Taiga's Q3 results - Falling commodity prices sees margin fall 26%

BURNABY, BC, Nov. 8, 2018 /CNW/ - Taiga Building Products Ltd. ("Taiga" or the "Company") (TSX: TBL) today reported its financial results for the three and nine months ended September 30, 2018.

Third Quarter Ended September 30, 2018 Earnings Results

Sales for the third quarter increased to $399.6 million from $396.6 million in the same quarter last year.

Gross margin dollars for the third quarter decreased $9.9 million or 26% to $27.9 million compared to $37.8 million in the same quarter last year. Gross margin percentage for the third quarter was 7.0% compared to 9.5% in the same quarter last year. The decrease in gross margin percentage was primarily due to falling commodity prices in the current quarter compared to the same quarter last year.

Net earnings for the quarter decreased to $5.6 million from $6.0 million in the same quarter last year primarily due to decreased gross margin dollars.

EBITDA for the quarter ended September 30, 2018 was $9.2 million compared to $16.2 million for the same period last year.

Nine Months Ended September 30, 2018 Earnings Results

Sales increased to $1,147.1 million for the nine months ended September 30, 2018 compared to $1,062.4 million for the nine months ended September 30, 2017.

Gross margin dollars 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 for the nine months ended September 30, 2018 decreased to 8.5% from 9.0% for the same period last year.

Net earnings for the nine months ended September 30, 2018 were $18.7 million compared to $11.3 million for the same period last year.

EBITDA for the nine months ended September 30, 2018 decreased to $36.9 million compared to $38.3 million for the same period last year.

Condensed Consolidated Statement of Earnings

For the Three Months Ended

	September 30,	
(in thousands of Canadian dollars, except for per share amounts)	2018	2017
Sales	399,634	396,629
Gross margin	27,857	37,821
Distribution expense	6,817	5,781
Selling and administration expense	13,520	17,042
Finance expense	2,091	1,574
Subordinated debt interest expense	219	4,509
Other income	(96)	(146)
Earnings before income taxes	5,306	9,061
Income tax expense (recovery)	(273)	3,081
Net earnings	5,579	5,980
Net earnings per share(1)	0.05	0.18
EBITDA(2)	9,228	16,242

The following is the reconciliation of net earnings to EBITDA:

	September 30,	
(in thousands of Canadian dollars)	2018	2017
Net earnings	5,579	5,980
Income tax expense	(273)	3,081
Finance and subordinated debt interest expense	2,310	6,083
Amortization	1,612	1,098
EBITDA	9,228	16,242

For the Nine Months Ended

	September 30,	
(in thousands of Canadian dollars, except for per share amounts)	2018	2017
Sales	1,147,106	1,062,442
Gross margin	98,043	95,662
Distribution expense	18,712	16,981
Selling and administration expense	46,658	44,167
Finance expense	5,106	4,460
Subordinated debt interest expense	618	13,528
Other income	(296)	(471)
Earnings before income taxes	27,245	16,997
Income tax expense	8,518	5,739
Net earnings	18,727	11,258
Net earnings per share(1)	0.16	0.10
EBITDA(2)	36,875	38,306

The following is the reconciliation of net earnings to EBITDA:

	September 30,	
(in thousands of Canadian dollars)	2018	2017
Net earnings	18,727	11,258
Income tax expense	8,518	5,739
Finance and subordinated debt interest expense	5,724	17,988
Amortization	3,906	3,321
EBITDA	36,875	38,306

Notes:
(1) Earnings per share is calculated using the weighted average number of shares.
(2) Reference is made above 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 a 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.

The foregoing selected financial information is qualified in its entirety by and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and accompanying notes and management's discussion and analysis which will be available shortly on SEDAR at www.sedar.com.

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