



CanWel Building Materials Group Ltd.
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Press Release

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CANWEL BUILDING MATERIALS ANNOUNCES THIRD QUARTER 2017 FINANCIAL RESULTS

Third Quarter 2017 Financial Highlights⁽¹⁾:

- Revenues increased by 14.7% to \$316.8 million
- Gross Margin dollars totaled \$41.6 million, or 13.1% of revenues
- Adjusted EBITDA⁽³⁾ increased by 29.5% to record \$21.7 million
- Net Earnings before non-recurring costs⁽⁴⁾, increased by 58.7% to \$11.9 million

VANCOUVER, CANADA – November 9, 2017 – CanWel Building Materials Group Ltd. (“CanWel” or “the Company”) (TSX:CWX) announced today its third quarter 2017 financial results⁽¹⁾ for the period ended September 30, 2017.

For the three-month period ended September 30, 2017⁽¹⁾, revenues increased by 14.7% to \$317 million compared to \$276 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 increase in revenues and overall financial performance was achieved despite sales in the Forestry segment being negatively affected by the recent wildfires throughout British Columbia, with harvesting activities temporarily halted due to forest area closures, resulting in decreased harvest and customer delivery levels during part of the third quarter period.

During the third quarter, gross margin was \$41.6 million, compared to \$35.1 million during the corresponding period in 2016, representing an increase of 18.5%. Gross margin percentage was 13.1% of revenues versus 12.7% achieved in the same quarter of 2016. The increase in margin dollars and percentage is due to improved market conditions for construction materials during the quarter, and the results of completed acquisitions.

Adjusted EBITDA⁽³⁾ for the three months ended September 30, 2017 increased to \$21.7 million, a 29.5% increase compared to \$16.8 million in the same quarter of 2016. EBITDA⁽²⁾ and net earnings⁽⁴⁾ were impacted by non-recurring acquisition costs during the third quarter of 2017, in the amount of \$424,000. As a result of the foregoing costs, net earnings before non-recurring items increased to \$11.9 million during the third quarter of 2017, when compared to \$7.5 million during the same period in 2016 an increase of 58.7%. Net earnings including these non-recurring items were \$11.6 million, an increase of 66.6% compared to last year’s \$6.9 million.

For the nine-month period ended September 30, 2017⁽¹⁾, the Company generated Adjusted EBITDA of \$50.3 million, on revenues of \$860 million. Gross margin and gross margin percentage during the same period amounted to \$107.8 million, and 12.5%, respectively. This compares to 2016 Adjusted EBITDA of \$41.7 million on revenues of \$764 million, an increase of 20.8% and 12.6%, respectively, and gross margin of \$97.3 million and gross margin percentage of 12.7%.

Year-to-date EBITDA⁽²⁾ and net earnings⁽⁴⁾ were impacted by non-recurring items, as listed below. As a result of the foregoing factors, net earnings before these non-recurring items increased to \$25.0 million during the first nine months of 2017, compared to \$18.6 million during the same period in 2016, an increase of \$6.4 million dollars or 34.4%. Year-to-date net earnings including these non-recurring items were \$23.1 million.

"I am very pleased with the overall financial performance of the Company with strong revenue and EBITDA levels, which validate the fundamental strength of our business model and our success in building a diversified business," commented Amar S. Doman, Chairman of the Board. "The combination of our core building materials distribution business segment showing continued strength, the recent acquisitions performing in-line or better than expected, and the recent addition of Honsador to the CanWel family, provides us with great confidence in a bright future for all our stakeholders. We believe our track record and continued ability to identify, acquire and integrate strategic opportunities will continue to further establish CanWel as a premier brand in the markets we serve as well as in the investment community."

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

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2017	2016	2017	2016
(in thousands of dollars)	\$	\$	\$	\$
Net earnings	11,561	6,941	23,055	39,066
Provision for income taxes	4,482	2,960	9,225	7,278
Finance costs	1,909	2,293	5,913	6,688
Depreciation of property, plant and equipment	2,607	2,708	7,899	6,830
Amortization of intangible assets	720	738	2,216	2,231
Share-based compensation	-	-	29	20
EBITDA	21,279	15,990	48,337	62,113
Gain on bargain purchase	-	-	-	(22,189)
Acquisition costs	424	774	1,158	1,750
Restructuring costs	-	-	834	-
Adjusted EBITDA	21,703	16,764	50,329	41,674

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; distribution centres coast-to-coast in all major cities and strategic locations across Canada; in the United States near 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 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 Honsador Acquisition Corp (“Honsador”), 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, (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 Honsador, TFI, Jemi or CCI (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, availability or 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 Q3 2017 MD&A and Financial Statements for further information. Our Q3 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 Q3 2017 Financial Statements for further information.