Management's Discussion and Analysis

For the years ended December 31, 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 February 23, 2024 and should be read in conjunction with the audited consolidated financial statements and the corresponding notes thereto for the years ended December 31, 2023 and 2022. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the fiscal year.

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.

Additional information relating to the Company including the Company's Annual Information Form dated February 23, 2024 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.sedarplus.ca. 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 2024 to decline compared to calendar year 2023. Taiga's secondary market, the United States, is expected to decline in 2024 compared to calendar year 2023. See Item 12 "Outlook".

Selected Financial Information

(in millions of dollars, except for share amounts and per share amounts in dollars)	Year Ended December 31, 2023	2022	2021
Income Statement Data:			
Sales	1,680	2,193	2,220
Gross Margin	198.4	291.2	300.2
Net Earnings	62.5	88.6	92.7
Net Earnings per Share (Basic and Fully Diluted)(1)	0.57	0.82	0.85
Weighted Average Number of Shares Outstanding	108,047,676	108,197,313	108,457,725
EBITDA(2)	91.3	139.3	145.2
Balance Sheet Data:			
Working Capital(3)	335.0	310.6	224.6
Total Assets	624.3	617.8	583.0
Total Long-Term Financial Liabilities(4)	95.1	98.9	107.6

Notes:

(1) Net earnings per share is calculated using the weighted-average number of shares outstanding in the year.
(2) Reconciliation of net earnings to EBITDA:
(3) Working capital is the excess of current assets over current liabilities.
(4) Total long-term financial liabilities are the total liabilities less current liabilities and deferred gain.

(in millions of dollars)	Fiscal Year December 31, 2023	2022	2021	2020	2019
Net earnings	61.3	88.6	92.7	70.8	25.9
Income tax expense	15.4	31.9	33.0	25.4	9.9
Finance and subordinated debt interest expense	2.3	7.3	8.4	9.3	11.0
Amortization	12.3	11.5	11.1	11.4	10.8
EBITDA	91.3	139.3	145.2	116.9	57.7

2. Results of Operations

Sales

The Company's consolidated net sales for the year ended December 31, 2023 were $1,679.7 million compared to $2,192.7 million for the last fiscal year. The decrease in sales by $513.0 million or 23% was largely due to the Company experiencing lower selling prices for its commodity products during the twelve-month period.

Sales by segments are as follows:

	Years ended December 31,			
	2023		2022	
	$000's	%	$000's	%
Canada	1,375,530	81.9	1,802,310	82.2
United States	304,137	18.1	390,395	17.8

For the fiscal year, export sales totalled $150.5 million compared to $266.6 million in the previous 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, were 52.4% for the fiscal year ended December 31, 2023, compared to 57.9% over the same fiscal period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, were 47.6% for the fiscal year ended December 31, 2023, compared to 42.1% over the same fiscal period last year.

Gross Margin

Gross margin for the fiscal year ended December 31, 2023 decreased to $198.4 million from $291.1 million over the same period last year. Gross margin percentage decreased to 11.8% in the current year compared to 13.3% in the previous year. The decrease in gross margin was primarily due to lower commodity prices in the current fiscal year compared to the same period last year.

Expenses

For the for the fiscal year ended December 31, 2023, distribution expenses increased to $32.3 million compared to $29.9 million over the same period last year primarily due to increased warehousing expenses and wages for the period.

Selling and administration expenses for the for the fiscal year ended December 31, 2023 decreased to $87.0 million compared to $133.5 million over the same period last year primarily due to lower compensation costs.

Finance expense for the for the fiscal year ended December 31, 2023 decreased to $2.3 million compared to $6.6 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 fiscal year ended December 31, 2023 compared to $0.8 over the same period last year.

Other expenses for the fiscal year ended December 31, 2023 were $0.2 million compared to other income of $0.1 million over the same period last year.

Net Earnings

Net earnings for the for the fiscal year ended December 31, 2023 was $61.3 million compared to $88.6 million over the same period last year primarily due to decreased gross margin.

EBITDA

For the for the fiscal year ended December 31, 2023, EBITDA was $91.3 million compared to $139.3 million over the same period last year primarily due to lower margins earned during the period.

3. Quarter Ended December 31st Results

A summary of the results for the three months ended December 31, 2023 and 2022 is as follows:

	Three months ended December 31,	
(in thousands of dollars except per share amount in dollars)	**2023**	**2022**
Sales	367,658	400,813
Gross margin	42,448	49,431
Distribution expense	8,241	7,933
Selling and administration expense	24,335	27,210
Finance expense	(425)	1,055
Subordinated debt interest expense	-	113
Other expenses (income)	(61)	20
Earnings before income tax	10,358	13,100
Income tax expense	968	3,387
Net earnings	9,390	9,713
Net earnings per share	0.09	0.09
EBITDA(1)	13,141 1)	17,221 1)

Note:
(1) See the reconciliation of net earnings to EBITDA below.

Sales

The Company's consolidated net sales for the quarter ended December 31, 2023 were $367.7 million compared to $400.8 million over the same period last year. The decrease in sales by $33.1 million or 8% was largely due to decreased selling prices for commodity products.

Sales by segments are as follows:

	Revenue by Point of Sale			
	Three months ended December 31,		**Three months ended December 31,**	
	2023		**2022**	
	$000's	**%**	**$000's**	**%**
Canada	300,189	81.6	331,953	82.8
United States	67,469	18.4	68,860	17.2

During the quarter ended December 31, 2023, Taiga's Canadian operations had export sales of $33.6 million compared to $43.8 million in the same quarter 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 54.3% for the quarter ended December 31, 2023 and 55.2% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 45.7% for 2022 and 44.8% over the same period last year.

Gross Margin

Gross margin for the quarter ended December 31, 2023 decreased to $42.4 million from $49.4 million over the same period last year. Gross margin percentage decreased to 11.5% in the current quarter compared to 12.3% in the same quarter 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.

Expenses

Distribution expense for the quarter ended December 31, 2023 increased to $8.2 million compared to $7.9 million over the same period last year primarily due to increased warehousing expenses and wages during the quarter.

Selling and administration expense for the quarter ended December 31, 2023 decreased to $24.3 million compared to $27.2 million over the same period last year primarily due to lower compensation costs during the quarter.

Finance income for the quarter ended December 31, 2023 was $0.4 million compared to a finance expense of $1.06 million over the same quarter last year due to lower borrowing costs during the quarter.

There was no subordinated debt interest expense for the quarter ended December 31, 2023 compared to $0.1 million for the quarter ended December 31, 2022.

Other income for the quarter ended December 31, 2023 was $0.06 million compared to other expenses of $0.02 million over the same period last year.

Net Earnings

Net earnings for the quarter ended December 31, 2023 slightly decreased to $9.4 million compared to $9.7 million from the same quarter in the prior year, due to a recovery of taxes.

EBITDA

EBITDA for the quarter ended December 31, 2023 was $13.1 million compared to $17.2 million for the same period last year due to lower margins during the quarter.

Reconciliation of net earnings to EBITDA:

	Three months ended December 31,	
(in thousands of dollars)	**2023**	**2022**
Net earnings	9,390	9,713
Income taxes	968	3,387
Finance and subordinated debt interest expense	(425)	1,168
Amortization	3,209	2,953
EBITDA	13,142	17,221

4. Summary of Quarterly Results

(in thousands of dollars, except per share amount in dollars)	Year ended December 31, 2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	367,658	456,615	446,902	408,492	400,813	533,066	646,122	612,704
Net earnings	9,390	21,404	16,991	13,516	9,713	18,620	20,794	39,540
Net earnings per share[1]	0.09	0.20	0.16	0.12	0.09	0.17	0.19	0.37
EBITDA	13,142	27,617	27,983	22,521	17,221	29,764	33,747	58,568

Note:

(1) The amounts are identical on a basic and fully-diluted per share basis as the Company has no potentially dilutive instruments. Earnings per share is calculated using the weighted-average number of shares outstanding for the year.

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 31 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 December 31, 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 December 31, 2023 increased to $335.0 million from $310.6 million as at December 31, 2022 due to increased cash and cash equivalents. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**December 31, 2023**	**December 31, 2022**
Current Assets	466,630	463,953
Current Liabilities (excluding Revolving Credit Facility)	(131,653)	(153,397)
Working Capital	**334,977**	**310,556**
Long Term Assets	157,660	153,879
Long Term Liabilities	(97,219)	(101,187)
Shareholders' Equity	**395,418**	**363,248**

Assets

Total assets were $624.3 million as at December 31, 2023 compared to $617.8 million as at December 31, 2022. The increase was primarily due to an increase in cash generated by the business and long-term investment acquired by the Company in March and December 2023.

Cash and cash equivalents increased to $152.8 million as at December 31, 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 $174.8 million as at December 31, 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 for the first quarter of 2024.

Accounts receivable decreased to $119.4 million as at December 31, 2023 compared to $123.1 million as at December 31, 2022. This is consistent with the decline in sales for the fiscal year 2023.

Liabilities

Total liabilities decreased to $228.9 million as at December 31, 2023 from $254.6 million as at December 31, 2022. The decrease was primarily due to decreased payables and accrued liabilities.

Contractual Obligations

(in thousands of dollars)	**Right-of-use leases**	**Operating leases**[1]
No later than one year	5,527	6
Later than one year, but not later than five years	3,847	8
Later than five years	86,001	0

Note:

(1) The operating leases relate to leases with a lease term of less than 12 months and low value assets.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On December 31, 2023, there were 107,955,011 common shares issued and outstanding.

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 fiscal year ended December 31, 2023, the Company purchased 216,310 of its common shares for $601,040 under the existing and prior NCIB. These common shares purchased by the Company during this time have been cancelled. At December 31, 2023, there were 5,288,744 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2024.

6. Commitments and Contingencies

(a) Contractual Commitments

The Company has obligations under various operating leases for occupied premises and equipment. For further discussion, refer to Note 14 to the Audited Consolidated Financial Statements for the Year ended December 31, 2023.

7. Risks and Uncertainties

The results of operations, business prospects and financial conditions of Taiga are subject to a number of risks and uncertainties, and are affected by a number of factors outside Taiga's control. Any of these risks and uncertainties could have a material adverse effect on the Company's operations, financial conditions and cash flow and, accordingly, should be carefully considered in evaluating Taiga's business. A comprehensive discussion of risk factors is included in Taiga's Annual Information Form dated February 23, 2024, available on SEDAR+ at www.sedarplus.ca.

8. Material Accounting Policies and Estimates, and Future Accounting Changes

The material accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2023.

In preparing these consolidated financial statements, Taiga's management was required to make estimates and assumptions that affect the amounts recorded. Financial results as determined by actual events could differ from such estimates. The estimates and assumptions of the Company's management are based on historical experience and other factors management considers to be reasonable, including expectations of future events. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below.

Allowance for Doubtful Accounts

While significant bad debts have not been experienced in prior years the provision is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts. Taiga's allowance for doubtful accounts as at December 31, 2023 was $0.9 million (2022 – $1.3 million).

Valuation of Inventories

Inventories are valued at the lower of average cost and net realizable value. Taiga evaluates inventory balances at each balance sheet date and records a provision as necessary for slow moving or obsolete inventory. Additionally, Taiga records a provision if the cost of inventories exceeds net realizable value based on commodity prices. Inventory provision as at December 31, 2023 was $0.2 million (2022 – $1.0 million).

Valuation and Estimated Life of Long-Lived Assets

An impairment test is performed by comparing the carrying amount of the asset or its cash generating unit to the recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

The estimated useful lives and recoverable amounts of long-lived assets are based on the judgment of management and the best currently available information. Changes in circumstances can result in the actual useful lives differing from management's estimates.

Customer Rebates

Customer rebates are commonly offered as industry practice and are generally based on achievement of specified volume sales levels. Taiga accrues for the payment of customer rebates as a reduction of revenue based on management's estimates.

Valuation of Warranty Provisions

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

Current and Deferred Taxes

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax return.

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Taiga also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future sales volumes and housing starts, commodity prices, operating costs, capital expenditures, dividends and other capital transactions. Judgment is also required about the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty, which could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income.

Goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2023 relates to the Company's acquisition of Exterior Wood, Inc. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its recoverable amount, the higher of the fair value less cost of disposal and the value-in-use related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 10).

Long-Term Investments

The investment value in private entities has been determined from level 2 and level 3 inputs which are susceptible to fluctuations in fair value. Taiga uses the most up to date information from the investees and other market data to determine the fair value of the investments. Information and estimates used to value the private investments may change significantly over time.

9. Related Party Transactions

In accordance with IFRS requirements, related party transactions consist of remuneration of directors and other key management personnel with whom Taiga has entered into employment agreements. Further information is contained in our most recent Management Information Circular available on SEDAR+ at www.sedarplus.ca and Note 23 to the Company's audited consolidated financial statements for the year ended December 31, 2023. The remuneration for key management, which includes the Company's directors and officers, were as follows:

(in thousands of dollars)	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Salaries and other benefits	9,501	18,076

An amount of $7,590,684 is included in accounts payable and accrued liabilities relating to bonuses to key management.

10. 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 21 to the Company's audited consolidated financial statements for the period ended December 31, 2023.

11. 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 December 31, 2023 which materially affected or are reasonably likely to materially affect the Company's ICFR.

12. 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 223,783 and 211,917 in calendar year 2024 compared to 261,849 in 2023.

In the United States, the National Association of Home Builders reported in December 2023 that housing starts are forecasted to total 1,336,000 units in the 2024 calendar year compared to 1,394,000 units in calendar year 2023.