NEWS RELEASE: Via
The Canadian Custom Disclosure Network
FOR IMMEDIATE RELEASE
March 14, 2019

Attention: Business/Financial Editors

Hardwoods Distribution Inc.
TRADING SYMBOL: **Toronto Stock Exchange - HDI**

HDI Announces Fourth Quarter and Annual 2018 Results

Annual Sales and Profit Increase 8.5% and 7.4% respectively
Announces Quarterly Dividend of $0.08 per Share

Langley, B.C., March 14, 2019/ CNW/ - Hardwoods Distribution Inc. ("HDI" or the "Company") today announced financial results for the three and twelve months ended December 31, 2018. HDI is North America's largest wholesale distributor of architectural grade building products to the residential and commercial construction markets, with a comprehensive US and Canadian distribution network.

Highlights *(For the three and twelve months ended December 31, 2018)*

- Generated full-year revenue of $1.1 billion, an increase of 8.5% from 2017. This includes organic growth of 6.1% and acquisition-based growth of 2.5%.
- Profit increased 7.4% to $32.2 million in 2018. Diluted profit per share grew to $1.49, or an increase of 7.2%. Adjusted diluted profit per share increased 4.5% to $1.61 per share.
- Continued responsible management of the balance sheet, with a net debt-to-Adjusted EBITDA ratio of 2.0 times and $78.4 million of unused borrowing capacity as at year-end.
- Capitalized on acquisition pipeline with the purchase of certain distribution assets of Atlanta Hardwoods Corporation and, subsequent to year-end, the purchase of Far West Plywood.
- Fourth quarter revenue and profit increased by 10.2% and 18.9%, respectively. Adjusted diluted profit per share increased 4.0% to $0.26.
- In 2018 the Board of Directors increased HDI's annual dividend by10% to $0.32 per share. On March 14, 2019 the Board approved a quarterly dividend of $0.08 per share. The dividend will be paid on April 26, 2019 to shareholders of record as at April 15, 2019.

"HDI's growth story continued in 2018 with revenue growing 8.5% year-over-year as we implemented our business strategies and achieved organic and acquisition-based growth. Our diluted profit per share also increased by 7.2% as we benefited from the reduction in US corporate tax rates," said Rob Brown, President and CEO of HDI.

"These results represent our seventh consecutive year of top and bottom-line growth. Between 2012 and 2018, our revenues have grown from $306 million to $1.135 billion, representing a compound annual growth rate of 20.6%. During this same time frame, our Adjusted diluted profit has climbed from $0.38 to $1.61, representing a 22.9% compound annual growth rate."

"Our record 2018 sales results were achieved despite a recent softening in the US residential construction market, related to affordability challenges and general market uncertainty. Our broad end-market diversification and predominantly non-commodity product mix, together with our strategic initiatives and price appreciation on some product lines, counteracted these conditions and enabled us to deliver organic sales growth of $64.1 million, or 6.1% million, in 2018. Acquisitions also drove our sales performance with our 2017 purchases of Eagle Plywood and Lumber and Downes & Reader Hardwood Company, and our 2018 acquisition of certain distribution assets of Atlanta Hardwoods Corporation contributing $26.5 million or a 2.5% year-over-year increase to sales."

"As it relates to our bottom line, a mix of new US tax and trade policies ultimately netted out favourably for HDI in 2018, with the significant reduction in the US corporate tax rate offsetting the negative gross profit margin impacts of newly implemented trade barriers. As we move forward, we expect the impacts of the trade barriers on our business will gradually subside."

"I am pleased to note that in addition to achieving record top and bottom line results in 2018, we also provided investors with a 10% increase to our dividends, which we announced in August. This brought our annual dividend to $0.32 per share and represented our seventh dividend increase in the past seven years," added Mr. Brown.

Outlook

2019 Market Outlook

HDI's long-term view on US housing demand remains positive, supported by the current level of housing starts relative to the long-term average, low levels of current housing inventory due to the slow pace of the recovery, and the favourable demographic characteristics of US consumers. In the near term, most forecasters are predicting at least a modest level of growth for residential construction in 2019. In addition, Harvard's Center for Joint Housing predicts 5.2% growth for the US repair and renovation market. In the non-residential construction market, spending is expected to continue growing in 2019, with consensus growth estimates of

4.4% as per the American Institute of Architects. In Canada, HDI anticipates nominal growth across its end-markets.

HDI's business, both in the US and Canada, is well diversified across new residential construction, repair and remodel, non-residential construction, and the wide range of other end-markets that the Company serves. HDI also benefits from a diversified and high-value mix of architectural building products, including high-value hardwood lumber, fancy hardwood plywood, decorative laminates, composite panels, hardware, coatings, doors and countertops. These higher-value decorative products generally benefit from stable pricing.

2019 Company Outlook

The Company expects first quarter sales this year to be in line with the first quarter of 2018. This reflects lost sales days due to weather, and continued uneven market sentiment as it relates to certain US construction sectors.

For the balance of the fiscal year, the Company anticipate low-to-mid single digit organic growth in the US and nominal organic growth in Canada, driven primarily by the implementation of the Company's strategic initiatives. With a strong balance sheet and a pipeline of attractive regional acquisition opportunities, HDI is also well positioned to build both its top and bottom line with accretive acquisition-based growth.

Gross profit percentage is expected to remain in the 17%-18%. The potential impact of items noted in the Trade Actions Section below on supply-demand dynamics remains to be seen.

Moving forward, HDI will continue to pursue its successful strategies of capturing market share in the US, gaining additional market share in strategic product categories, optimizing its platform, and capitalizing on opportunities in the fragmented US distribution market to grow through acquisition.

Capital allocation

HDI generates significant cash flow from operations before working capital. For the coming year, capital allocation priorities include:

- investing in working capital to support anticipated organic growth in sales;
- ensuring continued responsible management of the balance sheet;
- executing on the acquisitions pipeline; and,
- continuing to return value to shareholders in the form of dividends and share re-purchases.

On February 1, 2019 HDI announced that the TSX accepted its notice to initiate a normal course issuer bid. Management and the Board believe that the underlying share value of HDI may not be reflected in the current market price of the Company's shares and, as a result, will consider share repurchases depending upon future price movements, capital allocation priorities, and other factors.

Trade Actions Update

The US government has continued to undertake trade actions, resulting in a shifting trade landscape. The trade actions most relevant to the Company include:

Wooden Cabinets and Vanities from China

On March 6, 2019 the American Kitchen Cabinet Alliance, which is comprised of a number of significant domestic cabinet manufacturers (the "Petitioners") and represents two-thirds of the US market, announced the filing of a petition with the Department of Commerce ("Commerce") and the International Trade Commission ("ITC") for the imposition of antidumping ("AD") and countervailing ("CVD") duties on wooden cabinets and vanities from China. The Petitioners claim that China's trade practices have resulted in an over 75% increase in US imports of kitchen cabinets from China since 2015. The Petitioners estimate that the total value of imports covered by the case is approximately $4 billion and that the dumping margins are up to 259.99%. A time line for Commerce's investigation has not yet been announced.

HDI views the potential imposition of AD and CVD duties on cabinet products imported from China as positive, as it could increase demand from the Company's primary customer base, domestic cabinet manufacturers.

Hardwood plywood from China

On January 2018, AD and CVD duties relating to hardwood plywood imported from China into the US were implemented (the "Trade Case"). For a more detailed summary, see our 2017 annual report.

The Trade Case negatively impacted gross margins by i) increasing sourcing costs as the Company purchased hardwood plywood from alternate suppliers, rather than from manufacturers in China; and ii) creating an excess market supply of lower-value hardwood plywood and substitute products in the US.

By year-end excellent progress has been made in diffusing sourcing challenges by developing proprietary product offerings with alternative suppliers of hardwood plywood. A number of these products are now in market trials with customers and are performing well.

As volumes related to new proprietary hardwood plywood product offerings increase and more consistent supply-demand dynamics emerge, the Company expects gross margins will gradually improve.

Q4 and Year-End 2018 Investor Call

The Company will host a conference call on Friday, March 15, 2019 at 8:00 am Pacific (11:00 am Eastern). Participants should dial 1-888-390-0546 or (416) 764-8688 (GTA) at least five minutes before the call begins. A replay will be available through March 29, 2019 by calling toll free 1-888-390-0541 or (416) 764-8677 (GTA), followed by passcode 774241.

Summary of Results

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars)

	Year ended December 31 2018	Year ended December 31 2017	Three months ended December 31 2018	Three months ended December 31 2017
Total sales	$ 1,134,267	$ 1,045,840	$ 274,985	$ 249,536
Sales in the US (US$)	*766,662*	*699,776*	*182,933*	*171,066*
Sales in Canada	*140,903*	*137,110*	*33,232*	*32,041*
Gross profit	200,548	191,875	47,440	44,503
Gross profit %	*17.7%*	*18.3%*	17.3%	17.8%
Operating expenses	(154,213)	(142,790)	(38,920)	(35,112)
Profit from operating activities	46,335	49,085	8,520	9,391
Add: Depreciation and amortization	6,847	6,504	1,803	1,608
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$ 53,182	$ 55,589	$ 10,323	$ 10,999
Add (deduct):				
Depreciation and amortization	(6,847)	(6,504)	(1,803)	(1,608)
Net finance income (expense)	(3,398)	(2,502)	(714)	(677)
Income tax expense	(10,778)	(16,629)	(1,929)	(3,770)
Profit for the period	$ 32,159	$ 29,954	$ 5,877	$ 4,944
Basic profit per share	$ 1.50	$ 1.40	$ 0.27	$ 0.23
Diluted profit per share	$ 1.49	$ 1.39	$ 0.27	$ 0.23
Average Canadian dollar exchange rate for one US dollar	1.296	1.299	1.320	1.271

Analysis of Specific Items Affecting Comparability (in thousands of Canadian dollars)								
		Year ended December 31 2018		Year ended December 31 2017		Three months ended December 31 2018		Three months ended December 31 2017
Earnings before interest, taxes, depreciation and amortization ("EBITDA"), per table above	$	53,182	$	55,589	$	10,323	$	10,999
Non-cash LTIP expense		2,096		3,287		(261)		558
Allowance for duty deposits		880		—		—		—
Transaction expenses		89		273		—		—
Adjusted EBITDA	$	56,247	$	59,149	$	10,062	$	11,557
Adjusted EBITDA as a % of revenue		*5.0%*		*5.7%*		*3.7%*		*4.6%*
Profit for the period, as reported	$	32,159	$	29,954	$	5,877	$	4,944
Other adjustments, net of tax		2,623		3,307		(268)		531
Adjusted profit	$	34,782	$	33,261	$	5,609	$	5,475
Basic profit per share, as reported	$	1.50	$	1.40	$	0.27	$	0.23
Net impact of above items per share		0.12		0.15		(0.01)		0.02
Adjusted basic profit per share	$	1.62	$	1.55	$	0.26	$	0.25
Diluted profit per share, as reported	$	1.49	$	1.39	$	0.27	$	0.23
Net impact of above items per share		0.12		0.15		(0.01)		0.02
Adjusted diluted profit per share	$	1.61	$	1.54	$	0.26	$	0.25

Results from Operations - Year Ended December 31, 2018

For the year ended December 31, 2018, total sales increased 8.5% to $1,134.3 million, from $1,045.8 million in 2017. Of the $88.4 million year-over-year increase, $64.1 million, representing a 6.1% increase in sales, was due to organic growth and $26.5 million, representing a 2.5% increase in sales, was due to the addition of Acquired Businesses. These gains were partially offset by a $2.2 million negative foreign exchange impact resulting from a stronger Canadian dollar when translating US sales to Canadian dollars for reporting purposes.

Sales from US operations increased by US$66.9 million, or 9.6%, to US$766.7 million, from US$699.8 million in 2017. Organic growth provided a US$46.4 million, or 6.6%, increase in sales, and reflects increased volumes, as well as some price inflation on certain product lines. The Acquired Businesses contributed sales of US$20.4 million. Sales in Canada increased by $3.8 million, or 2.8%, year-over-year. The increase in Canadian sales was entirely organic and reflects HDI's success in winning new business.

Gross profit for the year ended December 31, 2018 increased 4.5% to $200.5 million, from $191.9 million in 2017. This $8.7 million improvement reflects higher sales, partially offset by a lower gross profit margin.

For the year ended December 31, 2018, operating expenses increased to $154.2 million, from $142.8 million in 2017. The $11.4 million increase includes is primarily comprised of added costs to support growth, operating expenses related to acquired businesses, and an allowance related to a duty deposit receivable, partially offset by transaction costs and the foreign exchange impact related to a stronger Canadian dollar on translation of US operating expenses. As a percentage of sales, operating expenses decreased to 13.6% from 13.7% year-over-year

For the year ended December 31, 2018, HDI reported EBITDA of $53.2 million, as compared to $55.6 million in 2017. The $2.4 million reduction includes the impact of a lower gross profit percentage on sales. Adjusted EBITDA was $56.2 million, a decrease of $2.9 million from $59.1 million in 2017.

2018 net finance expense was $3.4 million in 2018 as compared to $2.5 million in 2017. The $0.9 million year-over-year increase relates primarily to interest on bank indebtedness.

Income tax expense decreased to $10.8 million for the year ended December 31, 2018, from $16.6 million in 2017. The decrease was primarily driven by the lower effective tax rate in the US that came into effect in 2018, and a decrease in taxable income as compared to 2017.

Profit for the year ended December 31, 2018 increased 7.4% to $32.2 million, from $30.0 million in 2017. The $2.2 million improvement primarily reflects the decrease in income tax expense of $5.9 million, partially offset by the $2.4 million decrease in EBITDA, a $0.9 million increase in net finance expense, and a $0.3 million increase in depreciation and amortization. Diluted profit per share increased to $1.49 from $1.39, a 7.2% gain as compared to 2017.

Results from Operations - Three Months Ended December 31, 2018

For the three months ended December 31, 2018, total sales increased 10.2% to $275.0 million, from $249.5 million during the same period in 2017. Of the $25.4 million year-over-year increase, $12.3 million, representing a 4.9% increase in sales, was due to organic growth and $4.3 million, representing a 1.7% increase in sales, was due to the addition of Acquired Businesses. The remaining $8.8 million of sales gain reflects the positive foreign exchange impact resulting from a stronger US dollar when translating US sales to Canadian dollars for reporting purposes, as compared to the same period in 2017.

Fourth quarter sales from HDI's US operations increased by US$11.9 million, or 6.9%, to US$182.9 million, from US$171.1 million in Q4 2017. Organic growth accounted for US$8.6 million of the gain, representing a 5.0% increase in sales, and reflects increased volumes. Growth from acquired businesses contributed additional sales of US$3.3 million. Fourth quarter sales in Canada increased by $1.2 million, or 3.7%, as compared to the same period in 2018. The increase in Canadian sales was entirely organic and reflects HDI's success in winning new business.

Gross profit for the three months ended December 31, 2018 increased 6.6% to $47.4 million, from $44.5 million in the fourth quarter of 2017. This $2.9 million improvement reflects higher sales, partially offset by a lower gross profit margin.

Operating expenses increased to $38.9 million in the fourth quarter of 2018, from $35.1 million during the same period in 2017. The $3.8 million increase includes added costs to support organic growth, the foreign exchange impact of a stronger US dollar on translation of US operating expenses, and the addition of expenses from acquired businesses. As a percentage of sales, operating expenses remained stable at 14.2% in both periods.

For the three months ended December 31, 2018, HDI reported EBITDA of $10.3 million as compared to $11.0 million for the same period in the prior year. The $0.7 million reduction primarily reflects the increase in gross profit of $2.9 million, offset by the $3.8 increase in operating expenses. Adjusted EBITDA was $10.1 million, a decrease of $1.5 million from $11.6 million in the same period in 2017.

Income tax expense decreased to $1.9 million in the fourth quarter of 2018, from $3.8 million in the same period in 2017. The decrease was primarily driven by the lower effective tax rate in the US that came into effect in 2018, together with a decrease in taxable income as compared to the fourth quarter of 2017.

Profit for the three months ended December 31, 2018 increased 18.9% to $5.9 million, from $4.9 in Q4 2017. The $0.9 million improvement primarily reflects the $1.8 million decrease in income tax expense, partially offset by the $0.7 million decrease in EBITDA and a $0.2 million increase in depreciation and amortization. Diluted profit per share increased to $0.27 from $0.23, a 17.4% gain, as compared to 2017.

About HDI

HDI is North America's largest wholesale distributor of architectural grade building products to the residential and commercial construction sectors. The Company operates a North American network of 62 distribution centres, as well as one sawmill and kiln drying operation.

Non-GAAP Measures - EBITDA

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income. Furthermore, this press release references certain EBITDA Ratios, such as EBITDA margin (being EBITDA as a percentage of revenues). In addition to profit, HDI considers EBITDA and EBITDA Ratios to be useful supplemental measures of the Company’s ability to meet debt service and capital expenditure requirements, and interprets trends in EBITDA and EBITDA Ratios as an indicator of relative operating performance.

References to "Adjusted EBITDA" are EBITDA as defined above, before certain items related to business acquisition activities. "Adjusted EBITDA margin" is as defined above, before certain items related to business acquisition activities, mark-to-market adjustments, and revaluation of deferred tax assets. References to "Adjusted profit", "Adjusted basic profit per share", and "Adjusted diluted profit per share" are profit for the period, basic profit per share, and diluted profit per share, before certain items related to business acquisition activities, mark-to-market adjustments, and revaluation of deferred tax assets. The aforementioned adjusted measures are collectively referenced as "the Adjusted Measures". HDI considers the Adjusted Measures to be useful supplemental measures of the Company's profitability, its ability to meet debt service and capital expenditure requirements, and as an indicator of relative operating performance, before considering the impact of business acquisition activities.

EBITDA, EBITDA Ratios, and the Adjusted Measures (collectively "the Non-GAAP Measures") are not measures recognized by International Financial Reporting Standards (“IFRS”) and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that the Non-GAAP Measures should not replace profit, earnings per share or cash flows (as determined in accordance with IFRS) as an indicator of our performance. HDI’s method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, Non-GAAP Measures may not be comparable to similar measures presented by other issuers.

Forward-Looking Statements

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This news release includes forward-looking statements. These involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “estimate”, “expect”, “may”, “plan”, “will”, and similar terms and phrases, including references to assumptions. Such statements may involve, but are not limited to: As we move forward, we expect the impacts of the trade barriers on our business will gradually subside; HDI's long-term view on US housing demand remains positive; in the near term, most forecasters are predicting at least a modest level of growth for residential construction in 2019; Harvard's Center for Joint Housing predicts 5.2% growth for the US repair and renovation market; in the non-residential construction market, spending is expected to continue growing in 2019, with consensus growth estimates of 4.4% as per the American Institute of Architects; in Canada, we anticipate nominal growth across our end-markets; management expects first quarter 2019 sales to be in line with the first quarter of 2018; for the balance of the fiscal year, HDI anticipates low-to-mid single digit organic growth in the US and nominal organic growth in Canada, driven primarily by implementation of the Company's strategic initiatives; HDI is also well positioned to build both its top and bottom line with accretive acquisition-based growth; gross profit percentage is expected to remain in the 17%-18% range until more consistent supply-demand dynamics in the hardwood plywood market emerge; HDI generates significant cash flow from operations before working capital; HDI views the potential imposition of AD and CVD duties on cabinet products imported from China as positive, as it could increase demand from the Company's primary customer base, domestic cabinet manufacturers; and as volumes related to new proprietary hardwood plywood product offerings increase and more consistent supply-demand dynamics emerge, the Company expects gross margins will gradually improve.

These forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: national and local business conditions; political or economic instability in local markets; competition; consumer preferences; spending patterns and demographic trends; legislation or governmental regulation; acquisition and integration risks.

Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, management cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements reflect management's current beliefs and are based on information currently available.

All forward-looking information in this news release is qualified in its entirety by this cautionary statement and, except as may be required by law, HDI undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

For further information:

Faiz Karmally

Chief Financial Officer

Phone: (604) 881-1982

Email: fkarmally@hdidist.com

Website: http://www.hdidist.com