatory permits and approvals. Although CanWel believes that the expectations and the conditions reflected in such forward-looking statements are reasonable, CanWel can give no assurance that each of these conditions will be satisfied to the satisfaction of CanWel or that expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of additional risks and uncertainties affecting or that could affect CanWel, which could cause actual results and developments to differ materially from those described in, expressed or implied by these forward-looking statements, include, among others: regulatory and legal risk, increased debt and interest costs, general economic and business conditions, product selling and prices, product performance, consumer preferences, design and liability risk, environmental risks, remediation risks, software and software design risk, commodity price fluctuations, information systems risk, interest rate changes, operating costs, political or economic instability in local or national markets, chemical or commodity prices, exchange rate risks for product inputs, tariffs and tax risks and general competitive conditions. 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, product liability risks, 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, contract performance risks, acquisition and integration risks, availability of credit, credit risks, performance bond risks, litigation risks and interest rate risks. A further description of these additional factors 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 U.S. economies, the relative stability of or level of interest rates, exchange rates, volatility of commodity prices, availability or more limited availability of access to equity and debt capital markets to fund, at acceptable costs, CanWel's future growth plans, the implementation and success of the integration of the Acquisitions, the ability of CanWel to refinance its debts as they mature, the Canadian and United States housing and building materials markets; the direct and indirect effect of the U.S. housing market and economy; international trade and tariff risks, political risks, the amount of CanWel's cash flow from operations; tax laws; and the extent of CanWel's future acquisitions and capital spending requirements or planning as well as the general level of economic activity, in Canada and the U.S., and abroad, discretionary spending and unemployment levels; the effect of general economic conditions, including market demand for CanWel's products, and prices for such products; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters 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 CanWel's common shares or senior unsecured notes, which are also further described in the "Risk Factors" sections of CanWel's annual information form dated March 29, 2019 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 CanWel, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Neither CanWel nor any of its associates or directors, officers, partners, affiliates, or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in these communications will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Except as required by applicable securities laws and legal or regulatory obligations, CanWel is not under any obligation, and expressly disclaims any intention or obligation, to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

(1) Please refer to our Q3 2019 MD&A and Financial Statements for further information. Our Q3 2019 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, including amortization of deferred financing costs, provision for income taxes, depreciation and amortization. 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) and Adjusted EBITDA(3)".

(3) In the discussion, reference is made to Adjusted EBITDA, which is EBITDA as defined above, before certain non-recurring 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 earnings or cash flows as determined in accordance with IFRS. For a reconciliation from Adjusted 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) and Adjusted EBITDA".