



Press Release

THIS NEWS RELEASE IS INTENDED FOR DISTRIBUTION IN CANADA ONLY AND IS NOT INTENDED FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR DISSEMINATION IN THE UNITED STATES

DOMAN BUILDING MATERIALS ANNOUNCES ACQUISITION OF HIXSON LUMBER SALES

- Hixson is a leading family-owned lumber and treated wood supplier operating in the Central United States with 19 lumber treating plants, five specialty sawmills and a captive trucking fleet.
- Highly strategic acquisition that complements Doman's existing US West Coast operations with immediate scale in some of the most attractive and fastest growing regions across the United States.
- The Transaction is expected to be more than 55% accretive on both an earnings per share and free cash flow per share basis, using metrics for Hixson that reflect more normalized market and industry conditions.

VANCOUVER, CANADA – June 4, 2021 – Doman Building Materials Group Ltd. ("**Doman**" or the "**Company**") (TSX:DBM; DBM.NT) is pleased to announce that it has acquired Texas-based Hixson Lumber Sales. The Company acquired all of the assets of the Hixson Lumber Sales group of companies ("**Hixson**") for approximately US\$375 million in cash, including inventory¹, (the "**Transaction**"). Hixson is being acquired on a cash-free and debt-free basis, and the Transaction is being funded from the Company's existing cash on hand and revolving credit facilities.

Hixson is a leading wholesale and manufacturing company of lumber and treated lumber operating in the Central United States. Its operations are highly complementary to the Company's existing U.S. West Coast operations without overlap. The Transaction will facilitate the Company's growth, will be immediately accretive and will expand the Company's product suite to include new offerings.

"We are very excited with the addition of Hixson to the Doman group of companies. The Transaction is a great complement to our existing U.S. operations while further advancing our growth strategy and developing a leadership position in the central corridor of the U.S., in areas such as Texas that continue to have extremely strong growth activity," said Amar Doman, Chairman and CEO. "We continue our disciplined approach in tracking and executing on accretive growth opportunities, further strengthening our financial performance, and enhancing shareholder value based on a fundamentally sound and sustainable growth plan. With the Transaction, our US footprint now extends from the West Coast and Hawaii across the mainland and into several high growth states in the middle of the US, we proudly operate 32 treating plants across our system, and our product offerings importantly include Southern Yellow Pine building materials."

About Hixson

Founded in 1959 and headquartered in Dallas, Texas, Hixson is a value-added wholesale and manufacturing company in the lumber and treated lumber space, operating from 19 locations located in eight U.S. states. Hixson operates 19 lumber treating plants, five specialty sawmills and its own trucking fleet, and services and delivers products in approximately 25 states primarily in the central United States.

With approximately 1,100 employees, Hixson serves national big box retailers, several national home builder distribution yards, large regional lumber yards, and multiple small independent lumber yards. Primary business lines include pressure treated lumber, wood fence manufacturing, and specialty items for new home and renovation markets.

The Transaction will combine Hixson's operations with Doman's well-established and growing North American platform, which includes the California Cascade and Honsador groups of companies.

Transaction Highlights

- **Diversified and Complementary Operations.** The Transaction facilitates the Company's ongoing United States expansion by entering the important central U.S. region - a large, robust and active market. The Company immediately obtains a market leadership position in this region with a diversified and loyal customer base from its locations in Texas, Arkansas, Illinois, Indiana, Missouri, Mississippi, Louisiana and Tennessee.
- **Continued Wood Treatment Expansion.** Doman is now one of the largest pressure-treated lumber producers in North America with approximately 2 billion board feet of annual capacity, adding to the Company's existing base of pressure-treated plants and distribution centers.
- **Financially Attractive.** The acquisition of Hixson effectively triples the Company's sales in the United States, and the purchase price is consistent with the Company's traditional targeted multiples range for acquisitions. The Transaction is expected to be immediately accretive to the Company's annual earnings and free cash flow per share and is expected to lead to further expansion of EBITDA margins.

In assessing the financial merits of the Transaction, management felt it was prudent to assess the Hixson transaction with a long term perspective in mind, despite exceptionally strong performance and record results for both companies in 2020 that continued through the first quarter of 2021. Thus, management felt it was vitally important to view Hixson's financial performance on the basis of an appropriate discount to recent outperformance across the industry, which has arisen from market supply and pricing dynamics in the North American building materials space. This led our team and our financial advisors to arrive at a more normalized picture of Hixson's performance. On this normalized basis, the Transaction is expected to be accretive by over 55% on both earnings per share and free cash flow per share.

- **Synergy Potential.** The Company expects to realize synergies from integrating Hixson's business with the Company's existing customer base and suite of products. Opportunities for additional operational and margin synergies are expected to be realized over time, including scale and purchasing benefits on pressure-treated inputs, and utilization of the Company's established purchasing, sales and distribution channels and access to the Company's infrastructure and resources.

- **Skilled Operational Leadership Team.** Hixson is an exceptionally-run, family-owned business that has a strong legacy in its key markets and strong relationships with its customer and suppliers. Hixson has a committed and strong management team that operates very efficiently on its platform across the central United States. Key management have 50+ years of combined industry experience and will remain in place, further adding to the Company's bench strength.
- **Increase in Senior Secured Revolving Credit Facility.** The Company is also pleased to announce that it has amended its existing senior credit facility with Wells Fargo Capital Finance, increasing the revolving credit limit to \$500 million, effective concurrent with the closing of the Transaction.

The Transaction was completed on June 4, 2021 and is not subject to any further regulatory or shareholder approvals or consents.

Advisors and Counsel

Stifel GMP acted as financial advisor to Doman and a team including Dorsey & Whitney LLP, Goodmans LLP and Bernard LLP acted as its legal advisors.

About Doman Building Materials Group Ltd.

Doman is headquartered in Vancouver, British Columbia and trades on the Toronto Stock Exchange under the symbol DBM and is a leading North American distributor of building materials, and is Canada's only fully integrated national distributor in the building materials and related products sector. Doman operates several distinct divisions: CanWel Building Materials with multiple treating plant, planing facilities and distribution centres coast-to coast in all major cities and strategic locations across Canada; founded in 1959, Hixson Lumber Company in the central United States, with 19 treating plants and five sawmills located in eight states, headquartered in Dallas, Texas, distributing, producing and treating lumber, fencing and building materials; California Cascade in the western United States near Portland, Oregon, San Francisco and Los Angeles, California with treating facilities and distribution of building materials, lumber and renovation products; founded in 1935, the Honsador Building Products Group in 14 locations in the State of Hawaii, with treating facilities, truss plants and distribution of a wide range of building materials, lumber, renovation and electrical products. In addition, through its CanWel Fibre division, the Company operates a vertically integrated forest products company based in Western Canada, operating from British Columbia to Saskatchewan, also servicing the US Pacific Northwest. CanWel Fibre owns approximately 117,000 acres of private timberlands, strategic 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. Please also see our prior filings on SEDAR under CanWel Building Materials Group Ltd. for additional information.

For further information regarding Doman please contact:

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

Certain statements in this press release may constitute "forward-looking" statements including statements regarding the Transaction and the anticipated benefits of the Transaction (including synergies, EBITDA expansion and earnings and cash flow accretion). The following statements are or may constitute forward-looking statements (1) statements preceded by, followed by, or that included words like "may", "will", "would", "should", "expect", "believe", "plan", "intend", "anticipate", "predict", "remain", "anticipate", "estimate", "potential", "continue", "plan", "could", "might", "project", "targeting", "future" and other similar terminology, and (2) other statements regarding matters that are not historical facts. The matters addressed in these statements are subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to: the risk that the existing and acquired businesses will not be integrated successfully; the risk that cost savings, synergies and enhanced financial performance expected to result from the Transaction may not be fully realized or may take longer to realize than expected; disruption from the Transaction making it more difficult to maintain relationships with customers, employees or suppliers; the effect of general economic conditions, including market demand for Doman's or Hixson's products, and prices for such products; the availability, cost and other terms of capital; the efficiency and consequences of operations improvement initiatives; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters. These and other factors, including the risk factors set out in Doman's annual information dated March 12, 2021, 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. Forward-looking statements contained in this press release speak only as of the date of this press release. Doman does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements or information, whether as a result of new information, future developments or otherwise, except as required by applicable law. Statements in this press release relating to the amount of the anticipated earnings and free cash flow accretion from the Transaction are based on Hixson's actual results for the year ended December 31, 2020 after giving effect to certain conservative adjustments intended to reflect a more normalized representation of its financial performance given the impact of recent market supply dynamics in the North American building materials industry on 2020 results.

¹ The estimated inventory value is subject to post-closing adjustment, per the terms of the Acquisition Agreement.