ADENTRA

# Investor Presentation

May 2024

TSX : ADEN



Calgary Public Library:
Ceilings, wall panels, and stairs by ADENTRA

## Forward-Looking Statements

Certain statements in this presentation 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: We also continue to maintain significant unused borrowing capacity of over $445 million, which will enable us to fund anticipated future growth and continue executing on our strategies; capital allocation priorities going forward include continued repayment of debt and growth through acquisitions; forecasters are anticipating a stable environment for residential construction in 2024 and a stable-to-lower year of demand for the repair and remodel market; inflation and interest rate hikes of recent years are expected to continue to moderately impact economic activity; in the first quarter, our sales were down 7.7% as compared to the same period in the prior year, and we expect second quarter sales to be down similarly as compared to Q2 2023; sales comparisons to 2023 are expected to improve in the latter half of the year; in this environment, we anticipate modest growth in full-year Adjusted EBITDA, driven by continued gross margin strength and disciplined management of operating expenses; as we have demonstrated in previous business cycles and most recently in 2023, we are adept at managing our business and cash flows effectively in challenging market conditions; our size and scale, together with the diversity in our product categories, customer channels and end-markets, provide important stability while reducing our exposure to any one geography or segment of the industry; our strong balance sheet provides financial stability as we move through periods of changing market conditions, and our business model is expected to continue converting a high proportion of EBITDA to operating cash flows before changes in working capital; in addition, our investment in working capital typically decreases during periods of reduced activity, resulting in an additional source of cash; over the longer term our business is supported by strong fundamentals in our end markets which include historic underbuilding of homes, positive demographic factors, strong home equity, and an aging housing stock; we continue to see a multi-year runway for growth in our core repair and remodel, residential, and commercial markets; our business requires an ongoing investment in working capital; our investment in working capital may fluctuate from quarter-to-quarter based on factors such as sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers; historically, the first and fourth quarters can be seasonally slower periods for construction activity, resulting in reduced demand for architectural building products; our debt management strategy is to repay a portion of our credit facilities related to acquisitions, and maintain a base level of debt as part of our capital structure; our intent is to roll and renew our credit facilities when they expire; we do not intend to restrict future dividends in order to fully extinguish our debt obligations upon their maturity; the amount of debt that will actually be drawn on our available revolving credit facilities will depend upon the seasonal and cyclical needs of the business and our cash generating capacity going forward; when making future dividend and share repurchase decisions, we will consider the amount of financial leverage, and therefore debt, we believe is appropriate given existing and expected market conditions and available business opportunities; we do not target a specific financial leverage amount; we believe our current credit facilities are sufficient to finance our working capital needs and market expansion strategy; we intend to vigorously pursue recovery of the duties paid; the appeal process is typically a multi-year procedure, however, and the actual timing and outcome of the appeal is not estimable at this time; to the extent we are unsuccessful in challenging the out of scope notices and are unable to recover the related payments, then such payments would instead be recorded as selling, distribution and administration expenses; and the timing and outcome of our challenge is not estimable at this time.

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 US 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; 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 US dollar could affect our performance; our results are dependent upon the general state of the economy; the impacts of COVID-19, 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 and in our MD&A.

This presentation 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 presentation. 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 presentation 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 presentation 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 presentation 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.

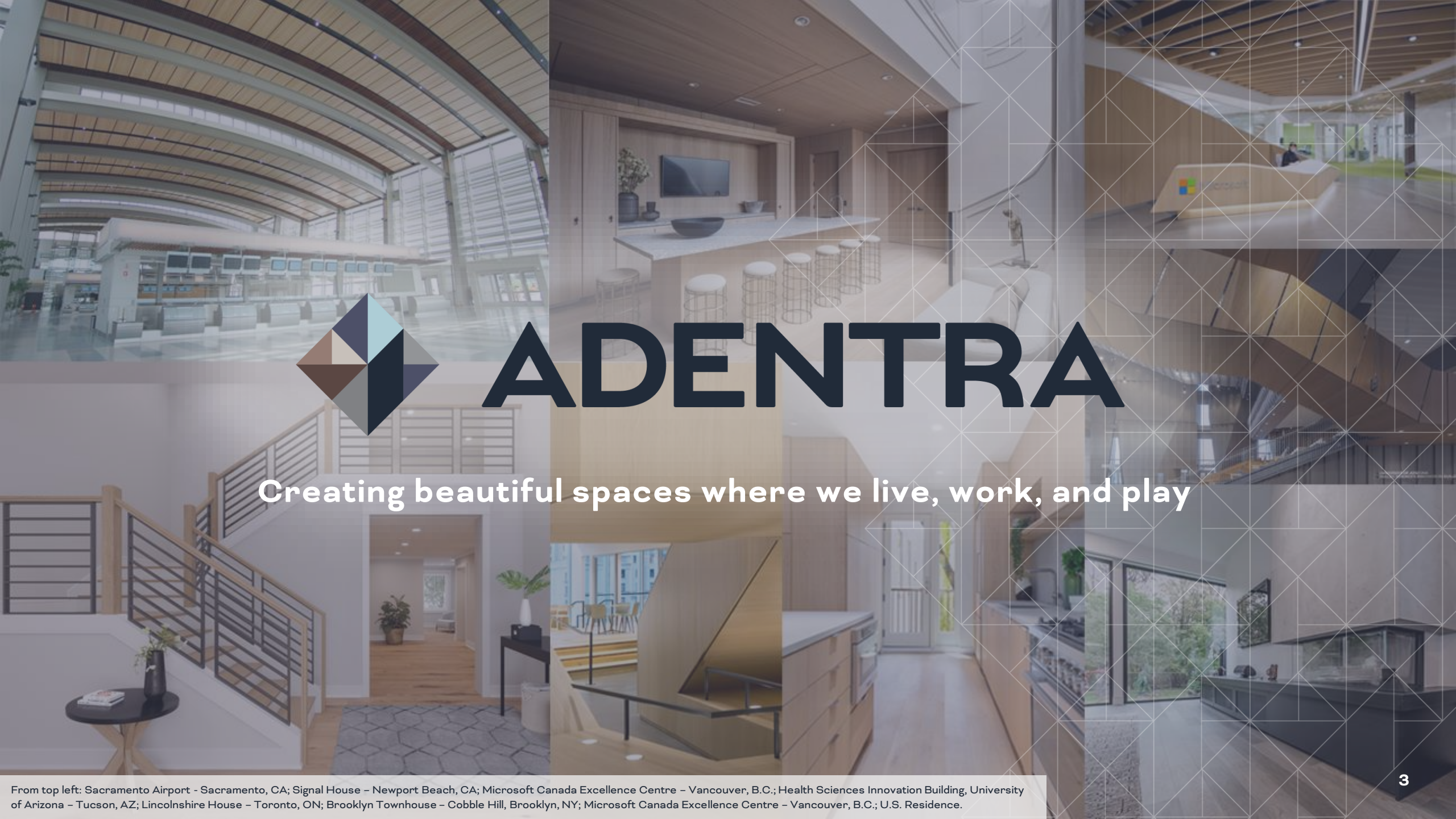
## Notice to Reader

Unless otherwise stated, the information presented herein is for both ADENTRA as well as the material and transformative acquisitions of Novo Building Products Holdings LLC ("Novo" - closed in the third quarter of 2021), and the acquisition of Mid-Am Building Supply Inc. ("Mid-Am" - closed in February 2022).

All $ figures in this presentation are in USD unless otherwise indicated.

Information provided herein includes the Company's reported financial results through the first quarter of 2024 (Issued May 8, 2024).

The photos in this presentation feature ADENTRA products used in a variety of commercial and residential applications.



# ADENTRA

## Creating beautiful spaces where we live, work, and play

From top left: Sacramento Airport - Sacramento, CA; Signal House – Newport Beach, CA; Microsoft Canada Excellence Centre – Vancouver, B.C.; Health Sciences Innovation Building, University of Arizona – Tucson, AZ; Lincolnshire House – Toronto, ON; Brooklyn Townhouse – Cobble Hill, Brooklyn, NY; Microsoft Canada Excellence Centre – Vancouver, B.C.; U.S. Residence.

# Why Invest in ADENTRA

ADENTRA



## Industry Leader

✓ We maintain a **differentiated position in a fragmented market**

✓ We offer **product solutions across diverse customer channels and end markets** throughout North America



## Architectural Building Product Focus

✓ Our **specialty products** are characterized by:

- **higher gross margins**[1]
- predictable product pricing[2]
- branded and exclusive offerings



## Well-Positioned to Capture Market Share

✓ We hold a single-digit market share today, leaving **substantial room for organic growth**

✓ **Positive economic and market fundamentals** are expected to provide a multi-year tailwind



## Active Strategies to Accelerate Growth

✓ **Clear strategy to capture above-market growth** through the execution of our **Destination 2028** plan



## Track Record of Financial Performance

✓ **Efficient use of our balance sheet and strong cash flow generation** provide strength and flexibility to create value in the mid-to-long term

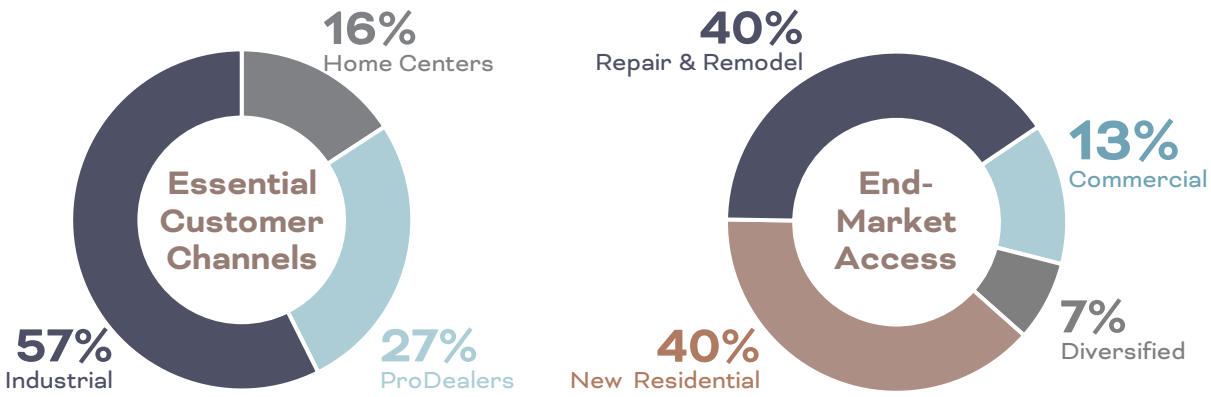
✓ **Disciplined capital allocation** focused on investing in the business, accretive acquisitions, dividends and opportunistic share repurchases

1. Relative to commodity building products
2. Excluding the COVID pandemic period during 2021-2022

# ADENTRA Snapshot (TSX: ADEN)

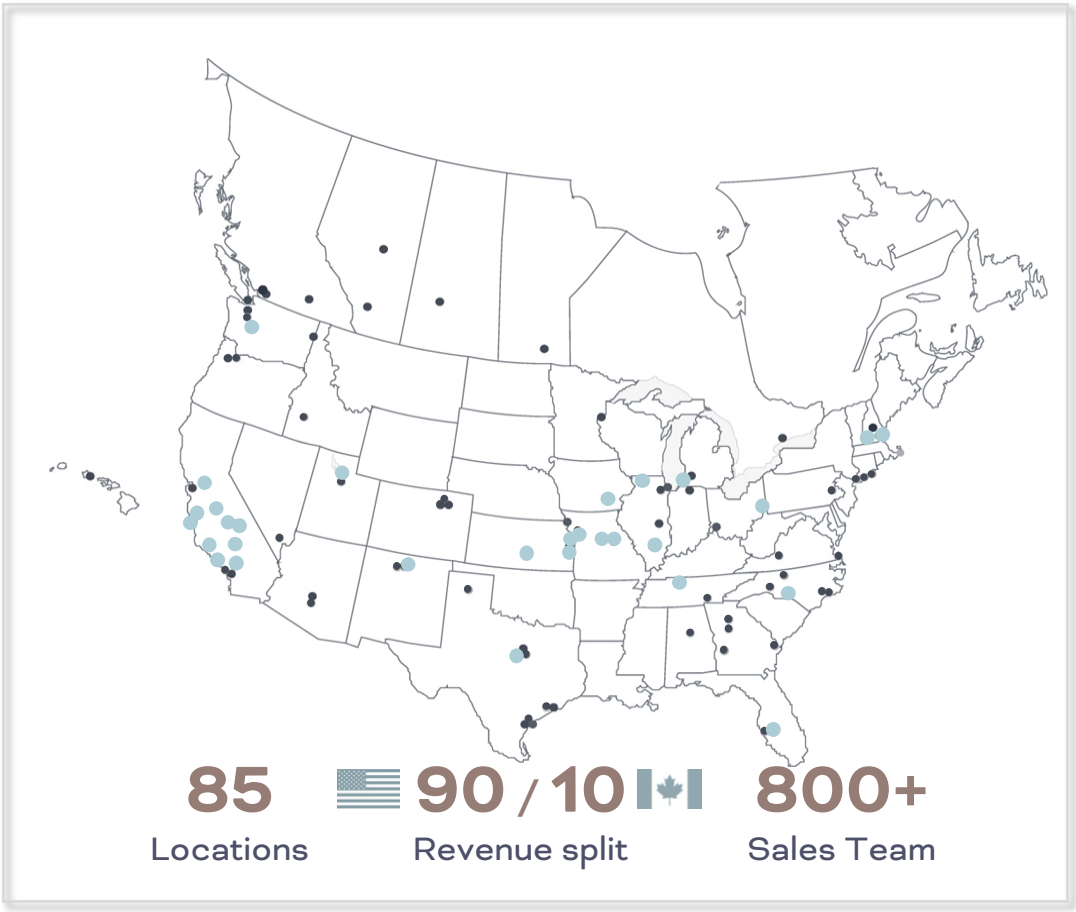
| $2.2 B | $185 M | $238 M | C$921 M |
|---|---|---|---|
| Sales | Adj. EBITDA[1] | Operating Cash flows | Market Cap[2] |

| 65,000+ | 2,700+ | 175,000+ |
|---|---|---|
| Customers | Employees | SKUs in portfolio |










## Using a multi-brand strategy and coast-to-coast distribution platform to serve North America's fastest-growing markets

Dollar values shown are in USD unless otherwise noted. Sales, Adj. EBITDA, Operating Cash flows, Customers and Employees are as of December 31, 2023.

1. "Adjusted EBITDA" is a Non-IFRS and Non-GAAP measure. See the Company's Annual Report and Financial Results for further information.
2. Market Cap. is calculated with share count and per share price of ADEN common shares as of May 8, 2024.

# A world-class platform of architectural building products.

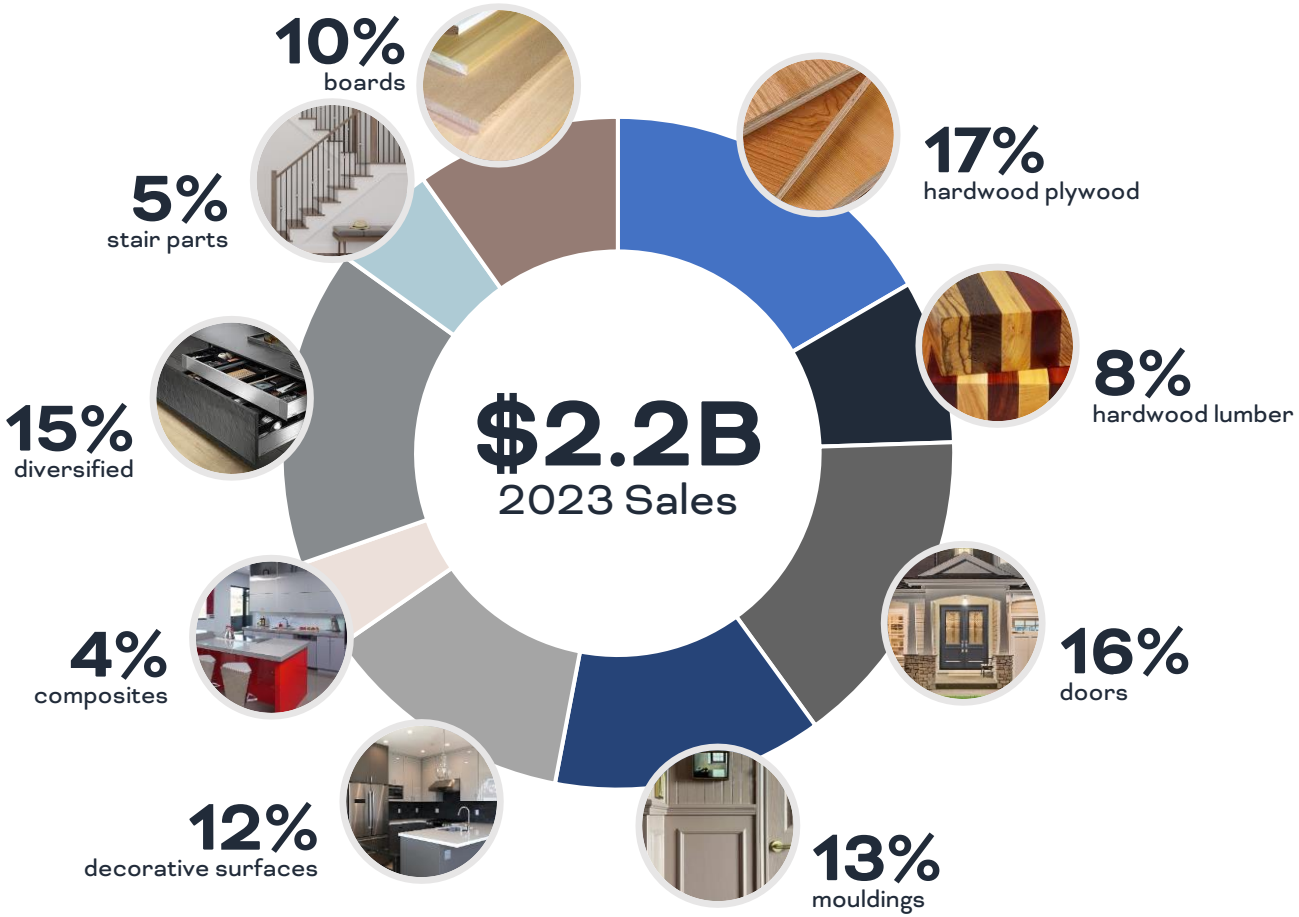



ADENTRA

**We provide an invaluable link between our vast supplier network and our extensive customer base**

# Product Offerings

## Broad product participation, emphasis on specialty materials



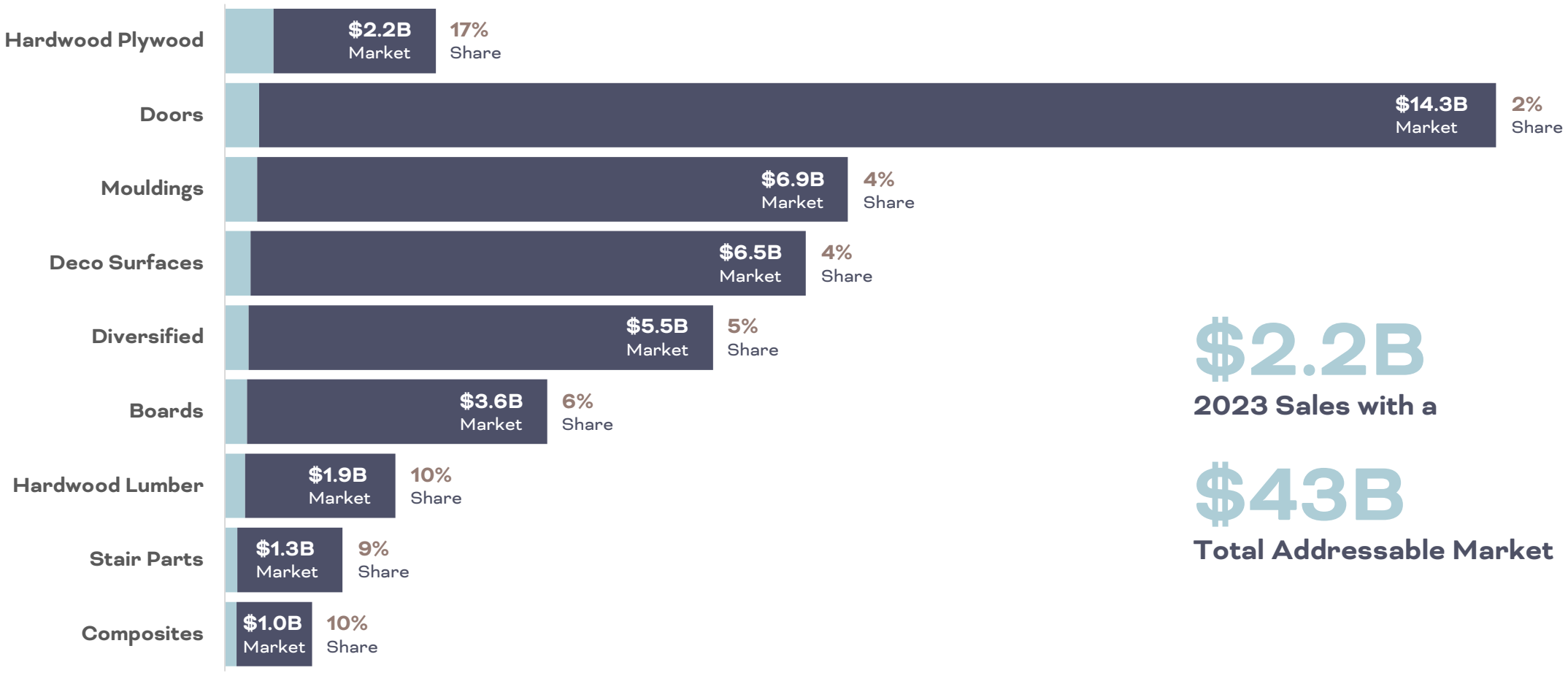

- ✓ **Extensive 175,000+ SKU product portfolio**
- ✓ **50% of products are branded, exclusive, or semi-exclusive**

All dollar values are in USD.

1. Percentages are based on proportionate full-year sales for all products in 2023.

# Opportunity to Capture New Market Share

## ADENTRA's Share of Total Addressable Market[1]



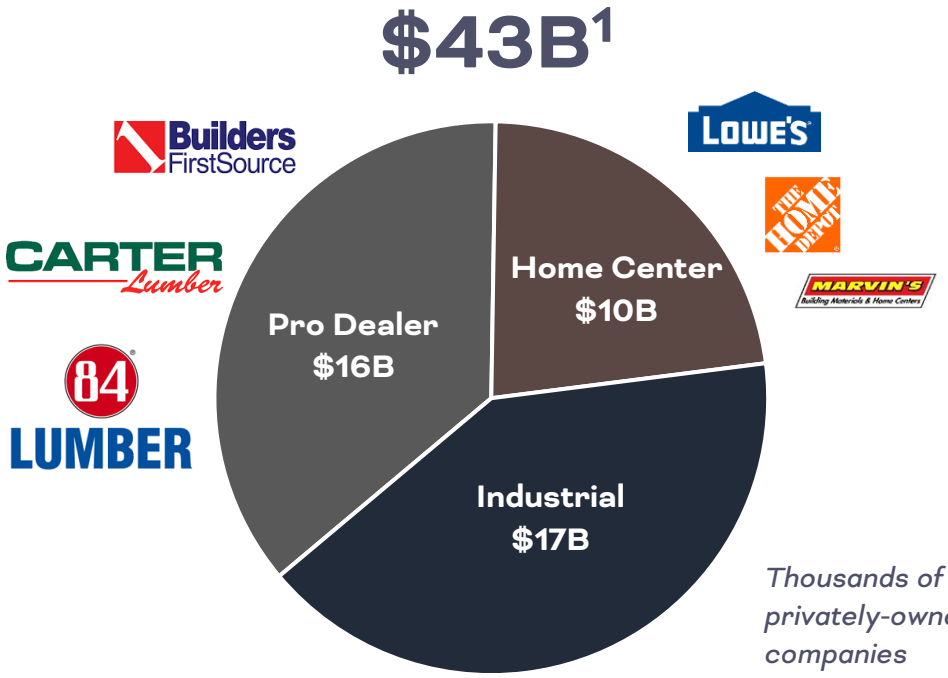

**$2.2B**
**2023 Sales with a**

**$43B**
**Total Addressable Market**

All dollar values are in USD.

1. TAM (Total Addressable Market) value developed by Ducker Research (November 2022).

# Total Addressable Market - Customer Channel




*Thousands of small, privately-owned companies*

## Industrial

- Segment includes OEM manufacturers, commercial millwork shops, specialty dealers/fabricators, and lumber yards

## Pro Dealer

- Segment includes one/two-step distributors and millwork wholesalers

## Home Center

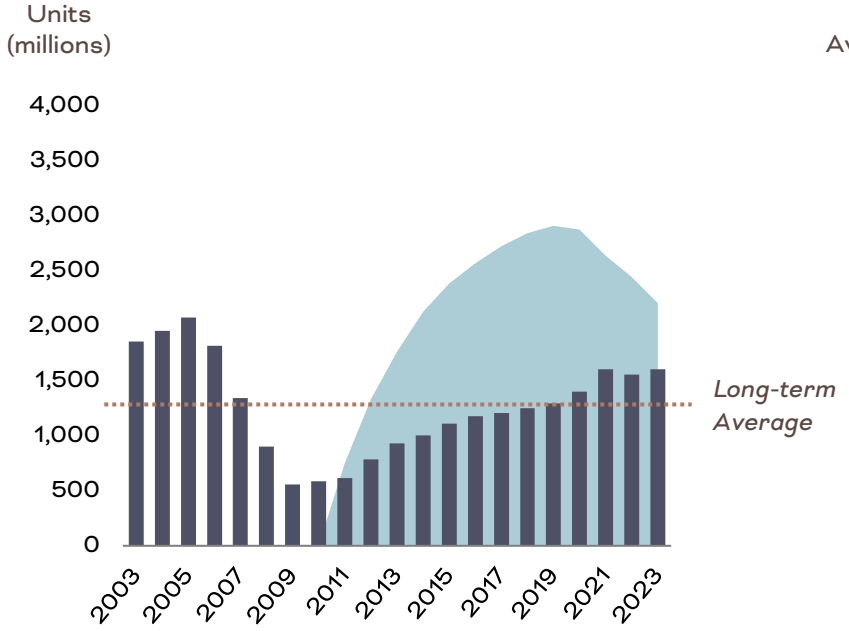
- Segment includes big box retailers and regional home center stores

**Recent acquisitions of Novo and Mid-Am expanded ADENTRA's TAM by 150%**

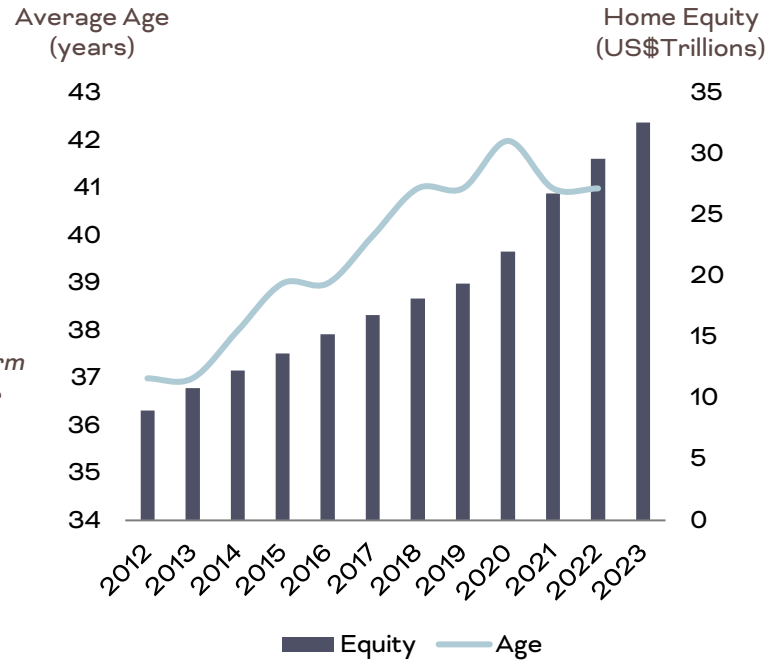
All dollar values are in USD.
1. TAM (Total Addressable Market) developed by Ducker Research (November 2022).

# Long-Term End-Market Fundamentals Remain Positive

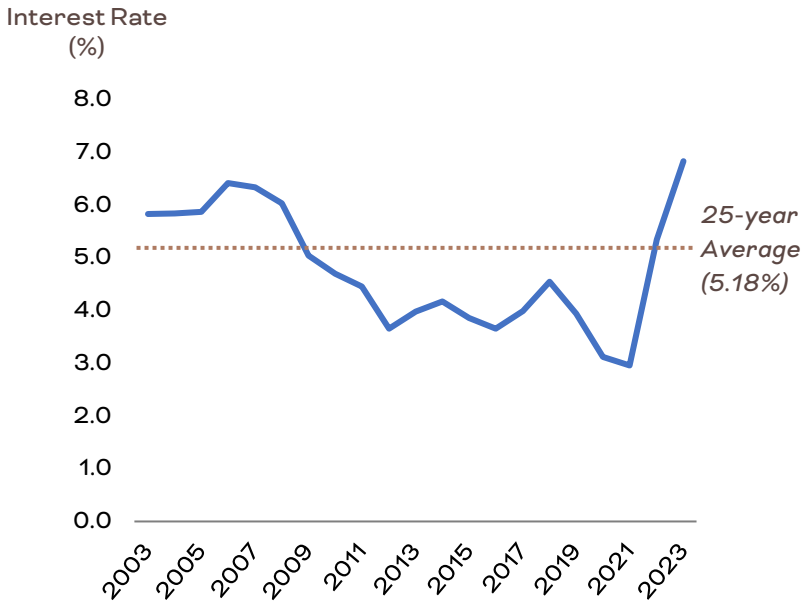
### New U.S. Housing Starts and Cumulative Underbuild[1]




### Aging U.S. Housing Stock & Strong Home Equity Levels[2]




### Annual Average Rate on 30-year Fixed-Rate Mortgages[1] (%)




Long-term growth in new residential supported by **historic under-build and demographic patterns in the U.S.**

**High levels of home equity** and an **aging housing stock** support investment in home improvement

**Mortgage rates have risen significantly**, and any relief could be a demand driver for the industry

## Macroeconomics underpin multi-year growth in the markets we serve

1. Historical data from St. Louis Fed.
2. Age data from U.S. Census Bureau (available up to 2022, and home equity values from St. Louis Fed ("2023" = end of Q3, 2023).

# Our Growth Strategies

## Leveraging our platform in multiple areas…



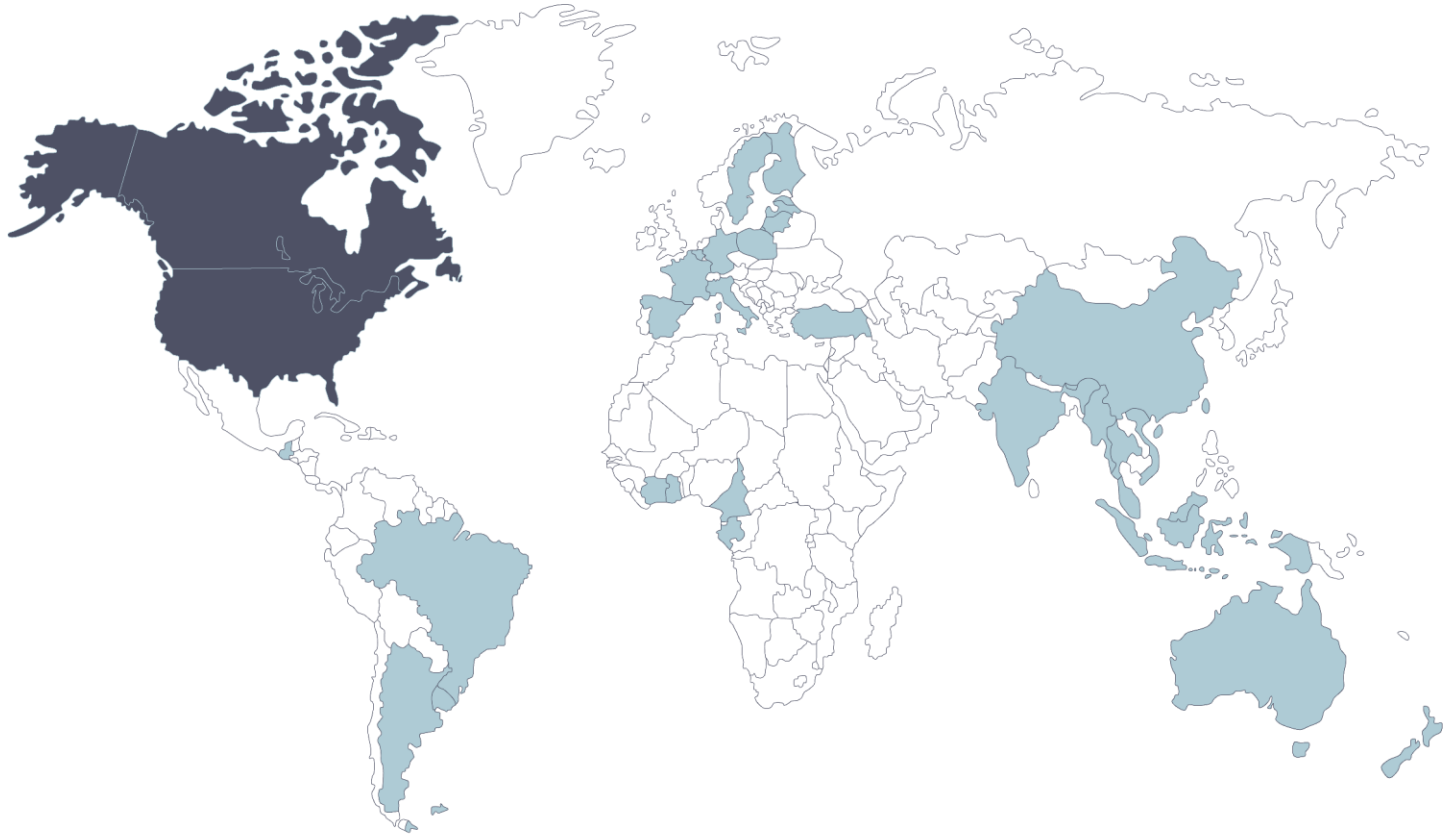

*Expanding our product offerings*
*Growing share with existing customers*
*Capturing market share*
*Executing on acquisitions*

## …To create and sustain our competitive advantage

# Global Sourcing from over 30 Countries

## Global sourcing is a core competency and a sustainable advantage for ADENTRA

- **One-stop importer** that creates value for vendors
- **We find global supply options** that meet customers' specific needs
- We can **create in-house brands** for certain products
- As a direct importer, ADENTRA **deals directly with major shipping companies**
- **Ability to optimize freight solutions** across carriers and between containers and breakbulk captures incremental margin for ADENTRA



## Our diversified supply chains span the globe

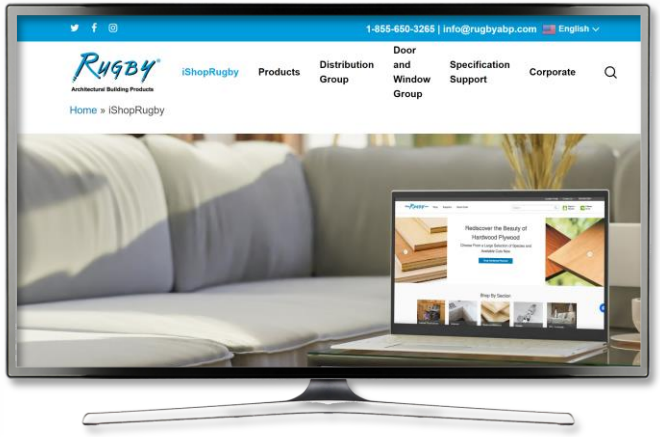
# Leading the Digital Customer Experience

## Historic Industry Model



- The architectural building products industry has been slow to adopt E-commerce
- Generally, the selling process utilizes salespeople calling on customers

## Future Business Model: Full Digital Engagement with Customers




- Customers now expect E-commerce sites to conduct product research and place orders
- Clients benefit from:
  - 24/7 access with full product visibility
  - Streamlines customer workflow
  - Fast quoting, easy re-order
  - Full tracking capabilities and omnichannel notification
  - Same or next-day delivery

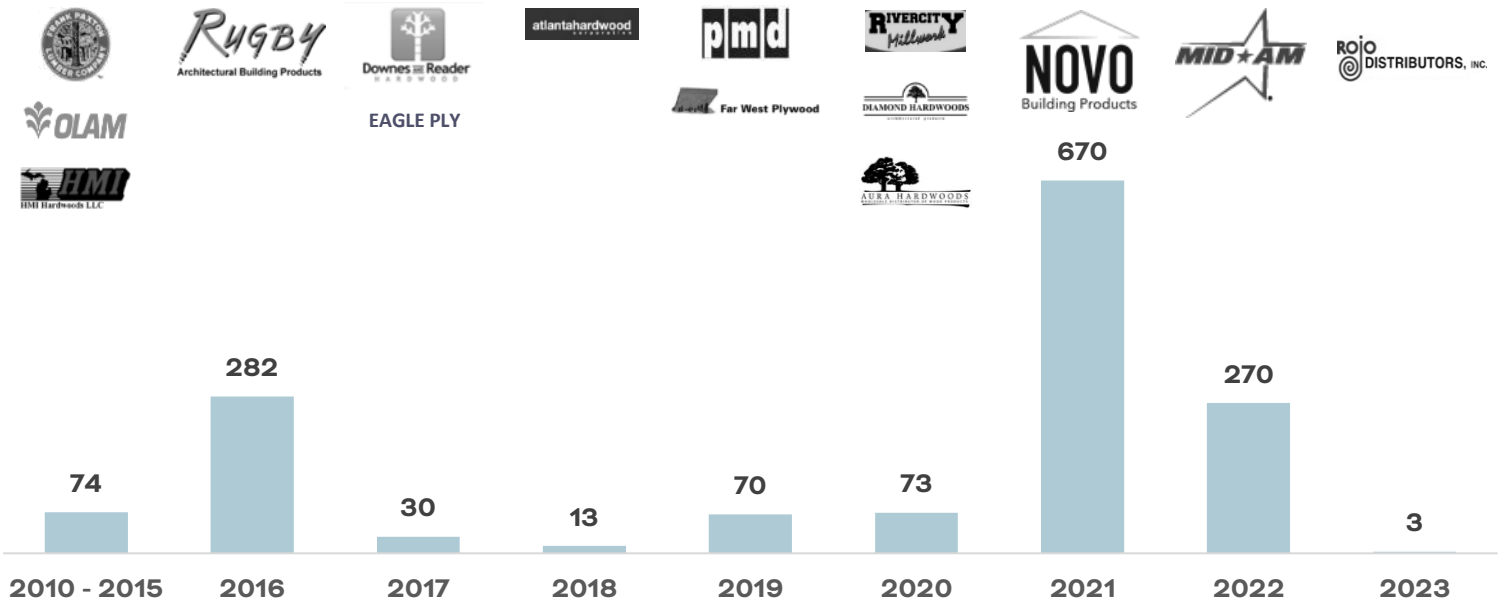


- Comprehensive digital engagement and adoption is driving multiple benefits for ADENTRA:
  - Digital engagement strengthens customer loyalty
  - Product visibility supports larger order sizes
  - Increased margins through better pricing control
  - Creates internal capacity and efficiencies

**Represents ~20% of sales, and growing**

# Demonstrated Growth Through Acquisition

## Track Record – Sales Acquired (US$ millions)



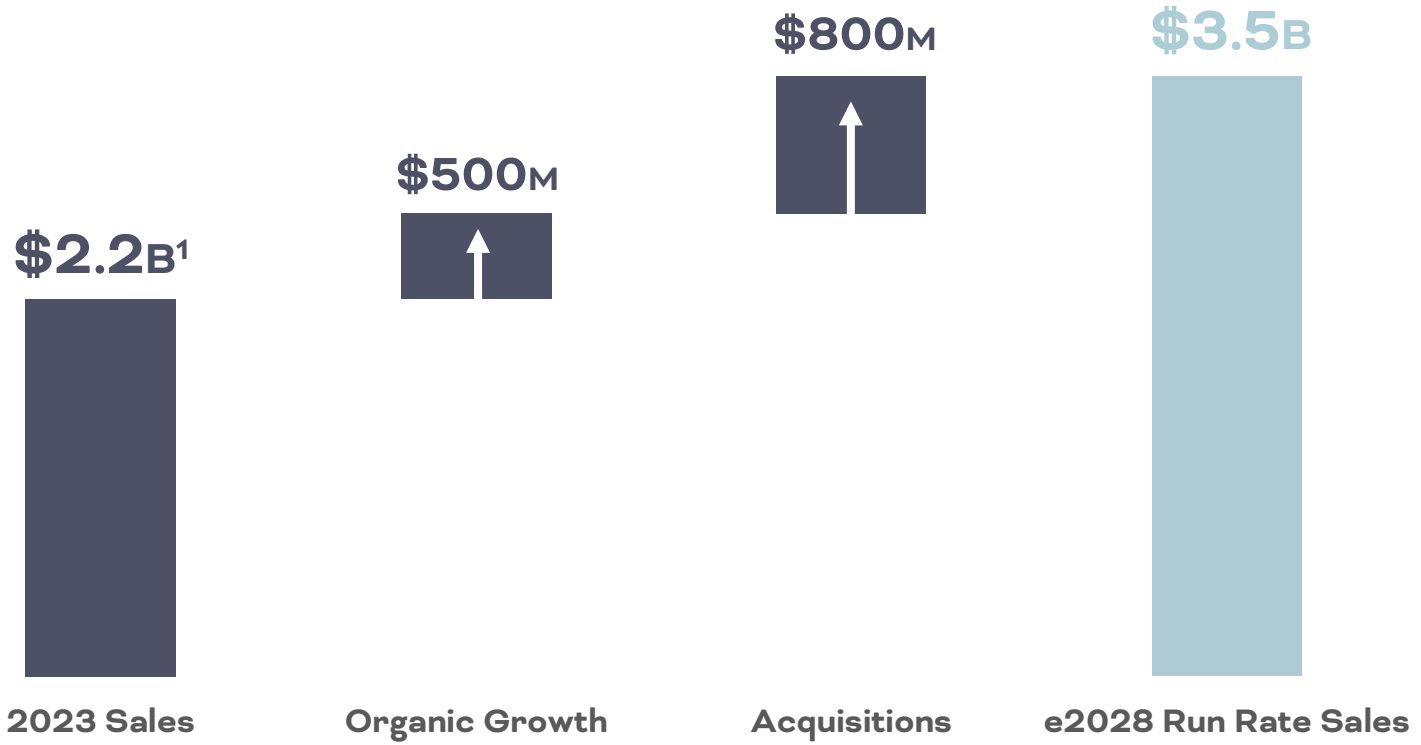

**Significant market share available in a highly fragmented industry**

**Clear investment criteria**

- Architectural products in adjacent/complimentary categories
- Primary focus on distribution, complemented by value-added light manufacturing
- Enhanced access to high-value end markets in the U.S.
- Accretive to per-share earnings and free cash flow

**ADENTRA's platform captures significant synergies as acquisitions are integrated, increasing the acquiree's EBITDA margin over time**

# "Destination 2028" Sales Target




**Key assumptions include:**

- *Market growth and strategic initiatives driving mid-single-digit "Organic Growth"*
- *"Acquisitions" supported by our expected cash flows and balance sheet capacity*
- *Equity issuances have not been modeled in the above plan but may be utilized depending on the timing of acquisitions activity*

## Strategic initiatives driving above market growth

All dollar values are in USD.
1. 2023 Sales value is for the 12-month period ending December 31, 2023.

# Our Target Financial KPIs




| Sales CAGR[1] | Gross Margin[2] | EBITDA Margin[2,5] |
|---|---|---|
| +9% | +20% | +10% |

| Leverage[3] Range | Operating Cash flow before changes in working capital | Average ROIC[4,5] |
|---|---|---|
| 2-3X | +$1B | +12% |

**Focused on delivering profitable growth and creating shareholder value**

ADENTRA

1. Sales CAGR is calculated on sales growth over the period 2024 – 2028.
2. "Gross Margin" and "EBITDA Margin" are calculated as follows: Gross Margin = gross margin / sales; EBITDA Margin = Adjusted EBITDA / sales.
3. ADENTRA calculates "Leverage" as Net Debt / Adjusted EBITDA after rents. Additional details on the Company's calculation of Leverage can be found in its financial disclosures.
4. Return on Invested Capital (ROIC) calculated as Adjusted EBITDA less taxes, depreciation and amortization, divided by the sum of net debt plus equity.
5. "Adjusted EBITDA" is a non-IFRS measure. Please see "Non-IFRS and Other Financial Measures" on slide two.

# Financial Performance Summary

1. Proven track record of achieving multi-year growth

2. Strengthening gross margin percentage

3. Strong and predictable cash flow generation underpins our capital allocation

4. Efficient and responsible balance sheet

**Strong operational and financial execution creates long-term value for our shareholders**

ADENTRA



# As we have expanded our capabilities, we have strengthened our financial performance.

## Sales Growth

**20%**

Five-year Sales CAGR[1]

## Consistent Earnings Growth

**10%**

Five-year Earnings per Share CAGR[1]

## Strong Balance Sheet

**2.8**

Net Debt to Adj. EBITDA after rents[1,3]

## Dividend Growth

**12%**

Five-year dividend CAGR[1]

(Current quarterly dividend = CAD$0.14 / share)

## Long track record of consistent results built on a solid financial foundation

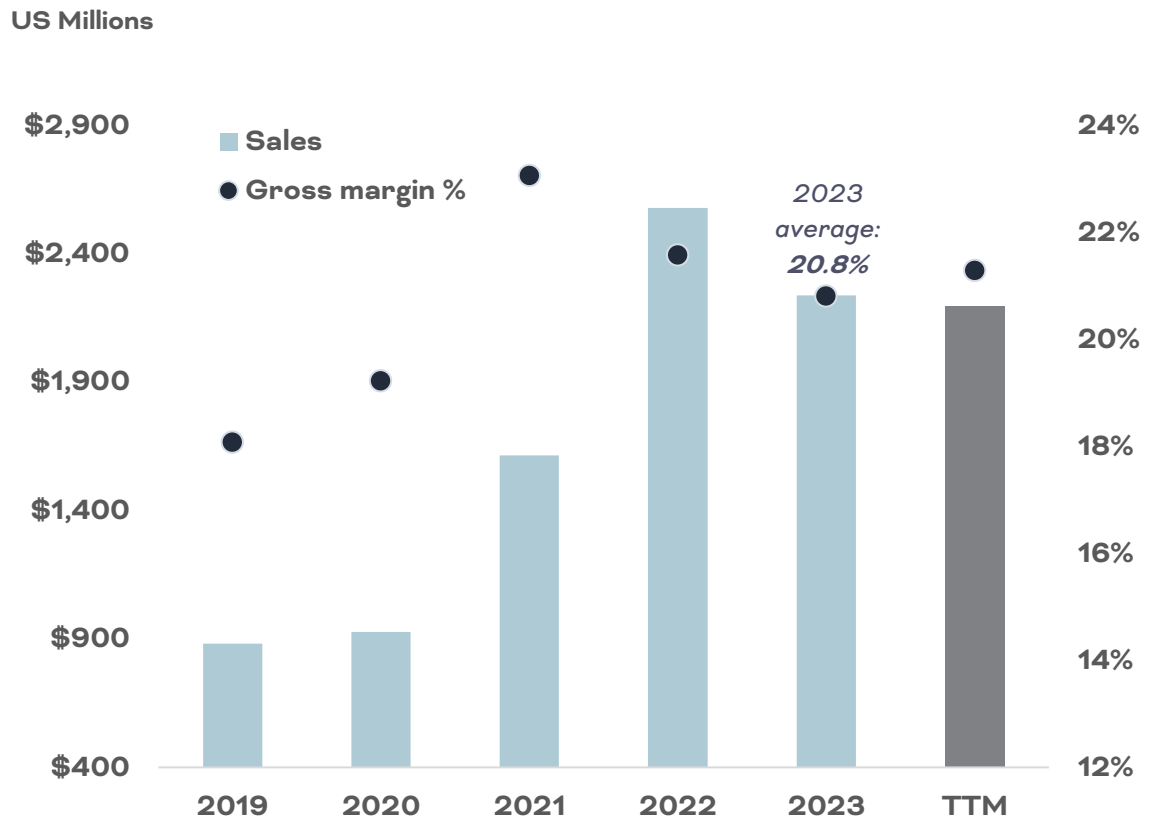
ADENTRA

Single Residential Home
Mouldings and stair parts by ADENTRA

1. Five-year Sales (20.1%) and EPS (9.7%) CAGRs are calculated for the period Q2 2018 – to Q1 2024 inclusive. Dividend CAGR calculated using Q1 dividend rates for the years 2019 and 2024.
2. "Adjusted EBITDA" and "Net Debt to Adjusted EBITDA after rents" are Non-IFRS and Non-GAAP measures. See the Company's Annual Report and Financial Results for further information.
3. "Net Debt to Adjusted EBITDA after rents" is calculated as of March 31, 2024. "Adjusted EBITDA after rents" includes results from the prior 12-month period.

# Track record of growth and improving margins.

## Sales and Gross Margin




Supported by our M&A strategy and focus on operational efficiency, we have achieved gross margin percentages exceeding

**20%**

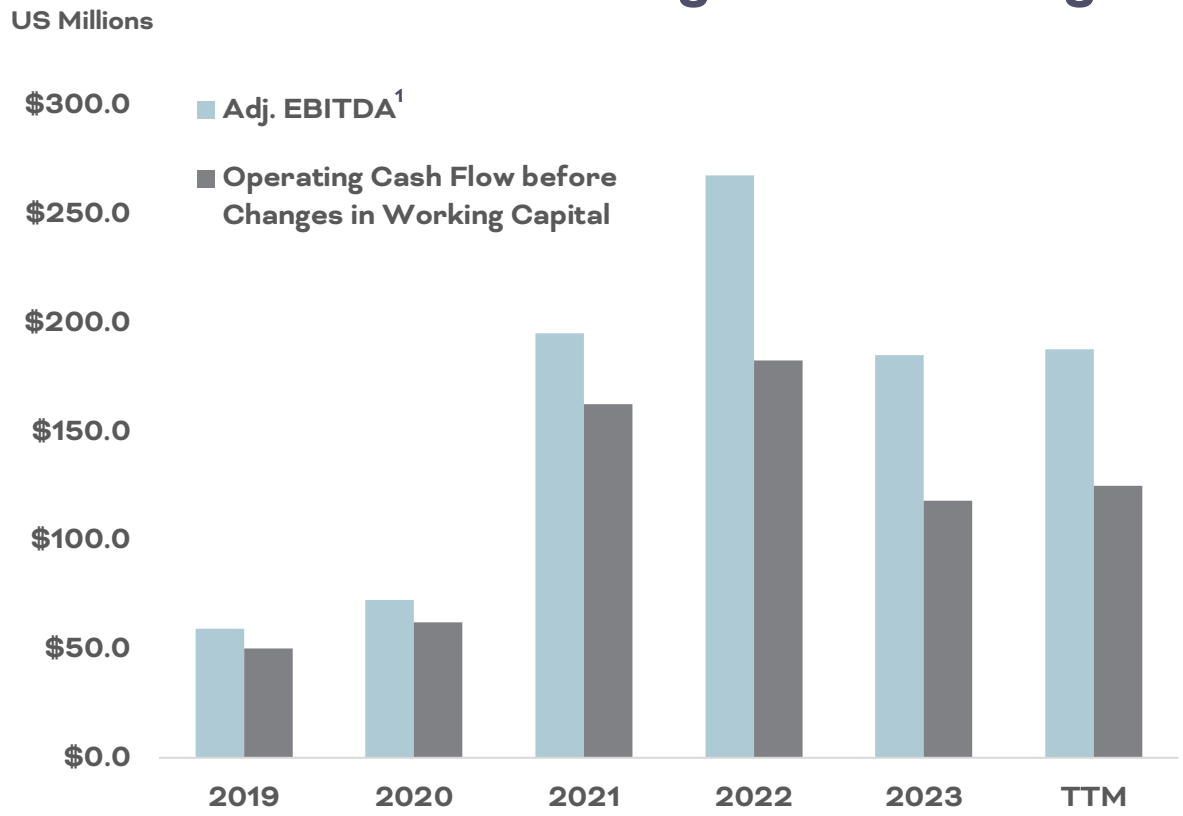
for the past twelve consecutive quarters.

## Organic growth and M&A support substantial sales growth and strengthened gross margins

ADENTRA

# Platform drives strong and growing cash flow.

## Adjusted EBITDA[1] and Operating Cash Flow before Changes in Working Capital




Conversion of Adjusted EBITDA[1] into Operating Cash Flow before changes in working capital averages

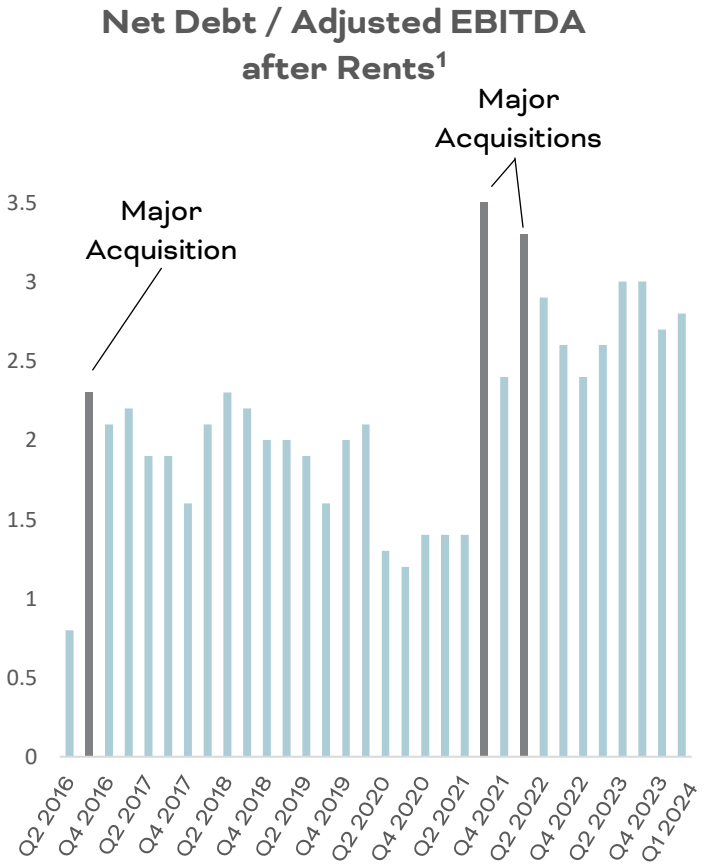
**72%**

over the past three-year[2] period.

## Strong free cash flow generation in all market conditions

1. "Adjusted EBITDA" is a Non-IFRS and Non-GAAP measure. See the Company's Annual Report and Financial Results for further information.
2. Period includes 2021 to 2023.

# Responsible Leverage and Significant Liquidity




**2.8**

Q1 2024
Net Debt/Adjusted EBITDA after rents[1,2]

**+$445 M**

Unused borrowing capacity & cash on hand
(March 31, 2024)

Responsibly managed balance sheet,
with capacity to support organic and acquisitions growth

## Proven flexibility to execute on our capital allocation priorities

1. "Adjusted EBITDA after rents" and "Net Debt to Adjusted EBITDA after rents" are Non-IFRS and Non-GAAP measures. See the Company's Annual Report and Financial Results for further information.
2. "Adjusted EBITDA after rents" for Q1 2024 includes results from the 12-month period ending March 31, 2024.

ADENTRA

## Investor Relations

investors@ADENTRAgroup.com

| | |
|---|---|
| TSX Ticker Symbol | ADEN |
| Shares Outstanding[1] | 22,436,010 |
| Market Capitalization[1] | $921 million |
| Available Liquidity[2] | +$445 million |
| Website | www.ADENTRAgroup.com |

Calgary Public Library:
Ceilings, wall panels, and stairs by ADENTRA

1. Calculated using share count and closing price for the Company's common shares as of May 8, 2024.
2. Value as of March 31, 2024.

ADENTRA

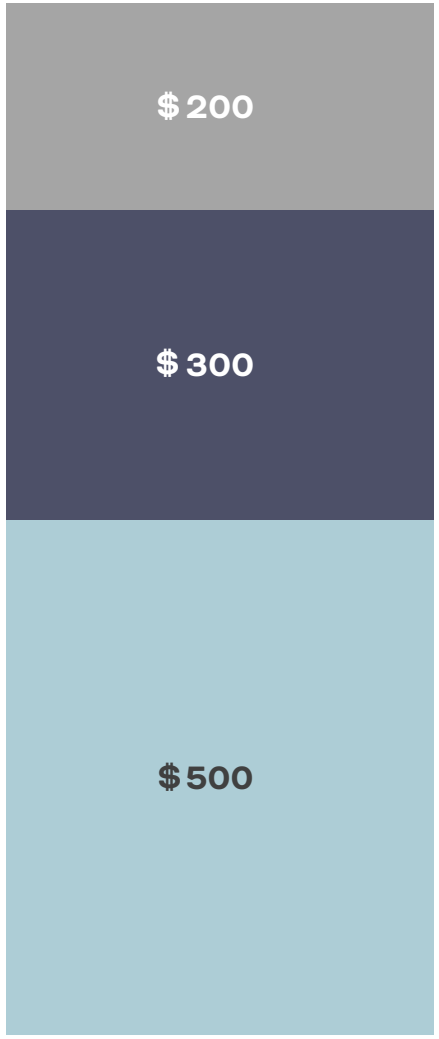
# APPENDIX



# “Destination 2028”

## Capital Allocation

**$1 billion in Operating Cash Flow before changes in Working Capital**




**Investments in the Business**

- Maintenance capex & working capital

**Rent payments**

- Includes leased facilities

**Acquisitions**

- Financed from cash flows and strength of balance sheet
- Equity issuances have not been modeled in the plan, but may be considered depending on acquisition timing

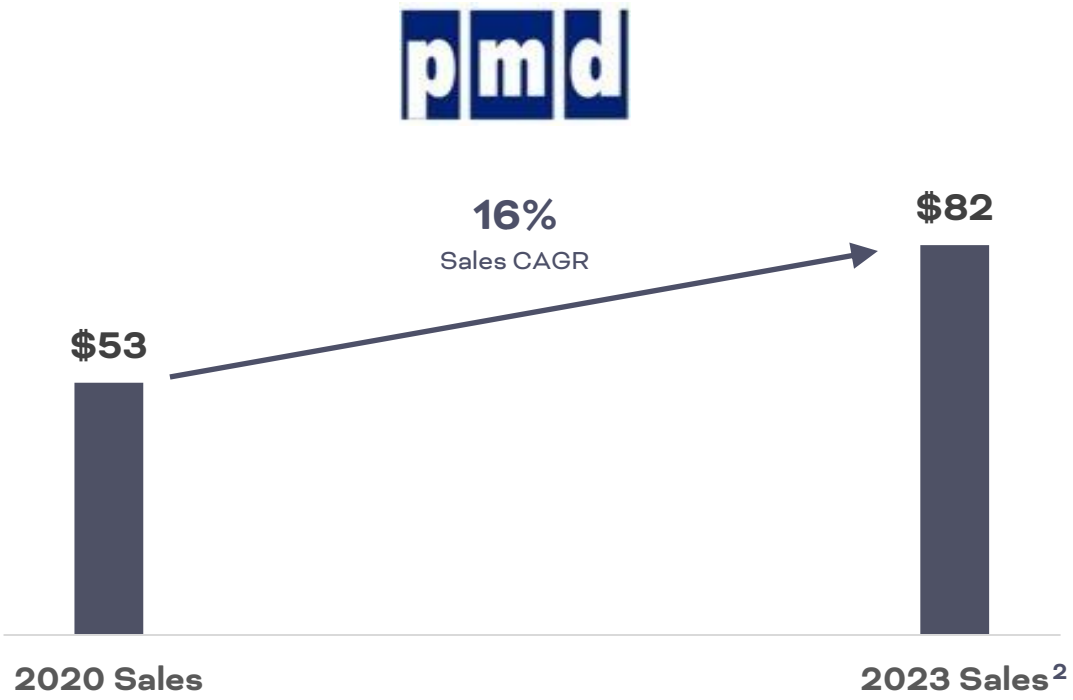
**Shareholder Returns**

- Dividends
- Opportunistic share repurchases

All values are in USD millions.

# Proven Approach to Building Value through M&A

## EXAMPLE TRANSACTION



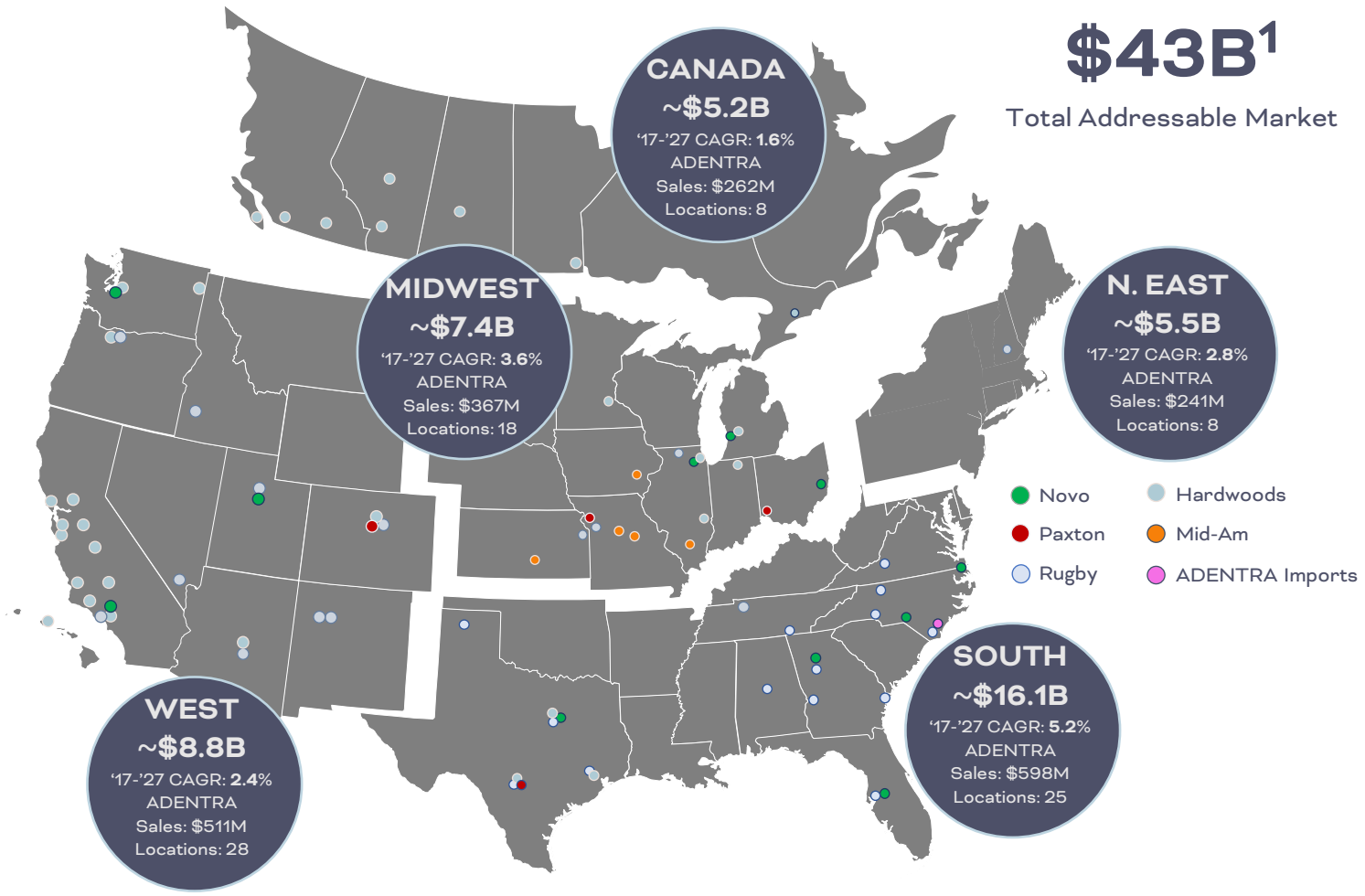

## RESULTS

- ✓ Leveraged purchasing power to increase product access and secure favorable pricing
- ✓ Growth in key product categories
- ✓ Consolidation of insurance, benefits, accounting, tax planning
- ✓ **Adj. EBITDA[1] margin improvement of over 800 basis points**

**Proven multi-year program to capture synergies, which can be significant over time**

All dollar values are in USD millions.
1. "Adjusted EBITDA margin" is a non-IFRS measure. See "Non-IFRS and Other Financial Measures" on slide two.
2. Represents sales for the 12-month period ending December 31, 2023.

# Total Addressable Market – Regional




**$43B[1]**

Total Addressable Market

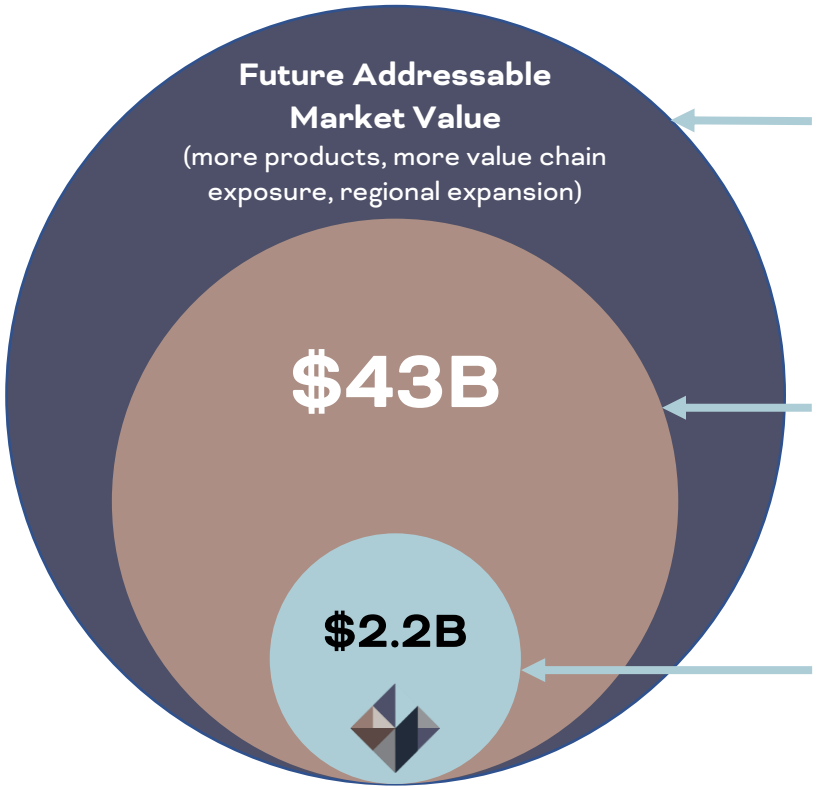
- **ADENTRA has multiple brands and business locations** in each key region
- **Strong market presence**, position and share in Canada
- **Southern US regions offer large runway of opportunity** due to high levels of product demand
- **Strengthened positioning in California and Western US** due to recent acquisitions
- **Northeast and Midwest** offer targeted growth in channel markets

## Deep access into high-potential regions in the United States and Canada

All dollar values are in USD. ADENTRA Sales values are based on the nine months ended September 30, 2022, and we believe remain indicative of our market share in each region.

1. TAM (Total Addressable Market) developed by Ducker Research (November 2022).

# Market Potential for our Transformed Business[1]




## Future Addressable Market

- All building material product categories across all channels and North American regions at the manufacturer level

## Total Addressable Market

- ADENTRA product categories across all channels and North American regions at the manufacturer level

## ADENTRA Sales

- Estimated current market share of ~6%[2]

## Significant opportunity to pursue market share growth based on our current platform

All dollar values are in USD.

1. TAM (Total Addressable Market) value and Future Addressable Market developed by Ducker Research (November 2022). While the estimate of TAM included in this presentation is based on assumptions and estimates we believe to be reasonable, this estimate may not prove to be accurate. Further, even if the estimate of our market opportunity does prove to be accurate, we could fail to capture a significant portion, or any portion, of the available market.
2. Assumes that the change in the TAM generally matched the change in ADENTRA sales.