

HDI Completes Acquisition of Mid-Am Building Products Inc. and Closes the Upsized Credit Facility

Expected to be 15% accretive to earnings per share on a pro forma basis

Langley, B.C., February 7, 2022 - Hardwoods Distribution Inc. (“HDI” or the “Company”) (TSX: HDI) today announced the completion of its previously announced acquisition (the “Acquisition”) of substantially all of the assets and assumption of certain working capital liabilities of Mid-Am Building Supply, Inc. (“Mid-Am”). The Acquisition was completed for a purchase price of US\$270 million and had an effective closing date of February 4, 2022.

“We are excited to be welcoming Mid-Am’s team to HDI,” expressed Rob Brown, President and Chief Executive Officer of HDI. “Mid-Am strategically expands our access to the pro dealer customer channel and, when combined with strong participation in the pro dealer and home center customer channels we gained when we acquired Novo Building Products last year, substantially increases the addressable market opportunity for HDI’s products. The addition of Mid-Am also raises our capability in the new home and repair and remodel markets in the U.S., where we continue to see many factors supporting a multi-year runway for growth.”

“In the last six months we have added over US\$900 million of estimated sales, and we continue to see opportunity for growth. The building products space remains fragmented which creates avenues to continue growing our business through acquisitions, and our balance sheet continues to be positioned to allow us to act on future opportunities,” commented Mr. Brown.”

In connection with the closing of the Acquisition, HDI closed on an upsized credit facility with its existing lender, Bank of America, N.A. (the “Lender”), for an increase in the size of its existing senior secured credit facility (the “Expanded Credit Facility”) from its current size of US\$525 million to a new aggregate facility amount of up to US\$900 million. The Expanded Credit Facility includes (i) a revolving credit facility of up to US\$500 million which can be drawn upon in U.S. dollars and Canadian dollars, and (ii) a term loan of up to US\$400 million. The New Credit Facility was used to refinance the outstanding debt of certain of the Company’s subsidiaries and fund the purchase price for Mid-Am. The Expanded Credit Facility bears interest at a rate equal to (a) Term SOFR plus (i) the applicable spread adjustment for the relevant tenor and (ii) up to 2.25% or (b) the base rate of interest charged by the Lender under the Expanded Credit Facility from time to time (“Base Rate”). The Term SOFR and Base Rate margins for the Expanded Credit Facility are subject to performance pricing adjustments, from time to time, based on the Company’s then applicable leverage ratio.

About HDI

HDI is one of North America’s largest suppliers of specialty building products to industrial manufacturers, Pro Dealers, and home centers servicing the new residential, repair and remodel, and commercial construction end-markets. The Company currently operates a network in North America of 89 distribution and sales facilities in the United States and Canada. HDI’s common shares are listed on the TSX under the symbol HDI.

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 are 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 accretion to cashflows and earnings resulting from the Acquisition; growth prospects; we continue to see many factors supporting a multi-year runway for growth in the new home and repair and remodel markets in the U.S; and, the building products space remains fragmented which creates avenues to continue growing our business through acquisitions, and our balance sheet continues to be positioned to allow us to act on future opportunities..

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: no undisclosed liabilities associated with the Acquisition; the financial impact of the Acquisition is as currently expected by management; the Company and Mid-Am do not lose any key personnel; there are no decreases in the supply of, demand for, or market values of products that harm the Company or Mid-Am's business; the Company does not incur material losses related to credit provided to its customers; 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, including Mid-Am; 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; the Company is not adversely impacted by disruptive technologies; an outbreak or escalation of a contagious disease does not adversely affect the Company's business; and, the Company's insurance is sufficient to cover losses that may occur as a result of its operations.

The forward-looking information and financial outlook 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: the actual impacts of the Acquisition on the Company's earnings per share may not be in line with management's expectations; the Acquisition may not be immediately accretive to earnings per share; potential undisclosed liabilities associated with the Acquisition; the Expanded Credit Facility will be subject to certain restrictive conditions that limit the discretion of management; 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; disruptive technologies could lead to reduced revenues or a change in our business model; 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; an outbreak or escalation of a contagious disease may adversely affect the Company's business; and, 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. More information about the risks and uncertainties affecting HDI's business can be found in the "Risk Factors" section of its Annual Information Form dated March 11, 2021 which is available under the HDI's profile on SEDAR at www.sedar.com.

Although HDI 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 HDI. 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 HDI 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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