NEWS RELEASE

ADENTRA Reports Q1 2026 Results; Generates Sales of U.S.$563 million (organic growth of 3.7% year over year) and Improves Leverage

2026-05-05

Q1 2026 Financial Highlights

(Unless otherwise noted, all comparisons are to Q1 2025)

(All amounts shown are in United States dollars ("U.S. $" or "$"), unless otherwise noted)

- Sales of $562.7 million (C$771.8 million), reflecting organic growth of $20.1 million, or 3.7% from $542.5 million (C$778.6 million), primarily attributable to U.S. operations generating a 2.4% increase in sales volumes and a 1.5% increase in product pricing
- Gross margin of 20.2% down 140 bps from 21.6%, with product mix headwinds expected to normalize
- Adjusted EBITDA of $38.3 million (C$52.6 million), down 4.1% from $40.0 million (C$57.4 million)
- Adjusted basic earnings per share of $0.38 (C$0.52), compared to $0.42 (C$0.60) per share
- Basic earnings per share of $0.08 (C$0.11), compared to $0.16 (C$0.23) per share
- Operating expenses tightly controlled (+0.5% year over year)
- Cash flow used by operating activities of $6.2 million, as compared to $33.5 million in Q1 2025, a $27.3 million improvement
- Leverage ratio (net debt to adjusted EBITDA) of 2.4x, an improvement from 3.0x at Q1 2025
- Returned $2.8 million in cash to shareholders via dividends and $1.0 million in share repurchases

Outlook Highlights

- April 2026 sales tracking approximately 1% lower year-over-year, primarily reflecting constrained macroeconomic conditions
- The Company remains focused on pricing discipline, cost recovery, inventory management, and market share opportunities
- Long-term demand supported by structural housing undersupply, demographics, and aged housing stock
- The Company reiterates its mid-cycle margin framework and remains positioned to generate double-digit returns on invested capital across the cycle

LANGLEY, BC, May 5, 2026 /CNW/ - ADENTRA Inc. ("ADENTRA" or the "Company") today announced financial results for the three months ended March 31, 2026. ADENTRA is one of North America's largest distributors of architectural building products to the residential, repair and remodel, and commercial construction markets. We currently operate a network of 81 facilities in the United States and Canada. All amounts are shown in United States dollars ("U.S. $" or "$"), unless otherwise noted.

"We demonstrated the effectiveness of our strategies and the strength of our business model in the first quarter of 2026, delivering sales growth and solid operating performance in a challenging macroeconomic environment," said Rob Brown, President and CEO of ADENTRA. "First quarter revenue grew 3.7% year-over-year to $562.7 million, driven by higher sales volumes and improved product pricing. Notably, this topline growth was entirely organic, underscoring our ability to leverage our competitive advantages, including our resilient supply chain, to deliver product solutions for customers."

"Our first quarter gross margin percentage of 20.2% remained above our established benchmark of 20.0%, even as it reflected a temporary shift in product mix. We anticipate improvement as our product mix normalizes."

"I am pleased to report that we maintained tight control of operating expenses, which increased only 0.5% year-over-year, while also achieving positive momentum in asset management, including improved inventory turns. Our balance sheet remains strong, with leverage at 2.4x, an improvement as compared to 3.0x in Q1 2025. Moving forward we are advancing our strategic initiatives through supply chain excellence, digital competitiveness, and M&A."

Outlook

We are approaching the near-term outlook with a measured and disciplined focus on execution against a backdrop of increased macroeconomic uncertainty. Higher fuel costs are contributing to inflationary pressure and the potential for mortgage rates to be higher for longer, while limited housing inventory, trade uncertainty, and geopolitical tensions continue to weigh on consumer confidence and demand.

ADENTRA's sales in April 2026 were approximately 1% lower year-over-year, reflecting these conditions. In response, we are focused on capturing market share while maintaining strict pricing and cost discipline, and tight control over inventory and purchasing. We expect our price pass-through model to help mitigate inflationary pressure from higher energy costs as we move through the coming quarters. Our broad product portfolio, national footprint, and strong supplier partnerships position us well to adapt and perform in a dynamic environment.

At the same time, we continue to advance strategic priorities that we believe will strengthen the business structurally and drive long-term value creation. Initiatives that are largely within our control and not dependant on near-term macro improvement.

- In AI and digital optimization, we are utilizing and developing further tools that we believe will enhance decision-making, improve consistency across the network, and drive structurally higher margins and organic growth over time.

- In supply chain, we are increasing flexibility, reducing risk, and expanding access to differentiated and high-margin products through a more diversified global sourcing strategy.

- And through disciplined M&A, we are maintaining a robust pipeline and the financial flexibility to execute on opportunities that are strategically aligned and accretive.

These initiatives are designed to deliver continuous, compounding improvements in performance and position ADENTRA to generate attractive returns across cycles.

While we are cautious on the near-term demand environment, we are also focused on being prudent stewards of capital, maintaining balance sheet strength, applying discipline to investment decisions, and aligning capital allocation with our long-term value creation framework.

Over the longer-term, we remain optimistic about the fundamentals of the residential housing sector, supported by structural undersupply, favorable demographic trends, and an aging housing stock. Within this context, we will continue to advance our full-cycle value creation framework targeting double digit returns on capital and accretive growth through a combination of platform efficiency, organic initiatives and disciplined acquisitions.

Q1 2026 Investor Call

ADENTRA will hold an investor call on Wednesday, May 6, 2026 at 8:00 am Pacific (11:00 am Eastern). Participants should dial 1-888-510-2154 or (437) 900-0527 (GTA) at least five minutes before the call begins. A replay will be available through May 13, 2026 by calling toll free 1-888-660-6345 or (289) 819-1450 (GTA), followed by passcode

Summary of Results

	Three months ended March 31 2026	Three months ended March 31 2025
Total sales	$ 562,652	$ 542,506
Sales in the U.S	520,753	501,199
Sales in Canada (C$)	57,522	59,282
Gross margin	113,686	116,978
Gross margin %	20.2 %	21.6 %
Operating expenses	(100,416)	(99,946)
Income from operations	$ 13,270	$ 17,032
Add: Depreciation and amortization	21,743	20,465
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$ 35,013	$ 37,497
EBITDA as a % of revenue	6.2 %	6.9 %
Add (deduct):		
Depreciation and amortization	(21,743)	(20,465)
Net finance expense	(10,362)	(11,268)
Income tax expense	(864)	(1,644)
Net income for the period	$ 2,044	$ 4,120
Basic earnings per share	$ 0.08	$ 0.16
Diluted earnings per share	$ 0.08	$ 0.16
Average U.S. dollar exchange rate for one Canadian dollar	$ 0.729	$ 0.697

	Three months ended March 31 2026	Three months ended March 31 2025
EBITDA, per table above	$ 35,013	$ 37,497
LTIP expense	3,314	2,470
Adjusted EBITDA	$ 38,327	$ 39,967
Adjusted EBITDA as a % of revenue	6.8 %	7.4 %
Net income for the period, as reported	$ 2,044	$ 4,120
Adjustments:		
LTIP expense	3,314	2,470
Foreign exchange gain	--	(43)
Amortization of acquired intangible assets	6,735	6,731
Tax impact of above adjustments	(2,763)	(2,518)
Adjusted net income for the period	$ 9,330	$ 10,760
Basic earnings per share, as reported	$ 0.08	$ 0.16
Net impact of above items per share	0.30	0.26
Adjusted basic earnings per share	$ 0.38	$ 0.42
Diluted earnings per share, as reported	$ 0.08	$ 0.16
Net impact of above items per share	0.30	0.26
Adjusted diluted earnings per share	$ 0.38	$ 0.42

Results from Operations - Three Months Ended March 31, 2026

For the three months ended March 31, 2026, we grew total sales to $562.7 million, up $20.1 million, or 3.7%, from Q1 2025. The year-over-year increase was primarily attributable to a 2.1% improvement in sales volumes and a 1.3% increase in product prices. The increase in sales was driven by our U.S. operations as further described below. Foreign currency fluctuations contributed an additional $1.9 million to our sales revenue in Q1 2026.

In our U.S. operations, first quarter sales of $520.8 million increased $19.6 million, or 3.9%, from $501.2 million in Q1 2025. The year-over-year improvement primarily reflects a 2.4% increase in sales volumes and a 1.5% increase in product pricing. First quarter 2026 sales included a significant increase in sales of roofing products, driven by increased storm activity at the start the year and advance purchasing by customers in anticipation of a price increase scheduled for the second quarter of 2026.

In Canada, first quarter sales of C$57.5 million decreased by C$1.8 million, or 3.0%, from $59.3 million in Q1 2025. This year-over-year change reflects a 1.8% decrease in sales volumes and a 1.2% decrease in product pricing.

During the first quarter of 2026, we generated a gross margin of $113.7 million, $3.3 million, or 2.8%, lower than in the same period of 2025. The year-over-year change reflects a lower gross margin percentage of 20.2% as compared to 21.6% in Q1 2025, partially offset by the $20.1 million increase in total sales. The change in gross margin percentage primarily reflects a significant first-quarter increase in roofing product sales, which have lower gross margins than our other products but generate higher returns on invested capital, as well as other mix changes outside the roofing category.

For the three months ended March 31, 2026, operating expenses of $100.4 million increased by $0.5 million, or 0.5%, from $99.9 million in Q1 2025. The slight year-over-year increase was primarily driven by a $0.7 million increase in costs associated with leased premises and a $0.8 million increase in LTIP expense, partially offset by a $0.9 million reduction in personnel expenses resulting from cost-control initiatives.

For the three months ended March 31, 2026, depreciation and amortization totaled $21.7 million, compared to $20.5 million in Q1 2025. The $1.3 million increase was primarily attributable to higher depreciation expense associated with leased premises. In both Q1 2026 and Q1 2025, $6.7 million of the total depreciation and amortization expense was related to acquired intangible assets.

For the three months ended March 31, 2026, net finance expense decreased by $0.9 million to $10.4 million, from $11.3 million in Q1 2025. This decrease was primarily due to a lower average debt balance and reduced interest rates relative to the same period in 2025.

For the three months ended March 31, 2026, income tax expense totaled $0.9 million, compared to an income tax expense of $1.6 million in Q1 2025. The effective tax rate for the current quarter was approximately 29.7%, marginally above our statutory tax rate, as a result of a change in unrecognized deferred tax assets.

We generated Adjusted EBITDA of $38.3 million in the first quarter of 2026, a decrease of $1.6 million, or 4.1%, from $40.0 million in Q1 2025. The year-over-year change reflects the $3.3 million decrease in gross margin, partially offset by the $1.6 million reduction in operating expenses (before changes in depreciation and amortization, and LTIP expense).

In the first quarter of 2026, we generated net income of $2.0 million (basic earnings per share of $0.08), compared to $4.1 million (basic earnings per share of $0.16) in Q1 2025. The $2.0 million year-over-year change reflects the $2.5 million decrease in EBITDA and $1.3 million increase in depreciation and amortization, partially offset by the $0.9 million decrease in net finance expense and the $0.8 million decrease in income tax expense.

Adjusted net income for the first quarter of 2026 was $9.3 million, 13.3% or $1.4 million lower than the $10.8 million generated in the same period of 2025. Adjusted basic earnings per share of $0.38 decreased $0.04 from $0.42 in Q1 2025.

About ADENTRA

ADENTRA is one of North America's largest distributors of architectural building products to the residential, repair and remodel, and commercial construction markets. The Company operates a network of 81 facilities in the United States and Canada. ADENTRA's common shares are listed on the Toronto Stock Exchange under the symbol ADEN.

Non-GAAP and other Financial Measures

In this news release, reference is made to the following non-GAAP financial measures:

- "Adjusted EBITDA" is EBITDA before long term incentive plan ("LTIP") expense. We believe Adjusted EBITDA is a useful supplemental measure for investors, and is used by management, for evaluating our ability to meet debt service requirements and fund organic and inorganic growth, and as an indicator of relative operating performance.
- "Adjusted net income" is net income before LTIP expense, and amortization of intangible assets acquired in connection with an acquisition. We believe adjusted net income is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

- "EBITDA" is earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance income (expense) as per the consolidated statement of comprehensive income. We believe EBITDA is a useful supplemental measure for investors, and is used by management to assist in evaluating our ability to meet debt service requirements and fund organic and inorganic growth, and as an indicator of relative operating performance.
- "Organic sales" consists of quantifying the change in total sales as either related to organic or acquisition-based, or the impact of foreign exchange. Total sales earned by acquired companies in the first 12 months following an acquisition are reported as acquisition-based growth and thereafter as organic sales. Organic sales excludes the impact of acquisitions and foreign exchange impact related to the translation of Canadian sales to U.S. dollars. From time to time, we also quantify the impacts of certain unusual events to organic sales to provide useful information to investors to help better understand our financial results.
- "Working capital" is receivables and investments, inventories, and prepaid expenses, partially offset by short-term credit provided by suppliers in the form of accounts payable and accrued liabilities. We believe working capital is a useful indicator for investors, and is used by management to evaluate the operating liquidity available to us.

In this news release, reference is also made to the following non-GAAP ratios:

- "Adjusted basic earnings per share" and "Adjusted diluted earnings per share" refer to basic earnings per share and diluted earnings per share, respectively to exclude LTIP expense, and amortization of intangible assets acquired in connection with an acquisition. We believe "Adjusted basic earnings per share" and "Adjusted diluted earnings per share" are useful supplemental measures for investors, and are used by management to assist with evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.
- "Adjusted EBITDA margin" is Adjusted EBITDA as a percentage of sales. We believe Adjusted EBITDA margin is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service and capital expenditure requirements, our ability to generate cash flow from operations, and as an indicator of relative operating performance.
- "Leverage Ratio" is net debt as compared to Previous 12-months Pro-Forma Adjusted EBITDA after rent payments related to warehousing and trucks. We believe Leverage Ratio is a useful supplemental measure for investors, and is used by management to assist in evaluating our profitability, our ability to meet debt service requirements, assessing our capital structure and how to finance organic and inorganic growth, our ability to generate cash flow from operations, and as an indicator of relative operating performance.

Such non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. For a reconciliation between non-GAAP measures and non-GAAP ratios and the most directly comparable financial measure in our financial statements, please refer to the discussion of Results of Operations described in section 2.0, Working Capital in section 4.2, and Revolving Credit Facilities and Debt Management Strategy in section 4.3 of this report.

Forward-Looking Statements

Certain statements in this news release contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

Forward-looking information is included, but not limited to: April 2026 sales tracking approximately 1% lower year-over-year, primarily reflecting constrained macroeconomic conditions; The Company remains focused on pricing discipline, cost recovery, inventory management, and market share opportunities; Long-term demand supported by structural housing undersupply, demographics, and aged housing stock; The Company reiterates its mid-cycle margin framework and remains positioned to generate double-digit returns on invested capital across the cycle; We anticipate improvement as our product mix normalizes; Moving forward we are advancing our strategic initiatives through supply chain excellence, digital competitiveness, and M&A; Higher fuel costs are contributing to inflationary pressure and the potential for mortgage rates to be higher for longer, while limited housing inventory, trade uncertainty, and geopolitical tensions continue to weigh on consumer confidence and demand; ADENTRA's sales in April 2026 were approximately 1% lower year-over-year, reflecting these conditions; we are focused on capturing market share while maintaining strict pricing and cost discipline; we expect our price pass-through model to help mitigate inflationary pressure from higher energy costs as we move through the coming quarters; Our broad product portfolio, national footprint, and strong supplier partnerships position us well to adapt and perform in a dynamic environment; We continue to advance strategic priorities that we believe will strengthen the business structurally and drive long-term value creation; Initiatives that are largely within our control and not dependant on near-term macro improvement; In AI and digital optimization, we are utilizing and developing further tools that we believe will enhance decision-making, improve consistency across the network, and drive structurally higher margins and organic growth over time; In supply chain, we are increasing flexibility, reducing risk, and expanding access to differentiated and high-margin products through a more diversified global sourcing strategy; Through disciplined M&A, we are maintaining a robust pipeline and the financial flexibility to execute on opportunities that are strategically aligned and accretive; These initiatives are designed to deliver continuous, compounding improvements in performance and position ADENTRA to generate attractive returns across cycles; While we are cautious on the near-term demand environment, we are also focused on being prudent stewards of capital, maintaining balance sheet strength, applying discipline to investment decisions, and aligning capital allocation with our long-term value creation framework; Over the longer-term, we remain optimistic about the fundamentals of the residential housing sector, supported by structural undersupply, favorable demographic trends, and an aging housing stock; We will continue to advance our full-cycle value creation framework targeting double digit returns on capital and accretive growth through a combination of platform efficiency, organic initiatives and disciplined acquisitions..

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: there are no material exchange rate fluctuations between the Canadian and U.S. dollar that affect our performance; the general state of the economy does not worsen; we do not lose any key personnel; there is no labor shortage across multiple geographic locations; there are no circumstances, of which we are aware that could lead to the Company incurring costs for environmental remediation; there are no decreases in the supply of, demand for, or market values of our products that harm our business; we do not incur material losses related to credit provided to our customers; our products are not subjected to negative trade outcomes; we are able to sustain our level of sales and earnings margins; we are able to grow our business long term and to manage our growth; we are able to integrate acquired businesses; there is no new competition in our markets that leads to reduced revenues and profitability; we can comply with existing regulations and will not become subject to more stringent regulations; geopolitical and trade tensions to not materially impact our business, no material product liability claims; importation of components or other innovative products does not increase and replace products manufactured in North America; our management information systems upon which we are dependent are not impaired; we are not adversely impacted by disruptive technologies; an outbreak or escalation of a contagious disease does not adversely affect our business; and, our insurance is sufficient to cover losses that may occur as a result of our operations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations between the Canadian and U.S. dollar could affect our performance; tariff policies extending to regions not currently under discussion; our results are dependent upon the general state of the economy; the impacts of pandemics, further mutations thereof or other outbreaks of disease, could have significant impacts on our business; we depend on key personnel, the loss of which could harm our business; a labour shortage across multiple geographic locations could harm our business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm our business; we may incur losses related to credit provided to our customers; our products may be subject to negative trade outcomes; we may not be able to sustain our level of sales or earnings margins; we may be unable to grow our business long term or to manage any growth; we are unable to integrate acquired businesses; competition in our markets may lead to reduced revenues and profitability; we may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect our revenues, profitability and reputation; importation of components or other innovative products may increase, and replace products manufactured in North America; disruptive technologies could lead to reduced revenues or a change in our business model; we are dependent upon our management information systems; disruptive technologies could lead to reduced revenues or a change in our business model; our information systems are subject to cyber securities risks; our insurance may be insufficient to cover losses that may occur as a result of our operations; an outbreak or escalation of a contagious disease may adversely affect our business; our credit facility affects our liquidity, contains restrictions on our ability to borrow funds, and impose restrictions on distributions that can be made by us and certain of our subsidiaries; the market price of our Shares will fluctuate; there is a possibility of dilution of existing Shareholders; and, other risks described in our Annual Information Form, our Information Circular, our MD&A and in this news release.

This news release contains information that may constitute a "financial outlook" within the meaning of applicable securities laws. The financial outlook has been approved by our management as of the date of this news release. The financial outlook is provided for the purpose of providing readers with an understanding of our anticipated financial performance. Readers are cautioned that the information contained in the financial outlook may not be appropriate for other purposes.

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, we undertake no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

Third-Party Information

Certain information contained in this news release includes market and industry data that has been obtained from or is based upon estimates derived from third-party sources, including industry publications, reports and websites. Although the data is believed to be reliable, we have not independently verified the accuracy, currency or completeness of any of the information from third-party sources referred to in this news release or ascertained from the underlying economic assumptions relied upon by such sources. We hereby disclaim any responsibility or liability whatsoever in respect of any third-party sources of market and industry data or information.

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