Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at November 10, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three and nine months ended September 30, 2023 and 2022. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three and nine months ended September 30, 2023.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises, and is expressed in Canadian dollars.

Taiga's consolidated financial statements and the accompanying notes included within this report include the accounts of Taiga and its subsidiaries. Unless otherwise noted, all references in this MD&A to "dollars" or "$" are to Canadian dollars.

Unless otherwise noted, there are no material changes to the Company's contractual obligations and risks and uncertainties as described in its management's discussion and analysis for the year ended December 31, 2022.

Additional information relating to the Company including the Company's Annual Information Form dated February 24, 2023 can be found on SEDAR+ at www.sedarplus.ca.

Forward-Looking Information:

This MD&A contains certain forward-looking information relating, but not limited, to future events or performance and strategies and expectations of Taiga. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "likely", "may", "will", "should", "predict", "potential", "continue" or similar words suggesting future outcomes or statements regarding expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of such forward-looking information within this document include statements relating to: the Company's perception of the building products industry and markets in which it participates and anticipated trends in such markets in any of the countries in which the Company does business; the Company's anticipated business operations, inventory levels and ability to meet order demand; the Company's anticipated ability to procure products and its relationship with suppliers; sufficiency of cash flows; and the anticipated outcome of legal and regulatory proceedings. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Forward-looking information reflects management's current expectations or beliefs and is based on information currently available to Taiga and although Taiga believes it has a reasonable basis for providing the forward-looking information included in this document, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information of Taiga involves numerous assumptions and inherent risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts and other forward-looking information will not occur. These factors include, but are not limited to: changes in business strategies; the effects of legal or regulatory proceedings, competition and pricing pressures; changes in operational costs; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws and Taiga's anticipation of and success in managing the risks associated with the foregoing; and other risks detailed in this MD&A and Taiga's filings with the Canadian securities regulatory authorities available at www.sedar.com. Forward-looking information speaks only as of the date of this discussion and analysis. Taiga does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Non-IFRS Financial Measure:

In this MD&A, reference is made to EBITDA, which represents earnings before interest, taxes, and amortization. As there is no generally accepted method of calculating EBITDA, the measure as calculated by Taiga might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because management interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. Reconciliations of EBITDA to net earnings reported in accordance with IFRS are included in this MD&A.

Market and Industry Data:

Unless otherwise indicated, the market and industry data contained in this MD&A is based upon information of independent industry and government publications and management's knowledge of, and experience in, the markets in which the Company operates. While management believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this MD&A and no representation is given as to the accuracy of any of the data referred to in this MD&A obtained from third party sources.

1. Business Overview

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and overseas. As a wholesale distributor, Taiga maintains substantial inventories of building products at fifteen strategically located distribution centres throughout Canada and two distribution centres in California and one in Washington. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates four wood preservation plants that produce pressure-treated wood products. Factors that affect Taiga's year-over-year profitability include, among others, sales levels, price fluctuations and product mix.

Taiga's primary market is Canada. Taiga expects the Canadian housing market in calendar year 2023 to decline compared to calendar year 2022. Taiga's secondary market, the United States, is expected to decline in 2023 compared to calendar year 2022. See Item 9 "Outlook".

2. Results of Operations

Sales

The Company's consolidated net sales for the quarter ended September 30, 2023 were $456.6 million compared to $533.1 million over the same period last year. The decrease in sales by $76.5 million or 14% was largely due to decreased selling prices for commodity products.

Consolidated net sales for the nine months ended September 30, 2023 were $1,312.0 million compared to $1,791.9 million over the same period last year. The decrease in sales by $479.9 million or 27% was largely due to the Company experiencing lower selling prices for its commodity products during the nine-month period.

Sales by segments are as follows:

	Revenue by Point of Sale							
	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	$000's	%	$000's	%	$000's	%	$000's	%
Canada	371,552	81.4	439,792	82.5	1,075,342	82.0	1,470,358	82.1
United States	85,064	18.6	93,274	17.5	236,668	18.0	321,534	17.9

For the quarter ended September 30, 2023, export sales totalled $37.3 million compared to $56.4 million over the same quarter last year. For the nine months period ended September 30, 2023, export sales were $116.9 million compared to $222.7 million over the same period last year. These export sales were primarily to the United States and Asia and are included as part of the Canadian segment in the table above.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 51.6% for the quarter ended September 30, 2023 and 55.0% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 48.4% for 2022 and 45.0% over the same period last year.

The Company's sales of dimension lumber and panel, as a percentage of total sales, were 51.9% for the nine months ended September 30, 2023, compared to 58.5% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, were 48.1% for the nine months period ended September 30, 2023, compared to 41.5% over the same period last year.

Gross Margin

Gross margin for the quarter ended September 30, 2023 decreased to $56.4 million from $63.8 million over the same period last year. The decrease in gross margin was primarily due to lower commodity prices in the current quarter compared to the same quarter last year.

Gross margin for the nine months ended September 30, 2023 decreased to $155.9 million from $241.7 million over the same period last year. The decrease in gross margin was primarily due to lower commodity prices in the current period compared to the same period last year.

Expenses

Distribution expense for the quarter ended September 30, 2023 increased to $8.1 million compared to $7.3 million over the same period last year primarily due to increased warehousing expenses and wages during the quarter. For the nine months ended September 30, 2023, distribution expenses increased to $24.0 million compared to $22.0 million over the same period last year primarily due to increased warehousing expenses and wages for the period.

Selling and administration expense for the quarter ended September 30, 2023 decreased to $23.4 million compared to $29.7 million over the same period last year primarily due to lower compensation costs during the quarter. Selling and administration expenses for the nine months ended September 30, 2023 decreased to $62.6 million compared to $106.3 million over the same period last year primarily due to lower compensation costs.

Finance expense for the quarter ended September 30, 2023 was $0.1 million compared to $1.5 million over the same quarter last year due to lower borrowing costs during the quarter. Finance expense for the nine months ended September 30, 2023 decreased to $2.7 million compared to $5.5 million for the same period last year. These decreases were primarily due to lower borrowing levels leading to lower interest costs.

There was no subordinated debt interest expense for the quarter ended September 30, 2023 compared to $0.2 million for the quarter ended September 30, 2022. There was no subordinated debt interest expense for the nine months period ended September 30, 2023 compared to $0.7 over the same period last year.

Other expenses for the quarter ended September 30, 2023 was $0.3 million compared to other income of $0.01 million over the same period last year. Other expenses for the nine months ended September 30, 2023 were $0.2 million compared to other income of $0.2 million over the same period last year.

Net Earnings

Net earnings for the quarter ended September 30, 2023 increased to $21.4 million from $18.6 million for the same quarter last year primarily due to income tax recoveries from the prior year. Net earnings for the nine months ended September 30, 2023 was $51.9 million compared to $78.9 million over the same period last year primarily due to decreased gross margin.

EBITDA

EBITDA for the quarter ended September 30, 2023 was $27.6 million compared to $29.8 million for the same period last year due to lower margins during the quarter. For the nine months ended September 30, 2023, EBITDA was $78.1 million compared to $122.1 million over the same period last year primarily due to lower margins earned during the period.

Reconciliation of net earnings to EBITDA:

(in thousands of dollars)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Net earnings	21,404	18,620	51,911	78,915
Income taxes	3,056	6,534	14,416	28,493
Finance and subordinated debt interest expense	98	1,712	2,727	6,154
Amortization	3,059	2,898	9,067	8,517
EBITDA	27,617	29,764	78,121	122,079

3. Cash Flows

Operating Activities

Cash flows from operating activities provided cash of $88.3 million for the quarter ended September 30, 2023 compared to $103.8 million for the same quarter last year. Cash flows from operating activities generated cash of $60.7 million during the nine months ended September 30, 2023, compared to generating cash of $40.7 million for the same period last year, primarily due to changes in non-cash working capital stemming mostly from movements in accounts receivable and inventory.

Investing Activities

Investing activities used cash of $1.7 million for the quarter ended September 30, 2023 compared to $1.3 million over the same quarter last year. Investing activities used cash of $14.0 million during the nine months ended September 30, 2023 compared to using $2.6 million for the same period last year. The increase in usage was primarily due to a $9.6 million long-term investment the Company made during the year.

Financing Activities

Financing activities used cash of $1.8 million for the quarter ended September 30, 2023 compared to using $1.2 million for the same period last year. Financing activities used cash of $4.6 million during the nine months ended September 30, 2023 compared to using cash of $4.3 million during the same period last year.

4. Summary of Quarterly Results

	Year ending December 31,							
	2023			2022				2021
(in thousands of dollars, except per share amount in dollars)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	456,615	446,902	408,492	400,813	533,066	646,122	612,704	412,461
Net earnings	21,404	16,991	13,516	9,713	18,620	20,794	39,540	10,282
Net earnings per share(1)	0.20	0.16	0.12	0.09	0.17	0.19	0.37	0.10
EBITDA	27,617	27,983	22,521	17,221	29,764	33,747	58,568	17,425

Notes:

(1) The amounts are identical on a basic and fully diluted per share basis. Earnings per share is calculated using the weighted-average number of shares.

Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 30 of each fiscal year.

5. Liquidity and Capital Resources

Revolving Credit Facility

On December 21, 2022, the Company entered into a new $250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by a first perfected security interest in all real and personal property of the Company and certain of its subsidiaries, and matures on December 20, 2027. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at September 30, 2023.

Taiga expects to meet its future cash requirements through a combination of cash generated from operations and its credit facilities. However, any severe weakening of the Canadian housing market driving reduced product demand or a significant increase in bad debts in accounts receivable could adversely impact the Company's liquidity in the short term.

Working Capital

Working capital as at September 30, 2023 increased to $354.3 million from $310.6 million as at December 31, 2022 due to increased cash and accounts receivable. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**September 30, 2023**	**September 30, 2022**	**December 31, 2022**
Current Assets	508,485	512,140	463,953
Current Liabilities (excluding Revolving Credit Facility)	(154,155)	(191,657)	(153,397)
Revolving Credit Facility	-	-	-
Subordinated Notes	-	(12,500)	-
Working Capital	**354,330**	**307,983**	**310,556**
Long Term Assets	159,293	155,962	153,879
Long Term Liabilities	(99,247)	(109,023)	(101,187)
Shareholders' Equity	**414,376**	**354,922**	**363,248**

Assets

Total assets were $667.8 million as at September 30, 2023 compared to $617.8 million as at December 31, 2022. The increase was primarily due to an increase in accounts receivable and long-term investment entered by the Company in March 2023.

Cash increased to $136.6 million as at September 30, 2023 compared to $94.5 million as at December 31, 2022. This is primarily due to cash generated from operations and changes in non-cash working capital.

Inventories decreased to $156.5 million as at September 30, 2023 compared to $226.4 million as at December 31, 2022 primarily due to lower inventory build up as a result of management's expectation of declining housing markets.

Accounts receivable increased to $198.0 million as at September 30, 2023 compared to $123.1 million as at December 31, 2022 primarily due to selling larger quantities of products during the peak season.

Liabilities

Total liabilities decreased to $253.4 million as at September 30, 2023 from $254.6 million as at December 31, 2022. The decrease was primarily due to decreased lease obligations.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On September 30, 2023, there were 107,965,355 common shares issued and outstanding.

On August 31, 2022, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. The NCIB expired on August 30, 2023 and the Company purchased 139,208 shares during the NCIB.

On August 31, 2023, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,403,488 of its then outstanding 108,171,321 common shares, representing 5% of the outstanding common shares. During the nine months ended September 30, 2023, the Company purchased 205,966 of its common shares for $570,867 under the NCIB. These common shares purchased by the Company during this time have been cancelled. At September 30, 2023 there were 5,299,088 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2024.

6. Critical Accounting Policies and Estimates, and Future Accounting Changes

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2022.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. These estimates are described in the management's discussion and analysis for the year ended December 31, 2022 and there have been no material changes to such policies and estimates since that time.

7. Off-Balance Sheet Arrangements

Taiga does not have off-balance sheet arrangements except for commitments under operating leases as discussed under "Commitments and Contingencies" in this Management's Discussion and Analysis.

For a detailed description of financial instruments and their associated risks, see Note 22 to the Company's audited consolidated financial statements for the period ended December 31, 2022.

8. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Taiga's management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

The CEO and CFO of Taiga acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the quarter ended September 30, 2023 which materially affected or are reasonably likely to materially affect the Company's ICFR.

9. Outlook

Taiga's financial performance is primarily dependent on the residential construction, renovation and repairs markets. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their Spring 2023 Housing Market Outlook, housing starts in Canada are expected to range between 176,890 and 211,917 in calendar year 2023 compared to 261,849 in 2022.

In the United States, the National Association of Home Builders reported in October 2023 that housing starts are forecasted to total 1,375,000 units in the 2023 calendar year compared to 1,551,000 units in calendar year 2022.