



Doman Building Materials Group Ltd.
Unaudited Interim Condensed
Consolidated Financial Statements

September 30, 2021
(in thousands of Canadian dollars)



Interim Condensed Consolidated Statements of Financial Position (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	As at September 30, 2021 \$	As at December 31, 2020 \$
Assets			
Current assets			
Cash		5,616	1,972
Trade and other receivables	5	215,806	131,501
Income taxes receivable		3,237	1,048
Inventories	6	412,028	246,848
Prepaid expenses and deposits		10,697	11,474
		647,384	392,843
Non-current assets			
Property, plant and equipment	7	167,105	73,686
Right-of-use assets	8	143,094	127,835
Timber	9	47,214	47,680
Deferred income tax assets		6,060	2,856
Intangible assets	10	172,725	39,256
Goodwill	11	368,088	180,808
Other assets		2,298	2,260
		906,584	474,381
Total assets		1,553,968	867,224
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		8,023	6,904
Trade and other payables		151,986	114,795
Performance bond obligations	12	9,405	10,655
Dividends payable	15	10,402	9,352
Income taxes payable		16,717	13,342
Current portion of loans and borrowings	13	5,938	7,023
Current portion of lease liabilities	8	19,314	18,452
		221,785	180,523
Non-current liabilities			
Loans and borrowings	13	682,989	209,599
Lease liabilities	8	129,716	113,877
Reforestation and environmental		2,488	1,750
Deferred income tax liabilities		12,926	14,525
Retirement benefit obligations	14	3,585	6,367
		831,704	346,118
Total liabilities		1,053,489	526,641
Equity			
Common shares	15	583,024	499,597
Contributed surplus		11,275	11,150
Foreign currency translation		12,945	266
Deficit		(106,765)	(170,430)
		500,479	340,583
Total liabilities and equity		1,553,968	867,224

Commitments and contingencies 8,24



Interim Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except per share amounts)	Notes	Three months ended, September 30		Nine months ended, September 30	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenue	20,21	625,288	472,172	1,902,038	1,211,827
Cost of sales		544,622	385,362	1,599,774	1,022,630
Gross margin from operations		80,666	86,810	302,264	189,197
Expenses					
Distribution, selling and administration		46,171	29,804	112,517	82,893
Depreciation and amortization	7,8,10	17,339	10,850	39,614	32,180
		63,510	40,654	152,131	115,073
Operating earnings		17,156	46,156	150,133	74,124
Finance costs	16	8,665	3,484	18,724	12,774
Acquisition costs	4	1,303	-	4,893	-
Other loss	18	22	-	1,292	-
Earnings before income taxes		7,166	42,672	125,224	61,350
(Recovery of) Provision for income taxes					
Current income tax		(2,079)	11,212	34,532	16,980
Deferred income tax		1,590	441	(4,208)	(206)
		(489)	11,653	30,324	16,774
Net earnings		7,655	31,019	94,900	44,576
Other comprehensive income (loss)					
Exchange differences on translation of foreign operations ⁽¹⁾		13,927	(4,436)	12,679	4,744
Net actuarial gain (loss) from pension and other benefit plans ⁽²⁾		280	(160)	2,063	(2,105)
Comprehensive earnings		21,862	26,423	109,642	47,215
Net earnings per share					
Basic and diluted		0.09	0.40	1.15	0.57
Weighted average number of shares					
Basic		86,677,251	77,920,883	82,498,273	77,858,928
Diluted		86,732,456	77,973,367	82,553,478	77,911,412

1. Item that may be reclassified to earnings in subsequent periods.
2. Item will not be reclassified to earnings.



Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except share amounts)	Common shares		Contributed surplus	Foreign currency translation	Deficit	Total
	#	\$	\$	\$	\$	\$
As at December 31, 2020	77,935,719	499,597	11,150	266	(170,430)	340,583
Shares issued pursuant to (Note 15):						
Public offering of common shares	8,625,000	86,250	-	-	-	86,250
Restricted Equity Common Share Plan	5,182	45	(45)	-	-	-
Employee Common Share Purchase Plan	121,943	829	-	-	-	829
Transaction costs on issue of shares, net of deferred income tax	-	(3,697)	-	-	-	(3,697)
Share-based compensation charged to operations	-	-	148	-	-	148
Accrued dividends on unvested restricted shares	-	-	22	-	(22)	-
Dividends	-	-	-	-	(33,276)	(33,276)
Comprehensive earnings for the period	-	-	-	12,679	96,963	109,642
As at September 30, 2021	86,687,844	583,024	11,275	12,945	(106,765)	500,479
As at December 31, 2019	77,765,329	498,891	11,066	5,940	(187,579)	328,318
Shares issued pursuant to:						
Restricted Equity Common Share Plan	11,589	35	(35)	-	-	-
Employee Common Share Purchase Plan	158,801	671	-	-	-	671
Share-based compensation charged to operations	-	-	58	-	-	58
Accrued dividends on unvested restricted shares	-	-	21	-	(21)	-
Dividends	-	-	-	-	(31,147)	(31,147)
Comprehensive earnings for the period	-	-	-	4,744	42,471	47,215
As at September 30, 2020	77,935,719	499,597	11,110	10,684	(176,276)	345,115

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021 \$	2020 \$	2021 \$	2020 \$
Operating activities					
Net earnings for the period		7,655	31,019	94,900	44,576
Items not affecting cash					
Provision for income taxes		(489)	11,653	30,324	16,774
Depreciation and amortization	7,8,10	17,339	10,850	39,614	32,180
Fair value adjustments	9	(226)	(482)	(1,054)	(328)
Timber harvested	9	624	448	1,787	1,366
Other		(1,066)	(362)	(685)	(1,279)
Income taxes paid		(5,579)	(1,885)	(33,347)	(3,448)
Interest paid on loans and borrowings		(1,444)	(1,066)	(6,096)	(6,715)
Finance costs	16	8,665	3,484	18,724	12,774
Cash flows from operating activities before changes in non-cash working capital		25,479	53,659	144,167	95,900
Changes in non-cash working capital	19	127,938	52,646	(128,381)	36,082
Net cash flows provided by operating activities		153,417	106,305	15,786	131,982
Financing activities					
Shares issued	15	436	352	87,079	671
Transaction costs on issue of shares	15	-	-	(5,065)	-
Dividends paid	15	(10,395)	(10,898)	(32,226)	(32,682)
Payment of lease liabilities, including interest	8	(6,038)	(6,051)	(17,650)	(18,612)
Issuance of unsecured notes	13	-	-	325,000	-
Net (repayments) advances on loans and borrowings		(137,270)	(91,550)	140,389	(75,242)
Financing costs on borrowings		(194)	-	(7,903)	-
Other		-	-	-	(131)
Net cash flows (used in) provided by financing activities		(153,461)	(108,147)	489,624	(125,996)
Investing activities					
Business acquisitions	4	-	-	(498,326)	-
Purchase of property, plant and equipment	7	(2,327)	(544)	(4,508)	(1,932)
Proceeds from disposition of property, plant and equipment		416	1,242	1,055	1,236
Net cash flows (used in) provided by investing activities		(1,911)	698	(501,779)	(696)
(Decrease) Increase in cash and cash equivalents		(1,955)	(1,144)	3,631	5,290
Foreign exchange difference		(347)	66	(1,106)	(971)
Cash and cash equivalents - beginning of period		(105)	(2,603)	(4,932)	(8,000)
Cash and cash equivalents - end of period		(2,407)	(3,681)	(2,407)	(3,681)



1. NATURE OF OPERATIONS

Doman Building Materials Group Ltd. (the “Company”) (formerly, “CanWel Building Materials Group Ltd.”) was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange (“TSX”). The Company’s head office is located at Suite 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company’s Canadian operations commenced in 1989.

The Company operates through its wholly owned subsidiaries, distributing, producing and treating lumber as well as related building materials, and providing other value-add services across Canada and in the United States (“US”).

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the Company’s audited Annual Consolidated Financial Statements for the year ended December 31, 2020.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on November 4, 2021 by the Board of Directors of the Company.

b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company’s last year-end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company’s audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2020.

c) Functional and presentation currency

These unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except common share volumes and per share amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2020 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

New significant accounting policies adopted

As a result of the Company's recent acquisition activities, effective for the year ended December 31, 2021, the Company has applied the following accounting policy:

a) Hedge of net investment in foreign operations

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's net investments in foreign operations.

Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in Foreign currency translation differences in Other comprehensive income ("OCI") to the extent that the hedge is effective, and presented in the Foreign currency translation in Equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings.

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange differences remaining in the Foreign currency translation and subsequent unrealized foreign exchange differences are recorded in net earnings. When the hedged net investment is disposed of, the relevant amount in the Foreign currency translation is reclassified to net earnings.

4. BUSINESS ACQUISITIONS

Hixson Acquisition

On June 4, 2021, the Company completed the acquisition of certain assets of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber, operating in the Central United States.

Total purchase consideration comprised of US\$408,000, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Hixson Acquisition.



Details of the fair value of the consideration transferred and the fair value of the identifiable assets at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	Notes	2021 ⁽¹⁾ \$
Fair value of purchase consideration		
Cash consideration		493,802
Fair value of assets acquired		
Inventory		85,083
Property, plant and equipment	7	96,512
Intangible assets (customer lists and brand)	10	135,832
Right-of-use assets	8	249
Total identifiable net assets at fair value		317,676
Goodwill arising on acquisition		176,126
Assets acquired		493,802

1. The provisional purchase price allocation determined at the Hixson Acquisition date is preliminary and subject to change up to a period of one year from June 4, 2021, upon finalization of fair value determinations.

The values of assets acquired are based on preliminary fair values, which are subject to change upon finalization of a complete valuation.

Goodwill recognized is primarily attributed to expected synergies arising from the Hixson Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

From the date of the Hixson Acquisition, for the period commencing June 4, 2021, the acquired business contributed \$276,602 of revenue and \$2,670 of in net earnings. If the Hixson Acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the nine-month period ended September 30, 2021 would have been approximately \$2,543,000 and net earnings of the Company would have been approximately \$144,000.

Directly attributable acquisition-related costs of \$4,548 have been expensed in the unaudited Interim Condensed Consolidated Statement of Earnings for the nine months ended September 30, 2021.

L.A. Lumber Acquisition

On June 22, 2021, the Company completed the acquisition of certain assets of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (through the Company's wholly owned subsidiary, and now doing business as, L.A. Lumber Treating, Ltd. "L.A. Lumber") (the "L.A. Lumber Acquisition").

The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired and liabilities assumed was based on the exchange rate as at the date of the acquisition.

The purchase price was allocated to inventory, property, plant and equipment, right-of-use assets and lease liabilities, and goodwill, which was primarily attributable to the expected synergies arising from the L.A. Lumber Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.



5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise primarily from sales of building materials to customers. These are summarized as follows:

	September 30, 2021 \$	December 31, 2020 \$
Trade receivables	211,446	123,278
Allowance for doubtful accounts	(949)	(562)
Net trade receivables	210,497	122,716
Other receivables	5,309	8,785
Total trade and other receivables	215,806	131,501

The aging analysis of trade and other receivables was as follows:

	September 30, 2021 \$	December 31, 2020 \$
Neither past due nor impaired	206,527	121,449
Past due but not impaired:		
Less than 1 month	6,702	5,194
1 to 3 months	2,009	4,408
3 to 6 months	568	450
Total trade and other receivables	215,806	131,501

Activity in the Company's provision for doubtful accounts was as follows:

	\$
Balance at December 31, 2020	562
Accruals during the period	550
Accounts written off	(169)
Foreign exchange difference	6
Balance at September 30, 2021	949

The Company holds no collateral for any receivable amounts outstanding as at September 30, 2021.

Further information on the valuation of trade and other receivables is disclosed in Note 24.

6. INVENTORIES

	September 30, 2021	December 31, 2020
	\$	\$
Inventories held for resale	325,100	182,723
Inventories held for processing	86,928	64,125
	412,028	246,848

Further information on the valuation of inventories is disclosed in Note 24.

7. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings, leasehold improvements and roads \$	Machinery, automotive and other equipment \$	Computer equipment and systems development \$	Total \$
Cost					
Cost at December 31, 2020	31,238	23,963	83,072	5,681	143,954
Additions	-	1,613	2,346	549	4,508
Additions arising on acquisitions (Note 4)	4,935	11,342	81,965	-	98,242
Disposals	(103)	(104)	(6,413)	(488)	(7,108)
Foreign exchange difference	260	617	4,317	2	5,196
Cost at September 30, 2021	36,330	37,431	165,287	5,744	244,792
Accumulated depreciation					
Accumulated depreciation at December 31, 2020	-	7,794	57,412	5,062	70,268
Depreciation	-	2,815	10,980	215	14,010
Disposals	-	(104)	(6,153)	(488)	(6,745)
Foreign exchange difference	-	10	142	2	154
Accumulated depreciation at September 30, 2021	-	10,515	62,381	4,791	77,687
Net book value at December 31, 2020	31,238	16,169	25,660	619	73,686
Net book value at September 30, 2021	36,330	26,916	102,906	953	167,105

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company enters into various leases for the operation of its business, including distribution facilities, treatment plant facilities, computer equipment, light vehicles, forklifts and other equipment as required to operate efficiently.

During the nine-month period ended September 30, 2021, the Company revised certain assumptions regarding determination of the expected lease term, minimum lease payments and the assessment of the likelihood of exercising extension options with respect to several of the Company's facility leases. These revised assumptions were treated as a lease modification and resulted in a remeasurement, which increased the existing right-of-use assets and lease liabilities by \$8,065.

Right-of-use assets

	Facilities ⁽¹⁾ \$	Machinery, automotive and other equipment ⁽²⁾ \$	Computer equipment \$	Total \$
Balance at December 31, 2020	113,660	13,916	259	127,835
Additions	6,082	1,605	10	7,697
Additions arising on acquisitions (Note 4)	15,168	-	-	15,168
Modifications and remeasurements	8,055	10	-	8,065
Disposals	-	(38)	-	(38)
Amortization	(12,546)	(3,555)	(111)	(16,212)
Foreign exchange movements	583	(4)	-	579
Balance at September 30, 2021	131,002	11,934	158	143,094

Lease liabilities

	Facilities ⁽¹⁾ \$	Machinery, automotive and other equipment ⁽²⁾ \$	Computer equipment \$	Total \$
Balance at December 31, 2020	117,787	14,278	264	132,329
Additions	6,082	1,605	10	7,697
Additions arising on acquisitions (Note 4)	14,919	-	-	14,919
Finance costs	2,853	338	7	3,198
Lease payments	(13,688)	(3,843)	(119)	(17,650)
Modifications and other remeasurements	8,055	10	-	8,065
Disposals	-	(39)	-	(39)
Foreign exchange movements	490	21	-	511
Balance at September 30, 2021	136,498	12,370	162	149,030
Less: current portion	(14,738)	(4,464)	(112)	(19,314)
	121,760	7,906	50	129,716

1. Includes agreements related to distribution, wood treatment and office facility leases.

2. Includes forklifts, light vehicles and other heavy equipment leases.

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 17):

Years ending December 31	\$
Remainder of 2021	6,565
2022	25,164
2023	23,798
2024	20,270
2025	15,238
Thereafter	79,462
	170,497

9. TIMBER

	\$
Balance at December 31, 2020	47,680
Reforestation provision on harvested land	267
Harvested timber transferred to inventory in the period	(1,787)
Change in fair value	1,054
Balance at September 30, 2021	47,214

The Company's private timberlands comprise an area of approximately 45,983 hectares ("ha") of land as at September 30, 2021 (2020 - 45,983 ha) with standing timber consisting of mixed-species softwood forests.

10. INTANGIBLE ASSETS

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Cost				
Cost at December 31, 2020	10,000	53,100	9,989	73,089
Additions arising on acquisitions (Note 4)	-	135,832	-	135,832
Foreign exchange difference	-	7,199	-	7,199
Cost at September 30, 2021	10,000	196,131	9,989	216,120
Accumulated amortization				
Accumulated amortization at December 31, 2020	10,000	21,518	2,315	33,833
Amortization	-	8,518	874	9,392
Foreign exchange difference	-	170	-	170
Accumulated amortization at September 30, 2021	10,000	30,206	3,189	43,395
Net intangible assets at December 31, 2020	-	31,582	7,674	39,256
Net intangible assets at September 30, 2021	-	165,925	6,800	172,725

11. GOODWILL

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Balance at December 31, 2020	62,624	82,837	35,347	180,808
Additions arising on acquisitions (Note 4)	-	177,918	-	177,918
Foreign exchange difference	-	9,362	-	9,362
Balance at September 30, 2021	62,624	270,117	35,347	368,088

12. PERFORMANCE BOND OBLIGATIONS

The Company assumes performance bond obligations related to certain construction projects. Proceeds temporarily received by the Company in excess of payments with respect to outstanding projects' performance bonds are outlined below.

	September 30, 2021 \$	December 31, 2020 \$
Funds received on bonding obligations ⁽¹⁾	64,254	88,041
Payments made on bonding obligations ⁽¹⁾	(55,265)	(77,755)
Receipts in excess of payments	8,989	10,286
Provision for loss on bonds	416	369
	9,405	10,655

1. Funds received and disbursed, from contract commencement to reporting date.

Activity in the Company's performance bond obligations was as follows:

	\$
Balance at December 31, 2020	10,655
Net payments on bonding obligations during the period	(1,281)
Change in provision for loss on bonds	46
Foreign exchange difference	(15)
Balance at September 30, 2021	9,405

Total gross bonding contracts on all outstanding projects at September 30, 2021 were \$108,261 (December 31, 2020 - \$133,386).

The Company manages risk associated with exposure to loss on these performance bond obligations through rigorous underwriting practices which include reviewing construction estimates, evaluating contractors' experience and financial condition, managing bond proceeds assigned to the Company, and obtaining security or personal guarantees from contracted parties for certain performance bond obligations.



13. LOANS AND BORROWINGS

	September 30, 2021				December 31, 2020			
	Face value \$	Carrying amount \$	Current portion \$	Non-current portion \$	Face value \$	Carrying amount \$	Current portion \$	Non-current portion \$
Revolving loan facility	289,517	287,807	-	287,807	132,045	130,467	-	130,467
Unsecured notes ⁽¹⁾	60,000	58,608	-	58,608	60,000	58,095	-	58,095
Unsecured notes ⁽²⁾	325,000	318,210	-	318,210	-	-	-	-
Non-revolving term loan	18,124	17,830	2,667	15,163	20,125	19,770	2,667	17,103
Promissory notes	3,037	3,037	2,086	951	3,018	3,018	2,100	918
Equipment term loan and equipment line	3,435	3,435	1,185	2,250	5,300	5,272	2,256	3,016
	699,113	688,927	5,938	682,989	220,488	216,622	7,023	209,599

1. Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%.

2. Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%.

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 16 to the 2020 audited Annual Consolidated Financial Statements unless otherwise stated below.

The Company was not in breach of any of its covenants during the period ended September 30, 2021.

During the nine months ended September 30, 2021, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange loss of \$14,179 was recognized in Foreign currency translation in Other comprehensive income.

Offering of senior unsecured notes

On May 10, 2021, the Company completed a private placement offering of senior unsecured notes (the "Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of \$325,000. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The Unsecured Notes accrue interest at the rate of 5.25% per annum, payable on a semi-annual basis, maturing on May 15, 2026. Cash proceeds raised from the Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.



Amendment of revolving loan facility

On June 4, 2021, the Company amended its existing revolving loan facility. The maximum credit available was increased from \$360,000 to \$500,000. The maturity date of December 6, 2024 remained unchanged.

14. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans for the quarter ended September 30, 2021 was \$424 (2020 - \$486) and for the nine-month period ended September 30, 2020 was \$1,283 (2020 - \$1,438). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

The table below reflects liabilities related to employee future benefit plans.

	September 30, 2021	December 31, 2020
	\$	\$
Pension benefit plan	1,527	4,101
Other benefit plans	2,058	2,266
	3,585	6,367

Further information about these plans is disclosed in Note 17 to the 2020 audited Annual Consolidated Financial Statements.

15. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common and preferred shares with no par value.

Public offering of common shares

On May 11, 2021, the Company completed a public offering of 7,500,000 common shares, by way of a short form prospectus, at a price of \$10.00 each for gross proceeds of \$75,000, with an underwriters' option to purchase up to an additional 1,125,000 common shares at the same price (the "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were \$86,250. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

Cash proceeds raised from the Public Offering, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

**Normal Course Issuer Bid (“NCIB”)**

In 2020, the Company renewed its NCIB with respect to its common shares. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Shares acquired will be at the market price of the shares at the time of acquisition.

Since the inception of the NCIB, the Company’s NCIB activity was as follows:

Effective period	Authorized #	Repurchased #	Expired #	Remaining authorized #
November 26, 2018 - November 25, 2019	6,085,605	142,200	5,943,405	-
November 26, 2019 - November 25, 2020	5,995,340	-	5,995,340	-
November 26, 2020 - November 25, 2021	5,972,461	-	-	5,972,461
As at September 30, 2021		142,200	11,938,745	5,972,461

Upon the cancellation of the common shares, the difference between the consideration paid for the repurchased shares and the average carrying value of the common shares is credited to contributed surplus.

Restricted Equity Common Share Plan (“RECSP”)

Outstanding Restricted Share Units (“RSUs”) pursuant to the RECSP are as follows:

	Nine months ended September 30,	
	2021	2020
	#	#
Balance at January 1	53,424	-
Granted	5,182	59,388
Additional RSUs earned as notional dividends	2,625	4,685
Vested and converted to common shares during the period	(5,182)	(11,589)
Balance at September 30	56,049	52,484

Compensation expense in respect of RSUs for the quarter ended September 30, 2021 was \$34 (2020 - \$23) and for the nine-month period to date was \$148 (2020 - \$58).

Employee Common Share Purchase Plan (“ECSP”)

For the quarter ended September 30, 2021, the Company issued 60,907 (2020 - 90,997) common shares from treasury for gross proceeds of \$436 (2020 - \$352) and for the nine-month period to date the Company has issued 121,943 (2020 - 158,801) common shares from treasury for gross proceeds of \$829 (2020 - \$671), pursuant to the ECSP.

Dividends

The following dividends were declared and paid by the Company:

	2021				2020			
	Declared			Payment date	Declared			Payment date
	Record Date	Per share \$	Amount \$		Record date	Per share \$	Amount \$	
Quarter 1	Mar 31, 2021 ⁽¹⁾	0.16	12,479	Apr 15, 2021	Mar 31, 2020	0.14	10,897	Apr 15, 2020
Quarter 2	Jun 30, 2021	0.12	10,395	Jul 15, 2021	Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3	Sep 30, 2021	0.12	10,402	Oct 15, 2021	Sep 30, 2020	0.12	9,352	Oct 15, 2020
		0.40	33,276			0.40	31,147	
Quarter 4					Dec 31, 2020	0.12	9,352	Jan 15, 2021
						0.52	40,499	

1. Includes the regular quarterly dividend of \$0.12 per share and a one-time special dividend of \$0.04 per share.

The Company is continually assessing its dividend policy in the context of overall profitability, cash flows, capital requirements, general economic conditions and other business needs. Accordingly, on June 15, 2020, the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from \$0.14 to \$0.12 per share.

In addition to the regular quarterly dividend of \$0.12 per share, the Company paid a one-time special dividend of \$0.04 per share on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

16. FINANCE COSTS

Finance costs include the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Loans and borrowings	6,885	2,039	14,051	8,122
Lease liabilities	1,098	1,146	3,198	3,587
Other	(61)	(44)	(213)	(115)
Net cash interest	7,922	3,141	17,036	11,594
Amortization of financing costs	706	313	1,576	1,090
Interest on net defined benefit liability	37	30	112	90
	8,665	3,484	18,724	12,774

17. RELATED PARTY TRANSACTIONS

Transactions

The Company has transactions with related parties in the normal course of operations at amounts as agreed between the related parties as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Leased facilities:				
distribution ⁽¹⁾ and treatment plants ⁽²⁾	1,052	980	3,136	2,939
Purchase of product ⁽³⁾	1,420	971	3,507	2,267
Management fees and other ⁽⁴⁾	314	216	812	631
Professional fees and other ⁽⁵⁾	136	136	604	397

1. Paid to a company controlled by a member of key management personnel who is a director and officer of the Company, or a close family member of that person's family.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
4. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
5. Paid to a company controlled by an officer of the Company.

Commitments with related parties

Future undiscounted minimum payments under the terms of the leases with companies, in which a member of key management personnel who is also a director and officer of the Company has an interest in, are as follows:

Years ending December 31	\$
Remainder of 2021	1,046
2022	4,188
2023	4,206
2024	3,926
2025	2,455
Thereafter	13,796
	29,617



Payable to related parties

As at September 30, 2021, trade and other payables include amounts due to related parties as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Purchase of product ⁽¹⁾	420	131
Management fees and other ⁽²⁾	32	42
Professional fees and other ⁽³⁾	312	112

- Owing to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
- Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
- Owing to a company controlled by an officer of the Company.

18. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The carrying amounts of non-derivative financial instruments approximate fair value, with the exception of the following:

	September 30, 2021		December 31, 2020	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Unsecured notes ⁽¹⁾	58,608	61,860	58,095	60,780
Unsecured notes ⁽²⁾	318,210	325,000	-	-
Revolving loan facility	287,807	289,517	130,467	132,045
Non-revolving term loan	17,830	18,124	19,770	20,125

- Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%.
- Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instrument:

- The fair values of cash, trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair value of the Company's publicly traded unsecured notes was based on the quoted active market price at September 30, 2021.
- The fair values of the Company's revolving loan facility, non-revolving term loan, equipment term loan and equipment line, and non-publicly traded unsecured notes approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.
- The fair values of the Company's promissory notes and lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

IFRS 13, *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

All of the Company's financial instruments are categorized as Level 3 fair values, with the exception of the Company's publicly traded unsecured notes and dividends payable, which are categorized as Level 1 and Level 2, respectively.

The expenses resulting from financial assets and liabilities recorded in net earnings are as disclosed in Note 16.

Derivative financial instruments

From time to time, the Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments are measured at fair value through profit and loss with changes in fair value recorded in net earnings.

As at September 30, 2021, the Company held no outstanding foreign exchange contracts (December 31, 2020 - US\$2,600) for economic hedging purposes. Additionally, the Company held a nominal amount of lumber futures contracts.

During the nine months ended September 30, 2021, the Company had an outstanding foreign exchange contract to purchase US\$200,000 at an exchange rate of 1.21665 (2020 - \$nil), which completed during the period and was used as partial consideration for the Hixson Acquisition (Note 4). A loss of \$1,270 was recognized on this contract and was recorded in Other loss.



When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored and restricted by senior management, including limits for a maximum number of outstanding contracts at any point in time, the risk of a material credit loss on these financial instruments is considered low.

Hedge of investment in foreign operations

Certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the three months ended September 30, 2021, the Company recorded an unrealized foreign exchange loss of \$7,953 (2020 - \$nil), and for the nine-month period to date the Company recorded an unrealized foreign exchange loss of \$14,179 (2020 - \$nil), arising on revaluation of hedged foreign currency debt in Foreign currency translation in Other comprehensive income during the period.

Financial risk management

The Company's activities result in exposure to a variety of financial risks from its financial assets and financial liabilities, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility, non-revolving term loan, promissory notes, lease liabilities, and equipment term loan and equipment line. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management, which seeks to minimize any potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's trade and other receivables. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly.

The Company regularly reviews the collectability of its trade accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts.

As at September 30, 2021, trade accounts receivable, excluding other receivables, were as follows:

	\$
Current	210,553
Past due over 60 days	893
Trade receivables	211,446
Less: Allowance for doubtful accounts	(949)
	210,497

As at September 30, 2021, the maximum exposure to credit risk, including both trade and other receivables, was \$215,806 (December 31, 2020 - \$131,501), representing the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility, non-revolving term loan, and equipment term loan and equipment line (Note 13). Based on the Company's average revolving loan facility, non-revolving term loan, equipment term loan and equipment line balances during the nine month period ended September 30, 2021, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of \$494 in quarterly net earnings.

Currency risk

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

At September 30, 2021, the Company had US dollar drawings under its Revolving loan facility of US\$220,082 (2020 - US\$nil), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at September 30, 2021, a quarterly increase of \$0.05 in the US dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in Other comprehensive earnings of approximately \$21,000.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.

Other price risk

Other price risk is defined as the potential adverse impact on earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

19. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Trade and other receivables	136,821	39,599	(82,261)	(91,491)
Inventories	39,019	13,297	(74,046)	87,949
Prepaid expenses and deposits	1,448	(515)	2,303	(443)
Trade and other payables	(49,388)	1,741	26,858	39,822
Performance bond obligations	38	(1,476)	(1,235)	245
	127,938	52,646	(128,381)	36,082

20. REVENUE

The following table presents disaggregated revenues for the Company in categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Primary geographic markets						
Canada	265,925	9,047	274,972	310,036	7,731	317,767
US	348,998	1,318	350,316	153,645	760	154,405
	614,923	10,365	625,288	463,681	8,491	472,172
Revenue categories						
Products	614,852	10,365	625,217	462,596	8,491	471,087
Services	71	-	71	1,085	-	1,085
	614,923	10,365	625,288	463,681	8,491	472,172
	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Primary geographic markets						
Canada	1,092,175	26,404	1,118,579	772,427	21,576	794,003
US	778,930	4,529	783,459	412,805	5,019	417,824
	1,871,105	30,933	1,902,038	1,185,232	26,595	1,211,827
Revenue categories						
Products	1,870,968	30,933	1,901,901	1,182,494	26,595	1,209,089
Services	137	-	137	2,738	-	2,738
	1,871,105	30,933	1,902,038	1,185,232	26,595	1,211,827



Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of \$6,117 at September 30, 2021 (December 31, 2020 - \$4,539), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

The Company has sold products to certain customers who each contribute greater than 10% of its revenues. During the quarter ended September 30, 2021, one customer individually accounted for revenues in excess of 10%, purchasing an aggregate of \$98,947 (2020 - \$150,259 representing two customers), and for the nine-month period to date, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of \$676,427 (2020 - \$405,235, representing two customers).

21. SEGMENTED INFORMATION

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as *Other*.

Business segment revenues and specified expenses were as follows:

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	614,923	10,365	625,288	463,681	8,491	472,172
Specified expenses						
Depreciation and amortization	15,971	1,368	17,339	8,803	2,047	10,850
Finance costs	8,359	306	8,665	3,205	279	3,484
Net earnings (loss)	7,047	608	7,655	32,375	(1,356)	31,019
Purchase of property, plant and equipment	2,104	223	2,327	335	209	544
	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	1,871,105	30,933	1,902,038	1,185,233	26,594	1,211,827
Specified expenses						
Depreciation and amortization	34,607	5,007	39,614	26,403	5,777	32,180
Finance costs	17,676	1,048	18,724	11,728	1,046	12,774
Net earnings (loss)	94,917	(17)	94,900	47,468	(2,892)	44,576
Purchase of property, plant and equipment	3,935	573	4,508	1,553	379	1,932



Business segment long-term assets were as follows:

	September 30, 2021				December 31, 2020			
	Building Materials \$	Other \$	Percent %	Consolidated \$	Building Materials \$	Other \$	Percent %	Consolidated \$
Canada	176,452	98,022	30	274,474	177,270	103,078	59	280,348
US	632,110	-	70	632,110	194,033	-	41	194,033
Long-term assets	808,562	98,022	100	906,584	371,303	103,078	100	474,381

The percentage of total revenue from external customers from product groups was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021 %	2020 %	2021 %	2020 %
Construction materials	66	65	71	65
Specialty and allied	30	30	25	30
Other	4	5	4	5
	100	100	100	100

22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit and cumulative dividends on shares, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurate with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy over the long-term, is to dividend all available cash from operations to shareholders after provision for cash required for maintenance of capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during the current period.

23. SEASONALITY

The Company's revenues are subject to seasonal variances that fluctuate in accordance with the normal home building season. The Company generally experiences higher revenues in the second and third quarters compared to the first and fourth quarters. This creates a timing difference between free cash flow earned and dividends paid. While the Company has leveled dividends to provide a regular income stream to shareholders over the course of a year, the second and third quarters have historically been the Company's most profitable.

24. CONTINGENCIES

Global pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (specifically identified as "COVID-19") a global pandemic (the "Pandemic"). COVID-19's impact on global markets has been significant through the quarter and nine months ended September 30, 2021 and as the situation continues to rapidly evolve, the magnitude of its effects on the economy and on the Company's financial and operational performance, is uncertain at this time.

At the time these unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance, the Company has been classified as an essential service for the majority of its operations in Canada and the US, and therefore has not been required to shut down. Additionally, certain jurisdictions in which the Company's customers operate have re-opened. However, due to the uncertainty of the spread of COVID-19, these or other markets may be required to close in the future. 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, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and reducing regular quarterly dividends (as discussed in Note 15).

The Company will continue to closely monitor the COVID-19 situation and should the duration, spread or intensity of the Pandemic further develop in 2021, the supply chain, market pricing and customer demand could be affected.

These factors may further impact the Company's operating plan, its liquidity and cash flows, its operating results and the valuation of its long-lived assets, inventory and trade and other receivables.

Product liability and other claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.



Corporate Information

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Trading Symbols:

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