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Attention: Business/Financial Editors

Hardwoods Distribution Inc.
TRADING SYMBOL: **Toronto Stock Exchange - HWD**

Hardwoods Announces Record First Quarter 2017 Results

Achieves Record Sales, EBITDA, and Profit
Declares Quarterly Dividend of $0.0625 per share

Langley, B.C., May 10, 2017/ CNW/ - Hardwoods Distribution Inc. ("Hardwoods" or the "Company") today announced financial results for the three months ended March 31, 2017. Hardwoods is North America's largest wholesale distributor of architectural grade building products to the residential and industrial construction markets, with a strong US and Canadian distribution network.

Highlights *(For the three months ended March 31, 2017)*

- Organic first quarter revenue increased year-over-year $13.6 million, or 8.6%
- First quarter revenue, including Rugby, increased 63.3% year-over-year to $257.1 million
- Gross profit grew by 72.2% to $48.3 million and gross profit margin increased to 18.8%, from 17.8%
- First quarter Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") climbed 48.4% to $14.0 million
- Generated first quarter profit of $7.9 million, a 71.7% increase compared to Q1 2016
- Diluted profit per share grew by $0.10 or 37.0%, to $0.37 per share
- On March 13, 2017, Hardwoods acquired Eagle Plywood and Lumber ("Eagle")
- The Board of Directors declared a quarterly dividend of $0.0625 per share, payable on July 28, 2017 to shareholders of record as at July 17, 2017

"We achieved record top and bottom-line financial results in the first quarter of 2017 as we benefited from the Rugby acquisition and continued to pursue our business strategies," said Rob Brown, President and CEO of Hardwoods.

"The Rugby acquisition, which was completed in July 2016 and brought us 28 US distribution facilities across 40 states, contributed $93.7 million to first quarter sales. The acquisition is proving to be as accretive as we had anticipated," added Mr. Brown.

First quarter 2017 results were also supported by $13.6 million, or 8.6%, of organic sales growth as Hardwoods responded to market demand and executed its business strategies. These gains were partially offset by the negative foreign exchange impact of a year-over-year increase in the value of the Canadian dollar relative to the US dollar. A stronger Canadian dollar impacts us by: i) decreasing the value of sales and profits earned in our US operations when translated into Canadian dollars for financial reporting purposes; and ii) decreasing the selling price of US dollar-denominated products sold to our Canadian customers.

Hardwoods ended the first quarter with a strong balance sheet, including a net debt-to-EBITDA ratio of 2.2 times, a debt-to-capital ratio of just 32.2%, and $62.9 million of unused borrowing availability. Based on the Company's performance, balance sheet and favourable outlook, the Board of Directors approved a quarterly dividend of $0.0625 per share, payable July 28, 2017 to shareholders of record as at July 17, 2017.

US Trade Case

As previously announced, on November 18, 2016, a trade case was filed in the US seeking the imposition of countervailing duties (CVD) and antidumping duties (AD) against imported hardwood plywood produced in China. On April 19, 2017 the Department of Commerce ("Commerce") announced a preliminary CVD of 9.89% that will apply to most Chinese producers, including those that Hardwoods does business with. The final determination regarding CVD is expected to be issued in November 2017. Commerce is also conducting a separate investigation into antidumping duties and a preliminary antidumping duty decision is expected in June 2017, with a final determination in November 2017.

"While approximately 11% of our total sales are currently affected by this trade case, we do not expect it to have a significant or long-term impact on our business," said Rob Brown. "Hardwoods sells a wide range of architectural building products including both domestic and import sourced hardwood plywood. We have diverse and long-standing product supply lines for both domestic and import products, and we are confident in our ability to successfully service the requirements of our customers regardless of the final outcome of this trade case."

Outlook

In April 2017 the Trump administration outlined its new tax proposal. Hardwoods views the tax proposals as generally good for US-based businesses. With 85% of our operations now domiciled in the US, we are positioned to benefit from policies that stimulate the US economy or prove generally positive for US-based businesses.

A key component of the tax proposal is a reduction in the corporate tax rate from current levels to 15%. If enacted, this would represent a significant reduction in Hardwoods' corporate tax rate. To put this in perspective, had a 15% US corporate tax rate been in effect for the year ended December 31, 2016, Hardwoods estimates that its 2016 diluted earnings per share would have been $1.43 as compared to $1.25, an increase of 14%.

As it relates to the business, Hardwoods anticipates continued modest organic growth in 2017, supported by solid market fundamentals. At 1.2 million, US housing starts remain well below the 1.5-to-1.6 million level considered to be normal and sustainable for the industry. Accordingly most forecasters predict a continued gradual strengthening trend for the US residential construction market. In addition, the non-residential construction market is enjoying solid growth as the US economy strengthens and key segments like retail, office and hospitality-related construction create demand.

The highly fragmented US architectural buildings product distribution industry also provides numerous opportunities for acquisition-based growth. Hardwoods' large size and scale, together with its strong balance sheet, position the Company to pursue smaller single or multi-site distributors that take it into new markets, expand its presence in current markets in which it operates, and provide accretive growth for shareholders. The March 13, 2017 acquisition of Dallas-based Eagle Lumber and Plywood is an example of Hardwoods' ability to expand its presence in an existing market.

Gross profit margin as a percentage of sales is expected to remain above the levels Hardwoods has traditionally achieved, reflecting the addition of Rugby's higher-margin product mix. Operating expenses are also expected to be moderately higher due to Rugby's sales model. EBITDA as a percentage of revenue is expected to be moderately lower due to increased operating expenses, while EBITDA on a dollar basis is expected to benefit from higher sales.

Strategically, Hardwoods will ensure its business strategies remain aligned with emerging market opportunities and challenges, including changes to US economic and trade policy, as well as decisions related to the US trade case discussed above.

The Board will continue to review Hardwoods' financial performance and assess dividend levels on a regular basis. However, the primary focus will be to retain the cash necessary to finance the significant market growth opportunity in the US and to keep the balance sheet strong, reduce debt and support future strategic acquisitions.

Q1 2017 Investor Call

The Company will hold an investor call on Thursday, May 11 at 8:00 am Pacific (11 am Eastern) time. Participants should dial 1-888-390-0546 (toll-free) or 1-416-764-8888 (Toronto area and International) five minutes before the call to register. A replay will be available until May 25, 2017 by dialing 1-888-390-0541 (toll-free) or 1-416 764-8677 (Toronto area and International), passcode: 253517#.

Summary of Results

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars)	Three months ended March 31 2017	Three months ended March 31 2016
Total sales	$ 257,098	$ 157,413
Sales in the US (US$)	*168,140*	*91,861*
Sales in Canada	*34,514*	*31,343*
Gross profit	48,276	28,038
Gross profit %	*18.8%*	*17.8%*
Operating expenses	(35,956)	(19,355)
Profit from operating activities	12,320	8,683
Add: Depreciation and amortization	1,683	750
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$ 14,003	$ 9,433
EBITDA as a % of revenue	*5.4%*	*6.0%*
Add (deduct):		
Depreciation and amortization	(1,683)	(750)
Net finance income (expense)	(539)	(568)
Income tax expense	(3,845)	(3,493)
Profit for the period	$ 7,936	$ 4,622
Basic profit per share	$ 0.37	$ 0.28
Diluted profit per share	$ 0.37	$ 0.27
Average Canadian dollar exchange rate for one US dollar	1.32	1.37

Results from Operations - Three Months Ended March 31, 2017

For the three months ended March 31, 2017, total sales increased by 63.3% to $257.1 million, from $157.4 million in Q1 2016. Of the $99.7 million year-over-year increase, $93.7 million was due to the addition of Rugby's operations and $13.6 million, representing an 8.6% increase in sales, was due to organic growth. The sales gain was partially offset by a $7.6 million negative foreign exchange impact resulting from a stronger Canadian dollar.

Hardwoods' US operations, which account for approximately 85% of first quarter revenues, increased sales by US$76.3 million, or 83.0%, to US$168.1. The Rugby operations contributed US$71.0 million of this increase. Organic growth accounted for US$5.3 million, representing a 5.8% increase in sales, as we increased volumes in response to higher demand.

Sales in Canada, which comprise approximately 15% of first quarter revenues, grew by $3.2 million, or 10.1% to $34.5 million. The improvement in Canadian sales reflects organic growth.

First quarter gross profit increased to $48.3 million, an increase of 72.2% from $28.0 million in Q1 2016. The year-over-year improvement reflects higher sales revenue, combined with a higher gross profit margin. As a percentage of sales, gross profit margin increased to 18.8%, from 17.8% in Q1 2016, reflecting Rugby's higher margin business model and increased margins from Hardwoods' operations. The Company considers a gross profit margin of 18% to 19% to be sustainable for the business at this point in the market cycle.

Operating expenses for the three months ended March 31, 2017 were $36.0 million, compared to $19.4 million in Q1 2016. This $16.6 million increase was in line with expectations and primarily reflects Rugby operating expenses of $15.8 million, amortization of $0.5 million related to customer relationships acquired in connection with the Rugby operations, and $1.3 million of added costs to support organic growth. These increases were partially offset by a $0.1 million decrease in expenses due to the impact of a stronger Canadian dollar on translation of US operating expenses. As a percentage of sales, operating expenses increased to 14.0% from 12.3% year-over-year, primarily reflecting Rugby's higher ratio of operating expenses as a percentage of sales.

First quarter EBITDA increased 48.4% to $14.0 million, from $9.4 million in Q1 2016. The $4.6 million gain primarily reflects the increase in gross profit, partially offset by higher operating expenses before depreciation and amortization.

Profit for the period increased 71.7% to to $7.9 million, from $4.6 million during the same period in 2016. The year-over-year increase reflects the higher EBITDA, partially offset by a $0.4 million increase in income tax expense and a $0.9 million increase in depreciation and amortization.

A more detailed discussion of the Company's financial performance can be found in Hardwoods' Q1 2016 Management's Discussion and Analysis (MD&A). The MD&A will be posted, along with the Company's audited financial statements, on SEDAR (www.sedar.com) and on the Company's website (www.hardwoods-inc.com) on or before May 10, 2017.

About Hardwoods Distribution Inc.

Hardwoods is North America's largest distributor of architectural grade building products to the residential and industrial construction markets. The Company operates a North American network of 58 distribution centres, as well as one sawmill and kiln drying operation.

Non-GAAP Measures - EBITDA

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income. Furthermore, we discuss certain EBITDA Ratios, such as EBITDA margin (being EBITDA as a percentage of revenues). In addition to profit, we consider EBITDA and EBITDA Ratios to be useful supplemental measures of the Company's ability to meet debt service and capital expenditure requirements, and we interpret trends in EBITDA and EBITDA Ratios as an indicator of relative operating performance.

References to "Adjusted EBITDA" are EBITDA as defined above, before certain items related to business acquisition activities. "Adjusted EBITDA margin" is as defined above, before certain items related to business acquisition activities. References to "Adjusted profit", "Adjusted basic profit per share", and "Adjusted diluted profit per share" are profit for the period, basic profit per share, and diluted profit per share, before certain items related to business acquisition activities. The aforementioned adjusted measures are collectively referenced as "the Adjusted Measures". We consider the Adjusted Measures to be useful supplemental measures of the Company's profitability, its ability to meet debt service and capital expenditure requirements, and as an indicator of relative operating performance, before considering the impact of business acquisition activities.

EBITDA, EBITDA Ratios, and the Adjusted Measures (collectively "the Non-GAAP Measures") are not measures recognized by International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that the Non-GAAP Measures should not replace profit, earnings per share or cash flows (as determined in accordance with IFRS) as an indicator of our performance. Our method of calculating the Non-GAAP Measures may differ from the methods used by other issuers. Therefore, our Non-GAAP Measures may not be comparable to similar measures presented by other issuers.

Forward-Looking Statements

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This news release includes forward-looking statements. These involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "estimate", "expect", "may", "plan", "will", and similar terms and phrases, including references to assumptions. Such statements may involve, but are not limited to:

The final determination regarding CVD is expected to be issued in November 2017 and a preliminary antidumping duty decision is expected in June 2017, with a final determination in November 2017; we do not expect the trade case to have a significant or long-term impact on our business; we are confident in our ability to successfully service the requirements of our customers regardless of the final outcome of this trade case; we are positioned to benefit from policies that stimulate the US economy or prove generally positive for US-based businesses; a key component of the tax proposal is a reduction in the corporate tax rate from current levels to 15% and if enacted this would represent a significant reduction in Hardwoods' corporate tax rate; forecasters predict a continued gradual strengthening trend for the US residential construction market; the non-residential construction market is enjoying solid growth as the US economy strengthens and key segments like retail, office and hospitality-related construction create demand; gross profit margin as a percentage of sales is expected to remain above the levels Hardwoods has traditionally achieved, reflecting the addition of Rugby's higher-margin product mix; operating expenses are expected to be moderately higher due to Rugby's sales model; EBITDA on a dollar basis is expected to benefit from higher sales, EBITDA as a percentage of revenue is expected to be moderately lower due to increased operating expenses.

These forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: national and local business conditions; political or economic instability in local markets; competition; consumer preferences; spending patterns and demographic trends; legislation or governmental regulation; acquisition and integration risks.

Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, management cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements reflect management's current beliefs and are based on information currently available.

All forward-looking information in this news release is qualified in its entirety by this cautionary statement and, except as may be required by law, Hardwoods undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

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