Management's Discussion and Analysis

For the three and nine months ended September 30, 2018 and 2017

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 8, 2018 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, 2018 and 2017. 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, 2018.

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, 2017.

Additional information relating to the Company including the Company's Annual Information Form dated February 23, 2018 can be found on SEDAR at www.sedar.com.

taiga building products

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, 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 2018 to taper off slightly compared to calendar year 2017.

Taiga's secondary market is the United States. Taiga expects the United States housing market to continue to improve in the 2018 calendar year compared to calendar year 2017. See Item 11 "Outlook".

2. Business Acquisition

On July 31, 2018, the Company completed the acquisition (the “Acquisition”) of all the shares of Exterior Wood, Inc. (“Exterior Wood”), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration was $56,040,000 cash in exchange for all the issued and outstanding common shares of Exterior Wood. The acquisition will expand Taiga’s existing wood treatment operations with additional penetration into the United States market. The consideration transferred to the vendors was satisfied primarily through the Company’s revolving credit facility (the “Facility”) and additional term loans included in the Facility. The foreign exchange rate used to translate cash purchase consideration and fair value of assets acquired and liabilities assumed was based on the exchange rate published by the Bank of Canada as at the date of the Acquisition.

Details of the fair value of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of the above noted acquisition were as follows:

(in thousands of dollars)	**2018**
Fair value of purchase consideration	
Cash	56,040
Consideration	56,040
Fair value of assets acquired and liabilities assumed	
Current assets	34,066
Current liabilities	(10,687)
Property, plant and equipment	6,019
Intangibles	23,518
Goodwill	11,468
Deferred tax liabilities	(8,344)
Consideration	56,040

The goodwill recognized was primarily attributed to the expected synergies arising from the Acquisition and the expertise and reputation of the assembled management and workforce. The intangible assets consisted primarily of customer relationships as well as trademarks registered by Exterior Wood. This allocation of the purchase consideration and valuation of the assets and liabilities acquired is preliminary and subject to change for a period of one year from the date of acquisition. The Company is in the process of finalizing the fair value determination.

From the date of the Acquisition, the acquired business contributed $18.2 million of revenue and $61,000 of the net earnings. If the Acquisition had taken place at the beginning of the year, consolidated revenue for the nine months period ended September 30, 2018 would have been $1,212.0 million and net earnings of the Company would have been $21.3 million. During the three and nine months ended September 30, 2018, directly attributable acquisition-related costs of approximately $0.5 million have been expensed and are included in Selling and Administration Expenses on the unaudited Interim Condensed Consolidated Statement of Earnings and Comprehensive Income.

3. Results of Operations

Sales

The Company's consolidated net sales for the quarter ended September 30, 2018 were $399.6 million compared to $396.6 million over the same period last year. The increase in sales by $3.0 million or 1% was largely due to higher selling prices for commodity products.

Consolidated net sales for the nine months ended September 30, 2018 were $1,147.1 million compared to $1,062.4 million over the same period last year. The increase in sales by $84.7 million or 8% was largely due to higher selling prices for commodity products.

Sales by segments are as follows:

	Revenue by Point of Sale							
	Three months ended September 30,				**Nine months ended September 30,**			
	2018		**2017**		**2018**		**2017**	
	$000's	**%**	**$000's**	**%**	**$000's**	**%**	**$000's**	**%**
Canada	331,101	82.9	349,532	88.1	984,918	85.9	683,281	88.0
United States	68,533	17.1	47,097	11.9	162,188	14.1	93,109	12.0

For the quarter ended September 30, 2018, export sales totalled $61.3 million compared to $71.2 million in the same quarter last year. For the nine month period ended September 30, 2018, export sales were $189.1 million (2017 - $220.0 million). 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 61.4% for the quarter ended September 30, 2018 and 68.0% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 38.6% for 2018 and 32.0% over the same period last year.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 64.3% for the nine months ended September 30, 2018, compared to 66.6% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 35.7% for the nine month period ended September 30, 2018, compared to 33.4% over the same period last year.

Gross Margin

Gross margin for the quarter ended September 30, 2018 decreased to $27.9 million from $37.8 million over the same period last year. Gross margin percentage decreased to 7.0% in the current quarter compared to 9.5% in the same quarter last year.

Gross margin for the nine months ended September 30, 2018 increased to $98.0 million from $95.7 million over the same period last year. Gross margin percentage was 8.5% for the nine months ended September 30, 2018 compared to 9.0% in the same period last year. The increase in gross margin was primarily due to increased sales in the current period.

Expenses

Distribution expense for the quarter ended September 30, 2018 was $6.8 million compared to $5.8 million over the same period last year. For the nine month period ended September 30, 2018, distribution expenses increased to $18.7 million compared to $17.0 million over the same period last year. The increases were due primarily to increased compensation costs for warehouse and delivery staff.

Selling and administration expense for the quarter ended September 30, 2018 decreased to $13.5 million compared to $17.0 million over the same period last year. Selling and administration expense for the nine months ended September 30, 2018 increased to $46.7 million compared to $44.2 million over the same period last year. These increases were primarily due to higher compensation costs.

Finance expense for the quarter ended September 30, 2018 was $2.1 million compared to $1.6 million over the same period last year. Finance expense for the nine month period ended September 30, 2018 increased to $5.1 million compared to $4.5 million for the same period last year. Higher borrowing levels led to increased interest costs.

Subordinated debt interest expense for the quarter ended September 30, 2018 was $0.2 million compared to $4.5 million over the same period last year. Subordinated debt interest expense was $0.6 million for the nine months period ended September 30, 2018 compared to $13.5 million over the same period last year. The decrease is because currently there are $12.5 million of notes paying 7% interest as opposed to $128.8 million of notes paying 14% interest in the same period last year.

Other income was $0.1 million for the quarter ended September 30, 2018 and 2017. Other income was $0.3 million for the nine months ended September 30, 2018 compared to $0.5 million over the same period last year.

Net Earnings

Net earnings for the quarter ended September 30, 2018 decreased to $5.6 million compared to $6.0 million for the same period last year primarily due to decreased gross margin. Net earnings for the nine month period ended September 30, 2018 were $18.7 million compared to $11.3 million over the same period last year.

EBITDA

EBITDA for the quarter ended September 30, 2018 was $9.2 million compared to $16.2 million for the same period last year. For the nine months ended September 30, 2018, EBITDA was $36.9 million compared to $38.3 million over the same period last year.

Reconciliation of net earnings to EBITDA:

	Three months ended September 30,		**Nine months ended September 30,**	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Net earnings	5,579	5,980	18,727	11,260
Income taxes	(273)	3,081	8,518	5,739
Finance and subordinated debt interest expense	2,310	6,083	5,724	17,987
Amortization	1,612	1,098	3,906	3,321
EBITDA	9,228	16,242	36,875	38,307

4. Cash Flows

Operating Activities

Cash flows from operating activities provided cash of $50.9 million for the quarter ended September 30, 2018 compared to $55.1 million for the same period last year. Cash flows from operating activities used cash of $29.3 million for the nine months ended September 30, 2018 compared to generating $1.5 million of cash for the same period last year. Changes between the comparative periods were primarily due to the acquisition of Exterior Wood, Inc.

Investing Activities

Investing activities used cash of $56.7 million for the quarter ended September 30, 2018 compared to cash used of $1.3 million over the same period last year. Investing activities used cash of $58.4 million for the nine months ended September 30, 2018 compared to $1.5 million for the same period last year. The reason for the increase was the acquisition of Exterior Wood, Inc.

Financing Activities

Financing activities provided cash of $5.9 million for the quarter ended September 30, 2018 compared to using $53.8 million for the same period last year. Financing activities provided cash of $87.8 million during the nine months ended September 30, 2018 compared to cash used of $0.1 million during the same period last year. The major cause for the change was increased cash from additional term loans used to fund the acquisition of Exterior Wood, Inc.

5. Summary of Quarterly Results

	Fiscal year December 31, 2018			Fiscal year December 31, 2017		
(in thousands of dollars, except per share amount in dollars)	**Q3**	**Q2**	**Q1**	**Q3**	**Q2**	**Q1**
Sales	399,634	422,875	324,597	329,821	396,629	379,761
Net earnings (loss)	5,579	6,358	6,790	(15,195)	5,980	5,029
Net earnings (loss) per share(1)	0.05	0.05	0.06	(0.20)	0.18	0.16
EBITDA	9,228	16,128	11,519	(9,142)	16,242	14,280

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 31 of each fiscal year.

6. Liquidity and Capital Resources

Revolving Credit Facility

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $225 million to $250 million, with an option to increase the limit by up to $50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately $23 million at favourable rates, which Taiga utilized for the Business Acquisition referred to in Note 4 of the Notes to the Unaudited Condensed Interim Consolidated Financial Statements. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. 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, 2018.

Working Capital

Working capital as at September 30, 2018 increased to $103.4 million from $96.3 million as at December 31, 2017 due to increased current assets offset by increased current liabilities primarily as a result of the acquisition of Exterior Wood, Inc.. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**September 30, 2018**	**September 30, 2017**	**December 31, 2017**
Current Assets	292,603	267,125	232,331
Current Liabilities (excluding Revolving Credit Facility)	(100,522)	(97,854)	(81,300)
Revolving Credit Facility	(88,731)	(62,514)	(54,723)
Working Capital	**103,350**	**106,757**	**96,308**
Long Term Assets	77,883	41,096	38,498
Long Term Liabilities (excluding Subordinated Notes)	(53,076)	(28,026)	(26,468)
Subordinated Notes	(12,500)	(128,834)	(12,500)
Shareholders' Equity (Deficiency)	**115,657**	**(9,007)**	**95,838**

Assets

Total assets were $370.5 million as at September 30, 2018 compared to $270.8 million as at December 31, 2017. The increase was primarily the result of increased inventories, increased accounts receivable and the addition of goodwill and intangible assets as the result of the acquisition of Exterior Wood, Inc.

Inventories increased to $140.2 million as at September 30, 2018 compared to $123.3 million as at December 31, 2017 due primarily to higher commodity prices at the end of the period.

Property, plant and equipment was $43.7 million as at September 30, 2018 compared to $38.3 million as at December 31, 2017. The increase was due to the acquisition of Exterior Wood, Inc.

Liabilities

Total liabilities increased to $254.8 million as at September 30, 2018 from $175.0 million as at December 31, 2017. The increase was due to increased revolving credit facility balance, increased accounts payable and accrued liabilities as well as additional deferred tax liabilities and additional long-term debt as a result of the acquisition of Exterior Wood, Inc.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On October 8th, 2018, there were 116,823,109 shares issued and 116,322,809 common shares outstanding.

On April 27, 2018, 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 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. During the three months ended September 30, 2018, the Company did not purchase any of its Common Shares. During the nine months ended September 30, 2018, the Company purchased 500,300 of its Common shares for cash payments of $750,435. These Common Shares purchased by the Company are being held as Treasury Stock. As of September 30, 2018, there were 5,340,855 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

7. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency in the amount of approximately $42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by Taiga, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to Taiga's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

8. Critical Accounting Policies and Estimates

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2017.

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, 2017 and there have been no material changes to such policies and estimates since that time.

9. 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 the fiscal year ended December 31, 2017.

For a detailed description of financial instruments and their associated risks, see Note 20 to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2017.

10. 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, 2018 which materially affected, or are reasonably likely to materially affect the Company’s ICFR.

11. 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”) Housing Market Outlook, Canadian Edition for the fourth quarter 2017, housing starts are forecasted to range from 192,200 to 203,000 units in the 2018 calendar year. CMHC is reporting that housing starts will range from 192,300 to 203,800 units in the 2019 calendar year.

In the United States, the National Association of Home Builders reported in October 2018 that housing starts are forecasted to total 1,268,000 units in the 2018 calendar year and 1,293,000 units in the 2019 calendar year.