

NEWS RELEASE: Via  
The Canadian Custom Disclosure Network  
FOR IMMEDIATE RELEASE  
October 15, 2019

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

## **HDI Announces Acquisition of Pacific Mutual Door**

### **Amendment and Extension of US Credit Facility**

Langley, B.C., October 15, 2019 / CNW/ - Hardwoods Distribution Inc. (“HDI” or the “Company”) (TSX: HDI) announced today that it has entered into an agreement to acquire substantially all of the assets, and assume certain liabilities, of Pacific Mutual Door Company (“Pacific”) (the “Transaction”).

Pacific is a wholesale distributor of interior and exterior doors, custom millwork, and other ancillary building products. For the trailing twelve-month period ended July 2019 Pacific’s revenues were US\$58 million.

Pacific operates five strategically located facilities in Nashville, TN, Kansas City, MO, Olathe, KS, Osborne, KS, and Albuquerque, NM. It has a diversified sales strategy and its customer base includes general contractors, builders, distributors, and professional dealers. Pacific has been in operation for over one hundred years and is a significant distributor in the markets it serves.

“We are very pleased to announce the acquisition of Pacific Mutual Door and Window, a market leader that operates a highly profitable business model,” said Rob Brown, President and CEO of HDI. “Pacific compliments HDI’s existing door and related millwork business and provides an entry point into the attractive Tennessee and Kansas markets, with minimal customer overlap and alignment of key supplier relationships. The Transaction is immediately accretive to shareholders.”

The purchase price payable by HDI is US\$34.5 million and other consideration. Completion of the Transaction is subject to a number of conditions customary for a transaction of this nature. The Transaction is expected to close in October 2019.

“We have been successful with our acquisition strategy having added over \$600 million of annual sales in the last eight years. Our acquisitions pipeline remains very active at this time. We will continue to pursue additional transactions that complement our internal growth strategies,” said Mr. Brown.

### **Credit Facility**

HDI has received a term sheet from its US bank to increase its existing revolving credit facility (the “**Credit Facility**”) from US\$125 million to US\$150 million, to extend the maturity of the facility from July 2021 to October 2024, and to reduce borrowing rates under the facility. The Credit Facility will be used by the Company to pay the purchase price for the Transaction.

## **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.

## **Forward-Looking Statements**

Certain statements in this news release may constitute "forward-looking information" within the meaning of applicable securities laws that 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 or industry results expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information in this news release includes, without limitation, statements with respect to: the expected closing date of the Transaction the amount, terms and timing of the Credit Facility expected accretion; and, future acquisitions. Actual events or results may differ materially.

The forward-looking information in this news release are based on assumptions which include, but are not limited to: the satisfaction of the closing conditions and the closing of the Transaction; no undisclosed liabilities associated with the Transaction; there are no material exchange rate fluctuations between the Canadian and US dollar that affect the Company's performance; the general state of the economy does not worsen; the Company and Pacific do not lose any key personnel; there are no decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods that harm the Company's business; the Company does not incur material losses related to credit provided to its customers; the Company's products are not subjected to negative trade outcomes; the Company is able to sustain its level of sales and earnings margins; the Company is able to grow its business long term and to manage its growth; the Company is able to integrate acquired businesses; there is no new competition in the markets in which the Company operates that lead to reduced sales and profitability; the Company can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of products manufactured with hardwood lumber or sheet goods does not increase and replace products manufactured in North America; the Company's management information systems upon which it is dependent are not impaired; and, the Company's insurance is sufficient to cover losses that may occur as a result of its operations.

The forward-looking information in this news release are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: failure to close the Credit Facility; failure to close the Transaction; potential undisclosed liabilities associated with the Transaction; exchange rate fluctuations between the Canadian and US dollar could affect the Company's performance; the Company's results are dependent upon the general state of the economy; the Company depends on key personnel, the loss of which could harm its business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm the Company's business; the Company may incur losses related to credit provided to the Company's customers; the Company's products may be subject to negative trade outcomes; the Company may not be able to sustain its current level of sales or earnings margins; the Company may be unable to grow its

business long term or to manage any growth; the Company may be unable to integrate acquired businesses; competition in the Company's markets may lead to reduced sales and profitability; the Company may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect the Company's sales, profitability and reputation; importation of products manufactured with hardwood lumber or sheet goods may increase, and replace products manufactured in North America; the Company is dependent upon its management information systems; the Company's insurance may be insufficient to cover losses that may occur as a result of the Company's operations; the Company's credit facilities affect its liquidity, contain restrictions on the Company's ability to borrow funds, and impose restrictions on distributions that can be made by certain subsidiaries of the Company; the market price of the Company's common shares will fluctuate; and there is a possibility of dilution of the Company's existing shareholders. More information about the risks and uncertainties affecting Hardwoods' business can be found in the "Risk Factors" section of its Annual Information Form dated March 14, 2019 which is available under the Hardwoods' profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Although Hardwoods has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information in this news release, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of Hardwoods. Accordingly, readers should not place undue reliance on forward-looking information in this news release. The forward-looking information is made as of the date of this news release, and Hardwoods assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

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