

NEWS RELEASE: Via
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Attention: Business/Financial Editors

HARDWOODS DISTRIBUTION INC.

TRADING SYMBOL: **Toronto Stock Exchange – HWD**

Hardwoods Announces Strong Third Quarter 2014 Results Declares Quarterly Dividend of \$0.045 per share

Langley, B.C., November 7, 2014/ CNW/ – Hardwoods Distribution Inc. (“Hardwoods” or the “Company”) today announced financial results for the three and nine month periods ended September 30, 2014. Hardwoods is one of North America’s largest wholesale distributors of hardwood lumber and related sheet good products, operating a network of 32 distribution facilities in North America, as well as a hardwood sawmill and kiln drying operation located in the United States.

Highlights

(For the three months ended September 30, 2014)

- Third quarter sales of \$121.4 set a new quarterly sales record for the Company and were up 24.5% compared to the same period in 2013.
- Third quarter gross profit increased by 18.4% to \$20.9 million period-over-period.
- Third quarter EBITDA increased by 44.1% to \$7.6 million, the Company’s strongest quarterly EBITDA performance in 10 years.
- Profit for the period increased 37% to \$4.2 million.
- The Board of Directors approved a quarterly dividend of \$0.045 per share, payable on January 30, 2015 to shareholders of record as at January 20, 2015.

“We achieved very strong financial performance again this quarter as our strategies continued to drive strong and profitable growth in the business,” said Hardwoods’ CFO and Acting Chief Executive Officer, Rob Brown. “We also benefitted from the successful integration of HMI, the high-quality hardwood lumber producer and exporter we acquired on April 28, 2014, and from the positive impact of a weaker Canadian dollar.”

Market conditions remained generally favourable with the seasonally adjusted rate of US housing starts averaging 1,024,000 during the third quarter, up 16.1% from the same period last year, according to the US Census Bureau. Product pricing remained mixed, with hardwoods lumber prices rising, domestic panel prices remaining stable, and prices for some imported products declining in the US year-over-year following the discontinuation of preliminary US trade duties on imported Chinese panel products in the fourth quarter of 2013.

The Company reported a third quarter gross profit margin of 17.2%, a level the Company views as sustainable given current market conditions and business mix. Expenses were well controlled across the organization with sales and administrative costs continuing to decline as a percentage of revenue. Cash from operating activities improved by \$15.2 million during the nine-month period ended September 30, 2014 when compared to the same period in the prior year, reflecting careful management of the balance sheet and the efficient growth of the Company. We were successful in increasing cash provided by operating activities by \$15.2M for the nine months ended September 30, 2014 as compared to the same period in the prior year. The increase in operating cash flow came primarily through more efficient management of working capital, and allowed us to finance a portion of the HMI acquisition with internally generated cash flow while maintaining a strong balance sheet to support our future growth initiatives.

Going forward, the Company’s experienced management team will continue to execute on Hardwoods’ established business plans and growth strategy while CEO Lance Blanco

continues to recover from a cycling accident. Mr. Blanco's recovery period is expected to extend into the new year.

"We continue to move forward and execute against our strategy. The outlook for the remainder of 2014 and into 2015 remains positive. We are pleased to declare another quarterly dividend of \$0.045 per share while we continue to grow our business," said Mr. Brown.

Summary of Results

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Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars except where noted)

	3 months ended September 30 2014	3 months ended September 30 2013	9 months ended September 30 2014	9 months ended September 30 2013
Total sales	\$ 121,398	\$ 97,546	\$ 341,370	\$ 280,146
<i>Sales in the US (US\$)</i>	86,155	70,081	239,217	203,528
<i>Sales in Canada</i>	27,525	24,812	79,618	71,856
Gross profit	20,889	17,647	59,680	51,628
<i>Gross profit %</i>	17.2%	18.1%	17.5%	18.4%
Operating expenses	(13,877)	(12,753)	(40,975)	(35,522)
Profit from operating activities	7,012	4,894	18,705	16,106
Add: Depreciation	582	375	1,535	1,046
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	7,594	5,269	\$ 20,240	\$ 17,152
Add (deduct):				
Depreciation and amortisation	(582)	(375)	(1,535)	(1,046)
Net finance income (cost)	7	(372)	(342)	(103)
Income tax expense	(2,773)	(1,413)	(7,156)	(5,311)
Profit for the period	\$ 4,246	\$ 3,109	\$ 11,207	\$ 10,692
Basic profit per share	\$ 0.26	\$ 0.19	\$ 0.68	\$ 0.65
Fully diluted profit per share/unit	0.25	0.19	0.67	0.64
Average Canadian dollar exchange rate for one US dollar	1.089	1.038	1.094	1.023

Results from Operations – Three Months Ended September 30, 2014

For the three months ended September 30, 2014, total sales increased by 24.5% to \$121.4 million, from \$97.5 million in Q3 2013. Hardwoods' US operations increased sales by US\$16.1 million, or 22.9%, to US\$86.2 million, reflecting US\$7.4 million of organic growth and US \$8.7 million of incremental revenue from the HMI business acquired on April 28, 2014.

Third quarter sales in Canada grew by \$2.7 million to \$27.5 million, a year-over-year increase of 10.9%. Growth was achieved in all regions, reflecting successes in winning new

business, as well as overall stronger product prices and the positive impact of a weaker Canadian dollar.

Third quarter gross profit increased to \$20.9 million, up 18.4% from \$17.6 million during the same period last year. This improvement reflects higher sales revenue, partially offset by a lower gross profit margin. As a percentage of sales, third quarter gross profit margin was 17.2%, compared to 18.1% in Q3 2013. The year-over-year reduction reflects competitive conditions, as well as the impact of the acquired HMI manufacturing business, which generates a slightly lower gross profit percentage than Hardwoods' traditional distribution business. Entry into targeted commercial market segments also affected margins with the Company offering competitive introductory pricing to some of its new accounts.

Operating expenses for the three-month period ended September 30, 2014 were \$13.9 million, compared to \$12.8 million in Q3 2013. This increase primarily reflects incremental costs associated with the acquired HMI business of \$0.6 million and \$0.5 million of higher expenses due to the impact of a weaker Canadian dollar on translation of US operating expenses. As a percentage of sales, operating expenses improved to 11.4% of sales during the three-month period ended September 30, 2014 from 13.1% in the same period in the prior year.

Third quarter EBITDA increased 44.1% to \$7.6 million from \$5.3 million during the same period in 2013. The EBITDA gain reflects the increase in gross profit, partially offset by higher operating expenses. Profit for the period was \$4.2 million, compared to \$3.1 million during the same period in 2013. The year-over-year increase reflects the \$2.3 million increase in EBITDA and \$0.4 million increase in net finance income, partially offset by a \$0.2 million increase in depreciation and amortization and a \$1.4 million increase in income tax expense.

Results from Operations – Nine Months Ended September 30, 2014

For the nine months ended September 30, 2014, total sales increased by 21.9% to \$341.4 million from \$280.1 million in the first nine months of 2013. Hardwoods' US operations increased sales by US\$35.7 million, or 17.5%, reflecting US \$20.7 million in organic growth

and US \$15.0 million in incremental revenue from acquired businesses. Year-to-date sales in Canada increased by \$7.8 million, or 10.8%, year-over-year, entirely on organic growth.

Nine month gross profit increased 15.6% to \$59.7 million, from \$51.6 million during the same period in 2013. This gain reflects the increased sales, partially offset by a lower gross margin of 17.5% compared to 18.4% in the same period in 2013.

Operating expenses were \$41.0 million in the first nine months of 2014, compared to \$35.5 million during the same period in 2013. The increase reflects higher costs incurred to support growth, higher expense due to the impact of a weaker Canadian dollar on translation of US operating expenses, and incremental costs related to the acquired HMI business. As a percentage of sales, year-to-date operating expenses improved to 12.0% of sales from 12.7% during the same period in 2013.

Nine month EBITDA increased to \$20.2 million, from \$17.2 million during the same period in 2013. The 18.0% increase in EBITDA reflects higher gross profit, partially offset by higher operating expenses, net of depreciation and amortization. Profit for the period increased to \$11.2 million, from \$10.7 million during the same period in 2013, reflecting the \$3.1 million improvement in EBITDA, partially offset by a \$0.5 million increase in depreciation and amortization, a \$0.2 million increase in net finance cost and a \$1.9 million increase in income tax expense.

Outlook

Hardwoods anticipates continued year-over-year sales growth through the balance of the year, supported by the implementation of the Company's business strategies, positive foreign exchange impacts of a weaker Canadian dollar, and the addition of the HMI business. Market conditions are expected to remain favourable through the end of 2014 and into 2015, but we expect to experience the usual seasonal fourth quarter slowdown as customer activity tapers off during the Thanksgiving and Christmas holiday periods.

Hardwoods' focus in the fourth quarter and into 2015 will be on continuing to expand its US market share and completing the integration of the HMI business. The Company is also

actively pursuing its “Leverage Imports” and “Strengthen Commercial” strategies which focus on:

- Growing sales of Hardwoods’ high-quality proprietary import lines, supported both by the established quality assurance team located in Asia and new international sourcing initiatives designed to bring world-wide product solutions to Hardwoods’ customers; and
- Capitalizing on significant opportunities in the commercial market. In particular, Hardwoods is actively growing its supply of first-tier product supply for commercial customers and capitalizing on its import capabilities to offer off-shore product solutions to the commercial sector to supplement domestic product solutions.

Hardwoods’ Board of Directors will continue to review the Company’s financial performance and assess dividend levels on a regular basis. However, in terms of cash utilization, the Company’s primary focus remains on retaining the cash necessary to finance the significant market opportunity in the US and keeping the Company’s balance sheet strong to support strategic acquisitions.

A more detailed discussion of the Company’s financial performance can be found in its Management’s Discussion and Analysis (MD&A) for the three and nine month periods ended September 30, 2014. The MD&A will be posted, along with the Company’s annual audited financial statements, on SEDAR (www.sedar.com) and on the Company’s website (www.hardwoods-inc.com).

About Hardwoods Distribution Inc.

Hardwoods is one of North America’s largest distributors of high-grade hardwood lumber, sheet goods and architectural millwork to the cabinet, moulding, millwork, furniture and specialty wood products industries. The Company currently operates a network of 33 distribution centers in the U.S. and Canada.

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 condensed consolidated statement of comprehensive income. In addition to profit or loss, the Company considers EBITDA to be a useful supplemental measure of a company’s ability to meet debt service and capital expenditure requirements, and the Company interprets trends in EBITDA as an indicator of relative operating performance.

EBITDA is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not replace profit or loss or cash flows (as determined in accordance with IFRS) as an indicator of our performance. The Company’s method of calculating EBITDA may differ from the methods used by other issuers. Therefore, the Company’s EBITDA may not be comparable to similar measures presented by other issuers. For a reconciliation between EBITDA and profit or loss as determined in accordance with IFRS, please refer to the discussion of Results of Operations described in section 3.0 of Management's Discussion and Analysis (MD&A) for the three and nine month periods ended September 30, 2014.

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: We anticipate continued year-over-year sales growth through the balance of the year, supported by implementation of the Company’s business strategies, the positive foreign exchange impact of a weaker Canadian dollar, and the addition of the HMI business;

market conditions are expected to remain favourable through the end of 2014 and into 2015, but we expect to experience the usual seasonal fourth quarter slowdown as customer activity tapers off during the Thanksgiving and Christmas holiday periods; Our focus in the fourth quarter and into 2015 will be on continuing to expand its US market share and completing the integration of the HMI business; we are also actively pursuing its “Leverage Imports” and “Strengthen Commercial” strategies; Hardwoods’ Board of Directors will continue to review the Company’s financial performance and assess dividend levels on a regular basis; in terms of cash utilization, the Company’s primary focus remains on retaining the cash necessary to finance the significant market opportunity in the US and keeping the Company’s balance sheet strong to support strategic acquisitions; the Company reported a third quarter gross profit margin of 17.2%, a level the Company views as sustainable given current market conditions and business mix; the Company’s experienced management team will continue to execute on Hardwoods’ established business plans and growth strategy; Mr. Blanco’s recovery period is expected to extend into the new year; our outlook for the remainder of 2014 and into 2015 remains positive.

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, HDI 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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