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Attention: Business/Financial Editors

HARDWOODS DISTRIBUTION INC.

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

Hardwoods Announces Fourth Quarter and Year-End 2014 Results Declares Quarterly Dividend of \$0.045 per share

Langley, B.C., March 26, 2015/ CNW/ – Hardwoods Distribution Inc. (“Hardwoods” or the “Company”) today announced its financial results for the three and twelve-month periods ended December 31, 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 centres across North America, as well as a hardwood sawmill and kiln drying operation in the United States.

Highlights

(For the three and twelve months ended December 31, 2014)

- Revenue increased 25.5% in the fourth quarter and 22.8% for the full year, compared to the same periods in 2013.
- The Company increased gross profit by 19.4% in the fourth quarter and by 16.5% in the twelve-month period, compared to the same periods in 2013.
- Fourth quarter EBITDA climbed 24.2% to \$5.2 million, and full-year EBITDA increased 19.2% to \$25.5 million.
- Fourth quarter profit increased 18.2% to \$2.8 million, while full-year profit climbed 7.3% to \$14.0 million.

Subsequent to year end:

- The Board of Directors approved a quarterly dividend of \$0.045 per share, payable on April 30, 2015 to shareholders of record as at April 20, 2015.
- On March 18, 2015, Hardwoods announced that Lance Blanco was resuming his duties as the President and Chief Executive Officer of the Company.
- On March 18, 2015, Hardwoods announced an expansion of its executive capacity. Rob Brown, formerly Chief Financial Officer, was appointed to the newly created position of Chief Operating Officer. Faiz Karmally, formerly Hardwoods' Corporate Controller, has succeeded Rob Brown as Chief Financial Officer.

“Hardwoods achieved the best revenue and EBITDA in our history in 2014 as we implemented our “leverage import” and “strengthen commercial” business strategies and capitalized on US market growth,” said Hardwoods’ CEO Lance Blanco.

The record 2014 results reflect a combination of organic growth, including increased sales of import products, together with acquisition-based growth following the April 28, 2014 purchase of HMI, an integrated, high-quality hardwood lumber producer and exporter. The acquired business contributed US\$21.8 million to sales in 2014.

“HMI is the third acquisition we have completed since late 2011 and consistent with the acquisitions of Olam Wood Products and the Frank Paxton Lumber Company before it, has integrated seamlessly and proved well timed with the recovery of the US housing market,” said Mr. Blanco.

Hardwoods’ results also benefited from the increase in the value of the US dollar relative to the Canadian dollar. A stronger US dollar benefits the Company by: i) increasing the value of sales and profits earned in the US operations when translated into Canadian dollars for financial reporting purposes; ii) increasing the selling price of US dollar-denominated products sold to Hardwoods’ Canadian customers; and iii) improving the export

competitiveness of the Company's Canadian industrial customers, many of whom have the capability to sell their manufactured products in the US.

On the market front, US housing starts increased 8.2% to 1.0 million, from 927,000 in 2013 according to the US Census Bureau. With a growing US sales capability, established supply lines and a strong geographic network, Hardwoods was and is well positioned to capitalize on this growth. The Company also continued to build its presence in the large US commercial market, where Hardwoods is focused on building market share. Product prices increased on average, with higher prices for hardwood lumber offsetting a year-over-year decline in panel product prices.

The Company reported a full-year gross profit margin of 17.3%, a level viewed as sustainable based on 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.

"It was an excellent year for Hardwoods and going forward, our outlook remains positive," said Mr. Blanco. "The US residential market continues to recover, we see significant opportunities to grow our import product and commercial market sales, and we are also well positioned for acquisition-based growth. Thanks to strong cash generation in 2014, we were able to finance the US\$15.0 million HMI acquisition and support our internal growth while limiting our increase in debt. As at December 31, 2014, our net debt-to-EBITDA ratio was a conservative 1.5 times, our debt-to-capital ratio was just 26.3% and we had \$36.9 million of unused borrowing capacity. Hardwoods is in excellent shape financially and positioned for continued growth in 2015. We are pleased to declare another quarterly dividend of \$0.045 per share."

Summary of Results

	12 months ended December 31 2014	12 months ended December 31 2013	3 months ended December 31 2014	3 months ended December 31 2013
Total sales	\$ 455,694	\$ 371,215	\$ 114,324	\$ 91,069
<i>Sales in the US (US\$)</i>	318,089	268,307	78,872	64,779
<i>Sales in Canada</i>	104,334	94,912	24,716	23,056
Gross profit	78,767	67,616	19,087	15,988
<i>Gross profit %</i>	17.3%	18.2%	16.7%	17.6%
Operating expenses	(55,427)	(47,690)	(14,452)	(12,168)
Profit from operating activities	23,340	19,926	4,635	3,820
Add: Depreciation	2,138	1,442	603	396
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$ 25,478	\$ 21,368	\$ 5,238	\$ 4,216
Add (deduct):				
Depreciation	(2,138)	(1,442)	(603)	(396)
Net finance cost	(381)	(178)	(39)	(75)
Income tax expense	(8,944)	(6,681)	(1,788)	(1,370)
Profit for the period	\$ 14,015	\$ 13,067	\$ 2,808	\$ 2,375
Basic profit per share/unit	\$ 0.85	\$ 0.80	\$ 0.17	\$ 0.14
Fully diluted profit per share/unit	0.84	0.79	0.17	0.14
Average Canadian dollar exchange rate for one US dollar	1.10	1.03	1.14	1.05

Results from Operations – Three Months Ended December 31, 2014

For the three months ended December 31, 2014, total sales increased by 25.5% to \$114.3 million, from \$91.1 million in the fourth quarter of 2013. Hardwoods' US operations increased sales by US \$14.1 million, or 21.8%, to US \$78.9 million. Organic growth accounted for US \$6.6 million or 10.2% of the percentage increase and the addition of the HMI business contributed US \$7.5 million, or 11.6% of the percentage increase.

Fourth quarter sales in Canada grew by \$1.7 million to \$24.7 million, a year-over-year increase of 7.2%. The improvement reflects successes in winning new business, as well as overall stronger product prices and the positive impact of a weaker Canadian dollar.

Fourth quarter gross profit increased to \$19.1 million, up 19.4% from \$16.0 million during the same period in 2013. This improvement reflects the higher sales revenue, partially offset by a lower gross profit margin. As a percentage of sales, fourth quarter gross profit margin was 16.7%, compared to 17.6% in the comparative period. 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 does 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-months ended December 31, 2014 were \$14.5 million, compared to \$12.2 million in the fourth quarter of 2013. This increase primarily reflects incremental costs from the acquired HMI business and \$0.8 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 12.6% of sales from 13.4% in the same period last year.

Fourth quarter EBITDA increased 24.2% to \$5.2 million, from \$4.2 million in Q4 2013. The EBITDA gain reflects the increase in gross profit, partially offset by higher operating expenses, before depreciation and amortization. Profit for the period increased to \$2.8 million, from \$2.4 million in 2013. The year-over-year increase reflects the higher EBITDA, partially offset by a \$0.4 million increase in income tax expense and a \$0.2 million increase in depreciation and amortization.

Results from Operations – 12 Months Ended December 31, 2014

For the year ended December 31, 2014, total sales increased by 22.8% to \$455.7 million, from \$371.2 million in 2013. Hardwoods' US operations increased sales by US\$49.8 million, or 18.6%, reflecting US \$28.0 million of organic growth and US \$21.8 million in incremental revenue from the acquired HMI business. Full-year 2014 sales in Canada increased by \$9.4 million, or 9.9%, year-over-year, reflecting higher product prices, partially offset by weaker volume demand in the Canadian market.

Gross profit increased 16.5% to \$78.8 million in 2014, from \$67.6 million in 2013. This gain reflects the increased sales, partially offset by a lower gross margin of 17.3%, compared to 18.2% a year earlier.

Full-year operating expenses were \$55.4 million in 2014, compared to \$47.7 million in 2013. The increase primarily reflects incremental costs related to the acquired HMI businesses and higher expense due to the impact of a weaker Canadian dollar on translation

of US operating expenses. As a percentage of sales, annual operating expenses were 12.2% of sales, down from 12.8% in 2013.

EBITDA for 2014 increased to \$25.5 million, from \$21.4 million in 2013. The 19.2% increase primarily reflects higher gross profit, partially offset by increased operating expenses, before depreciation and amortization. Profit for the year increased to \$14.0 million, from \$13.1 million in 2013, reflecting the \$4.1 million improvement in EBITDA, partially offset by a \$2.3 million increase in income tax expense, \$0.7 million increase in depreciation and \$0.2 million increase in net finance cost.

Outlook

Economic forecasters continue to predict a multi-year strengthening of the US residential construction market. With approximately 75% of its business in the US, and approximately 60% of its products going to the residential construction market, Hardwoods is well positioned to capitalize on the market recovery underway.

The outlook for the US repair and remodeling market, as provided by Harvard's Joint Center for Housing Studies, anticipates modest growth in 2015. The US commercial market, meanwhile, is expected to achieve steady mid-single digit growth.

The outlook for the Canadian market remains neutral, with 2015 housing starts expected to remain unchanged from 2014 levels. Growth in the Canadian renovation and commercial construction markets is expected to be in line with inflation.

Hardwoods' focus in 2015 will be on further expanding its US market share. The Company is 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 Company's established quality assurance team 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 commercial customers an attractive and differentiated line-up of products.

Hardwoods will also continue to pursue well-priced acquisition opportunities that support its objectives.

Hardwoods' Board of Directors will continue to review financial performance and assess distribution levels on a regular basis, however the primary focus in 2015 will be on retaining the financial flexibility to finance the significant market growth opportunity in the US and to keep the Company's balance sheet strong to support strategic acquisitions.

A more detailed discussion of the Company's financial performance can be found in Hardwoods' 2014 Management's Discussion and Analysis (MD&A). 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 also creates custom moulding and millwork packages for customers and produces and exports high quality lumber through its HMI business. Hardwoods operates 33 facilities located across the United States and Canada.

Non-GAAP Measures

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. References to "debt-to-EBITDA" and "debt-to-capital" are defined as debt divided by EBITDA and debt divided by shareholders' equity respectively.

In addition to profit or loss, the Company considers EBITDA, debt-to-EBITDA and debt-to-capital and comparisons of these measures to other measures to be a useful supplemental measure of the Company's ability to meet debt service and capital expenditure requirements, and the Company interprets trends in EBITDA, debt-to-EBITDA and debt-to-capital as an indicator of relative operating performance and financial leverage.

EBITDA, debt-to-EBITDA and debt-to-capital are not earnings measures recognized by IFRS and they do 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. Investors are also cautioned that debt-to-EBITDA and debt-to-capital should not replace debt, shareholder's equity or cash flows as an indicator of our performance. The Company's method of calculating EBITDA, debt-to-EBITDA and debt-to-capital may differ from the methods used by other issuers. Therefore, the Company's EBITDA, debt-to-EBITDA and debt-to-capital may not be comparable to similar measures presented by other issuers. For a reconciliation between EBITDA, debt-to-EBITDA and debt-to-capital to profit or loss, debt and shareholders' equity respectively as determined in accordance with IFRS, please refer to the discussion of Results of Operations described in section 3.0 and section 5.3 of Management's Discussion and Analysis (MD&A) for the years ended December 31, 2014 and 2013.

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.

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: We benefit from a decline in the value of the Canadian dollar relative to the US dollar as a weaker Canadian dollar i) increases the value of sales and profits earned in the US operations when translated into Canadian dollars for financial reporting purposes; ii) increasing the selling price of US dollar-denominated products sold to Hardwoods' Canadian customers; and iii) improving the export competitiveness of the Company's Canadian industrial customers, many of whom have the capability to sell their manufactured products in the US; we have a growing US sales capability, established supply lines and a strong geographic network, and believe we are positioned to capitalize on this growth; We reported a full-year gross profit margin of 17.3%, a level viewed as sustainable based on current market conditions and business mix; the US residential market continues to recover and we see significant opportunities to grow our import product and commercial market sales, and we are also well positioned for acquisition-based growth; as at December 31, 2014, our net debt-to-EBITDA ratio was a 1.5 times and we think this is a conservative number, we are in excellent shape financially and positioned for continued growth in 2015; with approximately 75% of our business in the US, and approximately 60% of our products going to the residential construction market, we are well positioned to capitalize on the market recovery underway; The outlook for the US repair and remodeling market anticipates modest growth in 2015; the US commercial market is expected to achieve steady mid-single digit growth; the outlook for the Canadian market remains neutral, with 2015 housing starts expected to remain unchanged from 2014 levels; growth in the Canadian renovation and commercial construction markets is expected to be in line with inflation; our focus in 2015 will be on further expanding its US market share; Our primary focus in 2015 will be on retaining the financial flexibility to finance the significant market growth opportunity in the US and to keep the Company's balance sheet strong to support strategic acquisitions.

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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