



CanWel Building Materials Group Ltd.  
1600-1100 Melville Street,  
P.O. Box 39  
Vancouver, BC V6E 4A6

## Press Release

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### CANWEL BUILDING MATERIALS PROVIDES BUSINESS UPDATE AND DIVIDEND ANNOUNCEMENT

*January-May 2020 sales increased by 8% compared to the same period in 2019*

*Cost savings, operational efficiencies and working capital reduction generated \$80 million of cash towards debt reduction versus year-to-date May 2019*

*Q2 2020 dividend remains at \$0.14/share; and Q3 2020 dividend adjusted to \$0.12/share*

**VANCOUVER, CANADA** – June 15, 2020 – CanWel Building Materials Group Ltd. (“CanWel” or “the Company”) (TSX:CWX; CWX.NT.A) today provided an update on business conditions and the Company’s financial position, as well as an update on its dividend.

#### **Business Update**

Subsequent to reporting Q1 2020 financial results, CanWel has experienced continued resilience across its business segments with steady end-market demand resulting in an 8% increase in year-to-date sales when compared to the same period in 2019. The Company is also benefitting as the economy starts to re-open in certain jurisdictions that had previously restricted activity. The Company’s treated wood business has particularly shown strong performance during the period due to the positive impact from increased demand and volumes coming from consumers spending more time and efforts on home renovation and repair projects. This “stay at home” and “do it yourself” renovation and repair market has been extremely robust during the second quarter and we continue to see this trend in early June.

“While we are encouraged with our year-to-date results, we have taken measured and decisive actions so far in the second quarter towards overall cost management and balance sheet optimization to ensure we are well positioned to work through the current business environment. We have done so while also protecting our employees, business, suppliers and customers from the impacts of COVID-19,” commented Amar S. Doman, Chief Executive Officer of CanWel. “Building on decisive steps taken in the first quarter, through our responsive and focused efforts on operational efficiencies, cost savings, capital expenditure focus and working capital optimization, we have successfully achieved a reduction in loans and borrowings of approximately \$80 million when compared to the same period in 2019.”

The ultimate impact of the COVID-19 pandemic on the Company's second quarter and full-year 2020 results is difficult to quantify as it will depend on the duration of the pandemic, the impact of government policies, and the pace of economic recovery. The Company remains confident that its business model, cash flow profile, and liquidity will be more than sufficient to address a varied range of COVID-19 scenarios that may occur in 2020. The Company will continue to firmly manage the business in the short term and make continued progress with respect to its long-term growth strategies.

### **Dividend Matters**

There is no change to the second quarter 2020 dividend. CanWel is pleased to announce that its Board of Directors has declared a quarterly dividend of \$0.14 per common share, for the 33<sup>rd</sup> consecutive quarter, which will be paid on July 15, 2020, to shareholders of record on June 30, 2020.

While the business continues to perform well, the Board is sensitive to the current environment, and accordingly, the Board of Directors has adjusted the Company's quarterly common share dividend from \$0.14 to \$0.12 per share, effective for the dividend declared in the third quarter of 2020, which is expected to be paid on October 15, 2020, to shareholders of record on September 30, 2020.

"We believe the future adjustment to the dividend in the third quarter is a prudent measure to enhance our capital and financial flexibility given the general uncertainty surrounding COVID-19, which we believe is for the benefit and in the long term interests of all our shareholders and other stakeholders," added Mr. Doman.

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic (the "Pandemic"), resulting in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, government and business closures, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and significant economic uncertainty.

At this time, as part of a supply chain for the construction industry, CanWel has been classified as an essential service for the majority of its operations in Canada and the U.S., and therefore has not been required to shut down. However, the Company has taken specific health and safety measures in response to COVID-19, including limiting the number of employees, customers and others on its premises, mandatory self-imposed quarantine periods for employees, team separation and staggered work hours, temporary suspension of all non-essential business travel, heightened hygienic and disinfecting practices, technology enabled remote work initiatives, following government and other safety protocols. The Company is pleased to advise that it is not aware that any of its employees have caught COVID-19.

Additionally, the Company has taken steps to mitigate the Pandemic's impact on its customers, operations and cash flows by optimizing its working capital, implementing salary and working hours reductions, initiating employee layoffs, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and assessing financial assistance options available under COVID-19-related government programs. Management is actively monitoring the Pandemic, economic and regulatory developments, and their impact on the Company's operations, continually adapting to the changing operating environment.

## 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 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.

### For further information regarding CanWel please contact:

Ali Mahdavi  
Investor Relations  
416-962-3300  
ali.mahdavi@canwel.com

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", "forecast", "budget", "schedule", "continue", "could", "might", "project", "targeting", "future" and other similar terminology or the negative or inverse of such words or terminology. Forward-looking information in this news release includes, without limitation, statements with respect to: The ultimate impact of the novel coronavirus COVID-19 ("COVID-19") pandemic on the Company's second quarter and full-year 2020 results is difficult to quantify as it will depend on the duration of the contagion, the impact of government policies, and the pace of economic recovery; the Company remains confident that its business model, cash flow profile, and liquidity will be sufficient to address a varied range of COVID-19 scenarios that may occur in 2020. 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, EBITDA<sup>(1)</sup> generated, dividends generated or paid by CanWel, including whether at the rate as of the date hereof or the rate discussed in this press release anticipated to be paid in the next quarter, or some other dividend rate in the future which may be lower than either of the preceding rates discussed herein, 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 Oregon 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, interest rate risks, insurance risks, risks related to climate change and risks related to the impact of local, national, and international health concerns, including but not limited to the escalation of the COVID-19 pandemic, the COVID-19 pandemic decreasing the willingness of customers to purchase products from CanWel, causing labour shortages for CanWel, interrupting supplies from third parties upon which CanWel relies, or resulting in governmental regulation adversely impacting CanWel's business. 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; exchange rate fluctuations between the Canadian and US dollar; retention of key personnel; CanWel's ability to sustain its level of sales and earnings margins; CanWel's ability to grow its business long term and to manage its growth; CanWel's management information systems upon which it is dependent are not impaired; CanWel's insurance is sufficient to cover losses that may occur as a result of its operations; 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 US, 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, landuse, 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) 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 CanWel 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"<sup>(2)</sup>.
- (2) 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 CanWel 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 CanWel'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".