

## **CanWel Announces Proposed Acquisition of California-Based Building Products Distribution and Treating Company and Bought Deal Private Placement of Subscription Receipts**

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CanWel Building Materials Group Ltd. (“**CanWel**” or the “**Company**”) (TSX:CWX) is pleased to announce that pursuant to a non-binding letter of intent (the “**LOI**”), it intends to acquire a privately-owned, California-based building products distribution and treating company (the “**Target**”) for approximately US\$45.0 million (the “**Purchase Price**”) plus certain assumed senior debt of approximately US\$9.0 million (the “**Acquisition**”). The Acquisition provides CanWel with substantive entry into the U.S. building products distribution and treating markets, and an incumbent position in California, one of the strongest economies and housing markets in the U.S.

The Target’s business has operated for over 45 years and services the California, Nevada and Arizona markets from strategically located facilities in Northern and Southern California, which will be utilized by CanWel under long-term leases. Many of the Target’s customers and suppliers are common to CanWel.

Pursuant to the LOI, the principals of the vendors have committed to remaining with the business for at least two years, and have elected to receive approximately 33% of the Purchase Price in common shares of CanWel at a price equal to the volume weighted average trading price of CanWel’s common shares on the Toronto Stock Exchange over the 20 day period prior to the signing of a definitive purchase agreement. The vendors have also agreed not to sell 50% of the shares for at least one year and 50% for at least two years from the Acquisition closing date.

When combined with the Offering and Concurrent Private Placement (as defined below), the Acquisition would have reduced CanWel’s overall leverage by 1.1x 2014 EBITDA. Management estimates that the Acquisition is accretive to 2014 and projected 2015 earnings per share by 7.8% and 10.1%, respectively, pro forma the Acquisition, Offering and Concurrent Private Placement (each as defined below), with an improved dividend payout ratio. Management also estimates that, had the Acquisition been funded on a leverage-neutral basis, 2014 and projected 2015 pro forma earnings per share accretion would have been 28.4% and 33.3%, respectively. Completion of the Acquisition is subject to the execution of a binding definitive agreement and customary conditions including TSX approval, and is currently anticipated to close in July 2015.

Amar Doman, Chairman and CEO, commented “The Acquisition will provide CanWel with an immediate presence in the robust California market and is a logical extension of our existing business demonstrating continued execution of our growth strategy. We look forward to working with our new partners to grow the combined business going forward”.

GMP Securities L.P. acted as financial advisor to CanWel in connection with the Acquisition.

## **Bought Deal and Concurrent Private Placement**

In conjunction with the Acquisition, the Company has entered into an agreement with GMP Securities L.P. on behalf of a syndicate of underwriters led by GMP Securities L.P., and including Raymond James Ltd., Canaccord Genuity Corp., Haywood Securities Inc., and Cormark Securities Inc. (the “**Underwriters**”), pursuant to which the Underwriters have agreed to purchase, on a “bought deal” private placement basis, 7,000,000 subscription receipts (the “**Subscription Receipts**”) of the Company at a price of C\$5.00 per Subscription Receipt (the “**Offering Price**”) for gross proceeds of C\$35,000,000 million (the “**Offering**”). In addition, the Company intends to complete a concurrent non-brokered private placement with certain insiders for gross proceeds of C\$10,650,000 under the same terms and conditions as the Subscription Receipts (the “**Concurrent Private Placement**”), for total gross proceeds of C\$45,650,000.

The Company has also granted the Underwriters an option, exercisable up to two business days prior to the Closing Date, to arrange for the purchase of up to an additional 1,050,000 Subscription Receipts at the Offering Price for additional gross proceeds of C\$5,250,000.

Each Subscription Receipt will entitle the holder to receive, without further consideration or action, one common share of CanWel (a “**Common Share**”) upon satisfaction of certain escrow release conditions, including the satisfaction of all conditions precedent (but for the payment of the purchase price) of the Acquisition, provided that the conditions have been satisfied by August 31, 2015. The Offering is expected to close on or about July 2, 2015 (the “**Closing Date**”) and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX and the closing of the Concurrent Private Placement.

At CanWel’s current annual dividend of C\$0.56 per share, the dividend represents an annual yield of 11.2% relative to the Offering Price. The first dividend that holders of the Common Shares will be entitled to receive, should they continue to hold the Common Shares, is the dividend expected to be paid on or about October 15, 2015 to holders of record on September 30, 2015. For greater certainty, holders of Subscription Receipts will not be entitled to receive any dividends paid on the Common Shares prior to the exercise of the Subscription Receipts or closing of the Acquisition.

The Subscription Receipts will be sold in all of the provinces and territories of Canada on a private placement basis pursuant to “accredited investor” exemptions under National Instrument 45-106 and certain other available and agreed upon exemptions. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any State in which such offer, solicitation or sale would be unlawful.

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## **About CanWel Building Materials**

CanWel Building Materials trades on the Toronto Stock Exchange under the symbol CWX and is one of Canada's largest national distributors in the building materials and related products sector, operating

distribution centres coast to coast in all major cities and strategic locations across Canada. CanWel distributes a wide range of building materials, lumber and renovation products. Further information can be found in the disclosure documents filed by CanWel with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Certain statements in this press release may constitute "forward-looking" statements including statements regarding the Company's expectation that it will complete the Acquisition, the Offering and the Concurrent Private Placement the anticipated terms and benefits thereof. When used in this press release, such statements use words, including but not limited to, "may", "will", "would", "should", "expect", "believe", "plan", "intend", "anticipate", "predict", "remain", "anticipate", "estimate", "potential", "continue", "plan", "could", "might", "project", "targeting", "future" and other similar terminology. These forward-looking statements reflect the current expectations of CanWel's management regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CanWel, including the earnings cash flow from operations, dividends, leverage or EBITDA generated or paid by CanWel, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors and there can be no assurance that the Company will complete the Acquisition, the Offering or the Concurrent Private on the terms described in this press release or at all or that these transactions will result in the anticipated benefits described.

These forward-looking statements speak only as of the date of this press release. CanWel does not undertake, and specifically disclaims, any obligation to update or revise any forward looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Reference is made to EBITDA, which represents earnings from continuing operations before interest, provision for income taxes, gain or loss on sale of fixed assets, depreciation and amortization, goodwill impairment loss and stock-based compensation. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS, the measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as we believe it is a useful indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS.