

## HDI Provides Business Update for the Month of May 2020

Langley, B.C., June 10, 2020 - Hardwoods Distribution Inc. (“HDI” or the “Company”) (TSX: HDI) provided an update today on business conditions and the Company’s financial position.

The Company’s average daily organic sales were up 16% in May as compared to April. “In May we saw increased activity across our distribution network as the pace of construction in many regions increased,” said Rob Brown, President and CEO. “I am also pleased to report that our policies and procedures related to ensuring a safe environment for employees are working, and the productive capacity of our business has not been impacted by the COVID-19 pandemic”.

In April the Company took a number of actions to reduce costs, including a reduction in the workforce, lowering of variable compensation, and curtailing non-essential operating expenditures. These measures assisted the Company in generating positive cash flow before changes in working capital in the months of April and May.

Consistent with the Company’s expectations, additional cash was also generated by reducing working capital in the months of April and May. The Company’s net debt position was reduced in the last two months, in line with the Company’s focus on generating cash flow. “The accounts receivable collection cycle in May was excellent, and inventory balances that typically increase this time of year are being managed to reflect our current sales pace,” said Mr. Brown.

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

As it relates to the the Company’s long-term growth strategy, and specifically its digital strategy, in May the Company launched DesignOneSource (“DOS”), the specification division of HDI. DOS provides architects and designers seamless specification support for decorative surfaces through an interactive online platform. “DesignOneSource distinguishes us from the competition,” commented Mr. Brown. “It supports our specification sales channel, provides real value to architects and designers, and increases the prospect of having our products specified in more construction projects going forward.”

DesignOneSource website: <https://designonesource.com/>

### About HDI

HDI is North America’s largest distributor of architectural grade building products to the residential and commercial construction markets. The Company operates a North American network of 66 distribution centres utilizing three industry leading distribution brands: Hardwoods Specialty

Products; the Frank Paxton Lumber Company; and Rugby Architectural Building Products. HDI also operates one sawmill and kiln drying operation, Hardwoods of Michigan.

**For further information:** Faiz Karmally, Chief Financial Officer, Phone: (604) 881-1982; email: [fkarmally@hdidist.com](mailto:fkarmally@hdidist.com); Website: <http://www.hdidist.com>

## **Forward-Looking Statements**

Certain statements in this news release may constitute “forward-looking information” within the meaning of applicable securities laws in Canada. The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. 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 ultimate impact of the COVID-19 pandemic on the Company’s second quarter and full-year 2020 results is difficult to quantify as it will depend on the duration of the contagion, the impact of government policies, and the pace of economic recovery; the Company remains confident that its business model, cash flow profile, and liquidity will be sufficient to address a varied range of COVID-19 scenarios that may occur in 2020; and DesignOneSource increases the prospect of having our products specified in more construction projects going forward.

The forecasts and projections that make up the forward-looking information in this news release are based on assumptions which include, but are not limited to: 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 does 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 is 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: escalation of the COVID-19 pandemic; the COVID-19 pandemic decreasing the willingness of customers to purchase products from the Company, causing labour shortages for the Company, interrupting supplies from third parties upon which the Company relies, or resulting in governmental regulation adversely impacting the Company's business; 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 19, 2020, which is available under the Hardwoods' profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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, the Company 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.