

# **Taiga Building Products Ltd.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three months ended March 31, 2021 and 2020  
(in Canadian dollars)

## **NOTICE TO SHAREHOLDERS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	March 31, 2021	March 31, 2020	December 31, 2020
<b>Assets</b>			
<b>Current:</b>			
Accounts receivable	\$ 248,651	\$ 143,976	\$ 136,786
Inventories (Note 4)	221,437	168,913	189,979
Prepaid expenses	4,051	4,868	3,373
	<u>474,139</u>	<u>317,757</u>	<u>330,138</u>
Property, plant and equipment	122,840	124,525	119,380
Intangible assets	13,972	16,991	14,422
Goodwill	9,835	11,095	9,957
Deferred tax assets	6	201	267
	<u>\$ 620,792</u>	<u>\$ 470,569</u>	<u>\$ 474,164</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current:</b>			
Revolving credit facility (Note 5)	\$ 121,063	\$ 112,744	\$ 8,742
Accounts payable and accrued liabilities	144,875	75,374	122,845
Income taxes payable	16,774	3,389	4,369
Current portion of long-term debt	630	711	638
Current portion of lease obligations	4,975	4,496	4,430
	<u>288,317</u>	<u>196,714</u>	<u>141,024</u>
Long-term debt	7,197	8,831	7,447
Lease obligations	94,587	91,798	91,146
Deferred gain	2,451	2,570	2,481
Deferred tax liabilities	12,215	6,325	14,076
Provisions	446	548	471
Subordinated notes (Note 7)	12,500	12,500	12,500
	<u>417,713</u>	<u>319,286</u>	<u>269,145</u>
<b>Shareholders' Equity:</b>			
Share capital (Note 8)	124,048	127,272	124,048
Accumulated other comprehensive income (Note 8)	2,146	10,514	3,261
Retained earnings	76,885	13,497	77,710
	<u>203,079</u>	<u>151,283</u>	<u>205,019</u>
	<u>\$ 620,792</u>	<u>\$ 470,569</u>	<u>\$ 474,164</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Statements of Earnings and Comprehensive (Unaudited)

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Three months ended March 31,	
	2021	2020
<b>Sales</b>	\$ 535,918	\$ 320,279
<b>Cost of sales</b>	445,560	289,726
<b>Gross margin</b>	90,358	30,553
Expenses:		
Distribution	7,054	6,400
Selling and administration	41,156	13,764
Finance (Note 9)	1,673	2,277
Subordinated debt interest (Note 7)	219	219
Other income	(54)	(31)
	50,048	22,629
<b>Earnings before income tax</b>	40,310	7,924
Income tax expense (Note 6)	11,134	1,311
<b>Net earnings for the year</b>	\$ 29,176	\$ 6,613
<b>Other comprehensive income (loss)</b>		
Exchange differences on translating foreign controlled entities	\$ (1,115)	\$ 4,992
<b>Total comprehensive income for the year</b>	\$ 28,061	\$ 11,605
Basic and diluted net earnings per common share	\$ 0.27	\$ 0.06
Weighted average number of common shares outstanding	108,542	111,517

The accompanying notes are an integral part of these consolidated interim financial statements.

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the three months ended March 31, 2020

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2019</b>	\$ 127,278	\$ 6,884	\$ 5,522	\$ 139,684
Net earnings	-	6,613	-	6,613
Shares purchased under the NCIB and cancelled	(6)	-	-	(6)
Other comprehensive income	-	-	4,992	4,992
<b>Balance at March 31, 2020</b>	<b>\$ 127,272</b>	<b>\$ 13,497</b>	<b>\$ 10,514</b>	<b>\$ 151,283</b>

For the three months ended March 31, 2021

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2020</b>	\$ 124,048	\$ 77,710	\$ 3,261	\$ 205,019
Net earnings	-	29,176	-	29,176
Dividend (Note 8)	-	(30,001)	-	(30,001)
Other comprehensive income	-	-	(1,115)	(1,115)
<b>Balance at March 31, 2021</b>	<b>\$ 124,048</b>	<b>\$ 76,885</b>	<b>\$ 2,146</b>	<b>\$ 203,079</b>

The accompanying notes are an integral part of these consolidated interim financial statements.

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended March 31,	
	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Net earnings	\$ 29,176	\$ 6,613
Adjustments for non-cash items		
Amortization	2,906	2,723
Income tax expense	11,134	1,311
Mark-to-market adjustment on financial instruments	530	(883)
Change in provisions	(25)	(24)
Loss (gain) on asset disposal	(25)	-
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	1,892	2,496
Interest paid	(1,488)	(1,799)
Income tax paid	(36)	(12,888)
Changes in non-cash working capital (Note 12)	(124,761)	(55,501)
<b>Cash flows used in operating activities</b>	<b>(80,727)</b>	<b>(57,982)</b>
<b>Investing:</b>		
Purchase of property, plant and equipment	(794)	(908)
Proceeds from disposition of property, plant and equipment	28	-
<b>Cash flows used in investing activities</b>	<b>(766)</b>	<b>(908)</b>
<b>Financing:</b>		
Increase in revolving credit facility	112,650	68,366
Repayment of long-term debt	(258)	(8,335)
Repayment of lease obligations	(898)	(1,135)
Dividends paid	(30,001)	-
Repurchase of common shares	-	(6)
<b>Cash flows from financing activities</b>	<b>81,493</b>	<b>58,890</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these consolidated interim financial statements.

## 1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20<sup>th</sup> floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

### Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: sales declined by over 30% early on in the pandemic (April 2020) but have since recovered and exceeded expectations both in fiscal 2020 and so far in fiscal 2021. The pandemic has increased demand for detached housing which combined with record high commodity prices and low borrowing rates has had a positive impact on Taiga's business. The extent to which these events may continue to impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2021.

## 2. Basis of Preparation

### (a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on May 6, 2021 by the board of directors of the Company.

### (b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

### (c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

### 3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2020.

### 4. Inventories

<i>(in thousands of dollars)</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>
Allied building products	35,784	32,910	36,290
Lumber products	145,477	101,657	120,114
Panel products	38,677	32,680	32,319
Production consumables	1,555	2,069	1,296
Inventory provision	(56)	(403)	(40)
<b>Total</b>	<b>221,437</b>	<b>168,913</b>	<b>189,979</b>

All of the Company's inventories are pledged as security for the revolving credit facility.

### 5. Revolving Credit Facility

<i>(in thousands of dollars)</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>
Revolving credit facility	121,799	113,855	9,563
Financing costs, net of amortization	(736)	(1,111)	(821)
<b>Total</b>	<b>121,063</b>	<b>112,744</b>	<b>8,742</b>

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 6 of the Company's audited 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 March 31, 2021.

### 6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
Current	12,858	1,729
Deferred	(1,724)	(418)
<b>Total</b>	<b>11,134</b>	<b>1,311</b>

### 7. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company's subordinated notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The subordinated notes are not listed on any stock exchange. Interest on the notes is payable on May 17 and November 17 of each year. The aggregate



principal amount of the notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended March 31, 2021.

## 8. Shareholders' Equity

### (a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

### (b) Normal Course Issuer Bid

On August 13, 2020, 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 5,489,272 of its then outstanding 109,785,457 common shares, representing 5% of the outstanding common shares. For the year ended December 31, 2020, the Company purchased 2,979,026 of its common shares for cash payments of \$3,230,202. These common shares purchased by the Company have been cancelled. At March 31, 2021 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with the expiration on August 31, 2021. The Company has not purchased any of its common shares under this NCIB during the three months ended March 31, 2021.

### (c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	<b>Number of Shares</b>	<b>Amount</b>
Balance, December 31, 2019	111,520,583	127,278
Shares purchased under NCIB and cancelled	2,979,026	3,230
<b>Balance, December 31, 2020 and March 31, 2021</b>	<b>108,541,557</b>	<b>124,048</b>

### (d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

### (e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

### (g) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.6% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

### (h) Dividend

At the Company's board meeting on February 25, 2021, a special dividend of 27.64 cents per share was declared, payable to shareholders of record on March 5, 2021. The dividend was paid on March 19, 2021. This was a special, one-time dividend in light of the Company's strong results in fiscal year 2020.

## 9. Finance Expense

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2021 and 2020 (in Canadian dollars)

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest on revolving credit facility and other short term liabilities	460	538
Interest on leases and long-term debt	1,131	1,655
Amortization of financing costs	82	84
Total	1,673	2,277

## 10. Commitments and Contingencies

### Canada Revenue Agency Reassessment

During the year ended March 31, 2017, The Company received a notice of reassessment from the Canada Revenue Agency ("CRA") 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 the Company, 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 the Company'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. The Company's two former major shareholders may elect to assume any action or defense of the Company in connection with the foregoing pursuant to the terms of the indemnity agreements with the Company.

## 11. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	March 31, 2021	March 31, 2020
Carrying amount	99,562	96,294
Fair value	99,957	96,254

The fair value of the lease obligations was determined using current borrowing rates for similar debt instruments.

The fair value of the 7% subordinated notes are as follows:

<i>(in thousands of dollars)</i>	March 31, 2021	March 31, 2020
Carrying amount	12,500	12,500
Fair value	12,936	12,932

The fair value of the 7% subordinated notes was determined using current borrowing rates for similar debt instruments.

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

<i>(in thousands of dollars)</i>	March 31, 2021	March 31, 2020
Lumber futures	(662)	939

# Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2021 and 2020 (in Canadian dollars)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Derivative financial instrument assets and liabilities are classified as level 2.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2021 and 2020:

(in thousands of dollars)

<b>At March 31, 2021</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	248,651	-	-	248,651
<b>Total financial assets:</b>	<b>248,651</b>	<b>-</b>	<b>-</b>	<b>248,651</b>
<b>Financial liabilities:</b>				
Lumber futures <sup>1</sup>	-	662	-	662
Revolving credit facility	-	-	121,063	121,063
Accounts payable & accrued liabilities	-	-	144,875	144,875
Current portion of long-term debt	-	-	630	630
Non-current portion of long-term debt	-	-	7,197	7,197
Current portion of lease obligation	-	-	4,975	4,975
Non-current portion of lease obligation	-	-	94,587	94,587
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>662</b>	<b>385,827</b>	<b>386,489</b>

(in thousands of dollars)

<b>At March 31, 2020</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	143,976	-	-	143,976
Lumber futures <sup>1</sup>	-	939	-	939
<b>Total financial assets:</b>	<b>143,976</b>	<b>939</b>	<b>-</b>	<b>144,915</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	112,744	112,744
Accounts payable & accrued liabilities	-	-	75,374	75,374
Current portion of long-term debt	-	-	711	711
Non-current portion of long-term debt	-	-	8,831	8,831
Current portion of financial lease obligation	-	-	4,496	4,496
Non-current portion of financial lease obligation	-	-	91,798	91,798
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>-</b>	<b>306,454</b>	<b>306,454</b>

<sup>(1)</sup>Included with accounts receivable or accounts payable and accrued liabilities on the balance sheet

## 12. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	<b>Three months ended March 31, 2021</b>	<b>Three months ended March 31, 2020</b>
(Increase) Decrease in accounts receivable	(112,218)	(59,205)
(Increase) Decrease in inventories	(31,458)	(11,654)
(Increase) Decrease in prepaid expenses and other	(30,693)	(7,273)
Effect of foreign exchange on working capital	(1,726)	11,028
(Decrease) Increase in accounts payable and accrued liabilities	51,334	11,603
<b>Total</b>	<b>(124,761)</b>	<b>(55,501)</b>

## 13. 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.

## 14. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

<i>(in thousands of dollars except %)</i>	<b>Three months ended March 31, 2021</b>		<b>Three months ended March 31, 2020</b>	
	<b>Sales</b>	<b>%</b>	<b>Sales</b>	<b>%</b>
Canada	437,244	81.6	250,828	78.3
United States	98,674	18.4	69,451	21.7

During the three months ended March 31, 2021, Taiga's Canadian operations had export sales of \$84.7 million (three months ended March 31, 2020 - \$50.4 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.