Management's Discussion and Analysis

For the three month periods ended March 31, 2020 and 2019

Management's discussion and analysis (MD&A)

The following discussion and analysis of the consolidated results of operations and financial condition of PFB Corporation ("PFB" or the "Corporation") should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2020 and 2019 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2019.

PFB's unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2020 and 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

Management is required to make certain judgements and estimates that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and judgements are reasonably based on information available at the time that such estimates and judgements were made. These estimates and judgements have been discussed with the Audit Committee of the Board of Directors of the Corporation. Actual results may differ under different assumptions and conditions.

This MD&A has been prepared as of May 6, 2020. All figures in this MD&A are stated in thousands of Canadian dollars except where stated otherwise.

1. Advisory regarding forward looking statements

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of future prospects and make informed investment decisions. Forward-looking information and statements included in this interim MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at May 6, 2020, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations can be found in the Risk Management and Assessment section of the Corporation's annual MD&A or in the Risk Factors section of the Annual Information Form for the year ended December 31, 2019.

2. Summary of quarterly financial data

	2020	2019				2018		
	Qtr. 1	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**
Sales	**$ 24,233**	$ 36,824	$ 36,874	$ 35,421	$ 24,113	$ 35,283	$ 39,374	$ 32,640
Gross profit	**5,737**	10,461	10,202	9,436	4,729	8,148	9,752	7,520
Gross profit margin %	**23.7**	28.4	27.7	26.6	19.6	23.1	24.8	23.0
Operating income (loss)	**770**	5,237	4,940	4,255	(952)	3,109	4,789	2,481
Net income (loss)	**346**	3,695	3,442	3,061	(1,172)	2,077	3,263	1,536
Earnings (loss) per share:								
Basic	**0.05**	0.55	0.51	0.45	(0.17)	0.31	0.48	0.23
Diluted	**0.05**	0.54	0.50	0.44	(0.17)	0.31	0.48	0.23
Adjusted EBITDA [1]	**1,909**	6,363	6,080	5,410	185	4,289	5,965	3,666
Adjusted EBITDA per share [1]	**$ 0.29**	$ 0.95	$ 0.90	$ 0.80	$ 0.03	$ 0.64	$ 0.89	$ 0.55

[1] Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-IFRS measures used in the above table, along with relevant other notes are detailed in Section 19 of this MD&A.

3. Consolidated statements of income (loss) (unaudited)

	Three month periods ended March 31	
	2020	**2019**
Sales	**$ 24,233**	**$ 24,113**
Cost of sales	**(18,496)**	**(19,384)**
Gross profit	**5,737**	**4,729**
Selling expenses	**(3,144)**	**(3,009)**
Administrative expenses	**(1,734)**	**(1,698)**
Other losses	**(89)**	**(974)**
Operating income (loss)	**770**	**(952)**
Investment income	**46**	**23**
Finance costs	**(290)**	**(295)**
Income (loss) before taxes	**526**	**(1,224)**
Income taxes (expense) recovery	**(180)**	**52**
Net income (loss) for the period	**$ 346**	**$ (1,172)**
Earnings (loss) per share - $ per share		
Basic and diluted	**$ 0.05**	**$ (0.17)**

The Corporation's operations follow seasonal patterns in the construction industry which influences the timing of sales and earnings. Sales and gross profit margins in the first and fourth quarters of each year are typically the lowest in the annual reporting cycle.

4. Consolidated results of operations

Sales

Consolidated sales for the first quarter reporting period were $23,233, an increase of $120 or 0.5% of sales as compared to $24,113 in Q1/19. Sales were growing at or above expectations into March. As the extent of the coronavirus pandemic became clear and government health authorities implemented protocols and actions to contain the spread, sales growth slowed resulting in lower levels of growth for the quarter than anticipated. Overall sales growth for the quarter was driven primarily by organic growth in the USA segment and favourable currency movements when translating US sales into Canadian dollars.

Gross profit

Consolidated gross profit was $5,737 in the current quarter as compared to $4,729 in Q1/19. Gross profit margin in the current quarter increased to 23.7% of sales as compared to a gross profit margin of 19.6% in Q1/19. Favourable raw material costs supported by reduced labour and overhead costs contributed to higher gross profit. Discretionary cost control programs were initiated in the second half of the quarter in response to market uncertainty created by the ongoing health crisis and resulted in lower labour and overhead costs across most operations. Styrene monomer cost, our principal raw material input, continued on a downward trend through Q1/20. Lower styrene pricing has been driven by softer demand, high inventories and the impact of falling world oil prices. The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2020 was $16,279, contrasted to $17,310 during the 2019 comparative period, a decrease of $1,031.

Operating income (loss)

An operating gain of $770 was realized in the current quarter, as contrasted with operating loss of $952 reported in Q1/19 resulting in a favourable variance of $1,722. The positive variance was as a result of improved margin performance in the current period and the impact of one-time, non-cash other losses incurred in Q1/19. Selling and administrative expenses of $4,878, when compared to the prior year period of $4,707, remain in proportion to the overall sales, when expressed as a percentage of sales.

Income (loss) before tax

In the current quarter, income before taxes of $526 compared to the loss before taxes of $1,224 reported in the comparative quarter of 2019, a favourable variance of $1,750 or a three-fold improvement.

Income taxes

Income tax expense in the current quarter was $180, comparable to income tax recovery of $52 in Q1/19 as a result of taxable income in both Canada and the USA.

Net income (loss)

Net income of $346 in the current quarter, which compared to a loss of $1,172 reported in the comparative quarter of 2019, resulted in a favourable variance of $1,518. In the prior quarter, the reported results were impacted by a one-time, non-cash other losses of $950, which when excluded would have resulted in net loss of $222 or a favourable improvement of $568 when compared to the net income of $346 in the comparative quarter.

Basic and diluted earnings per common share in the current quarter was $0.05 as compared to a basic and diluted loss per share of $0.17 in Q1/19, a favourable variance of $0.22 per share. In the prior quarter, the reported results were impacted by a one-time non-cash, other losses of $950, equivalent to a loss of $0.14 per share. Excluding the impact of this one-time item, the resulting Q1/20 favourable variance would have been $0.08 per share.

5. Reportable operating segments

The Corporation has two reportable operating segments:

Operating segments	Description of segments
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) products and structural insulating panels *Brands*: Plasti-Fab® EPS Product Solutions®; Advantage ICF System®; and Insulspan® SIPS; DuroFoam®
United States of America (USA)	Manufacturing and sales operations located in the USA for EPS products, building systems and structures, design services and installations *Brands*: Plasti-Fab® EPS Product Solutions®; Insulspan® SIPS; DuroSpan™ Riverbend® Timber Framing; Precision Craft® Log & Timber Homes; M.T.N. Design℠; Total Home Solution®; Point Zero™; TimberScape ™

The company operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

Each operating segment mirrors the Corporation's accounting policies (as described in Note 2 to the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and Note 3 of the condensed interim consolidated financial statements for the three month period ended March 31, 2020) and its internal controls and reporting systems.

Segment performance predominantly focuses on operating results and the manner in which resources are allocated based on Canadian and USA operations, respectively. The Canadian segment primarily derives its revenues from the sale of expanded polystyrene ("EPS") foam products, which it manufactures at its facilities in Canada. The USA segment primarily derives its revenues from the sale of EPS foam products, customized log and timber structures made at its facilities in the United States which typically include design and installation services that together provide the basis for a bundled sale of its manufactured products.

The chief operating decision maker evaluates performance on the basis of operating income or loss, as reported on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

5.1 Segment revenues and operating income (loss)

Segment sales represent sales revenues directly attributable to each segment after inter-segment sales have been eliminated (see supplemental disclosures in the other segment information table below). There are varying levels of integration between each segment.

Segment operating income (loss) represents the income (loss) as reported by each segment excluding any allocations for corporate income or expenses, and foreign exchange gains or losses arising on inter-segment settlements.

Information for each reportable operating segment for the three month periods ended March 31 is set out below:

	Sales revenues		Operating income (loss)	
	2020	**2019**	**2020**	**2019**
Canada	**$ 14,790**	$ 15,287	**$ 625**	$ 427
USA	**9,443**	8,826	**62**	(563)
Total for segments	**$ 24,233**	$ 24,113	**687**	(136)
Corporate – income (expense)			**86**	(816)
Foreign exchange loss on inter-segment settlements			**(3)**	-
Consolidated operating income (loss)			**$ 770**	$ (952)

(a) Canada

Sales

Sales generated by the Canadian segment decreased from $15,287 in the first quarter of 2019 to $14,790 in the current quarter, a decrease of 3.3% or $497. Sales of our EPS insulation and building products and our structural insulated panel products were softer in this quarter as compared to the same period in 2019. Regional differences exist with declines in Western Canada offset partially by growth in Eastern Canada.

Operating income

The Canadian segment reported an operating gain of $625 for the current quarter compared to operating gain of $427 in Q1/19, a favourable variance of $198. The improvement was driven by decreased raw material, labour and overhead costs and offset partially by higher freight costs when compared to the prior quarter.

(b) USA

Sales

As reported in Canadian dollars, USA segment sales in the current quarter increased to $9,443 from $8,826 in Q1/19 an increase of $617 or 7.0%. The increased sales were primarily driven by continued growth of EPS insulation and building products offset partially by softer sales of our structural insulated panel products. The strengthening US dollar in Q1/20, compared to Q1/19, created a favorable currency effect when local USA segment sales are converted into Canadian dollars for consolidation purposes.

Average foreign exchange rates experienced by the Corporation during the three-month period reflected the depreciation of the Canadian currency from an average rate of $1.33 per US$1.00 in the 2019 comparative period to an average rate of approximately $1.34 per US$1.00 in the current period. Eliminating the effect of foreign exchange fluctuations, sales increased 5.7% for the period, in USA dollars.

Operating income (loss)

The USA segment reported an operating gain of $62 in the current quarter from a loss of $563 in the comparative quarter of 2019, a favourable variance of $625 reflecting higher gross margins over the prior quarter. Improved margins were driven by lower raw material, labour and overhead costs, offset marginally by higher freight costs. Selling and administrative expenses remain in proportion to sales when expressed as a percentage of sales in both the current and prior quarter.

5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and liabilities in relation to consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2020	As at Dec 31, 2019
Assets		
Segmented assets	**$ 55,800**	$ 49,198
Assets not allocated to segments:		
Cash and cash equivalents	**13,489**	20,129
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**21,724**	21,567
Corporate taxes [1]	**344**	326
Total assets	**$ 92,840**	$ 90,703
Liabilities		
Segmented liabilities [2]	**$ 17,203**	$ 18,996
Liabilities not allocated to segments:		
Lease obligations	**9,702**	9,846
Long-term debt	**8,128**	8,217
Total liabilities	**$ 35,034**	$ 37,059
Net segmented assets		
Canada	**$ 28,335**	$ 22,889
USA	**10,262**	7,313

[1] Current and deferred taxes.
[2] Inter-segment loans and interest of $7,096 eliminated.

5.3 Other segment information

	Three month periods ended March 31	
	2020	2019
Additions to non-current assets:		
Canada	**$ 419**	$ 303
USA	**112**	228
Total	**$ 531**	$ 531
Additions to right-of-use assets:		
Canada	**$ -**	$ -
USA	**-**	37
Total	**$ -**	$ 37
Depreciation and amortization:		
Canada	**$ 623**	$ 631
USA	**252**	240
Corporate	**264**	266
Total	**$ 1,139**	$ 1,137
Inter-segment sales	**$ 904**	$ 1,967

6. Liquidity

Sources of liquidity
The Corporation expects its current cash balances, future cash flows generated by operations, and credit facilities will be sufficient to fund its ongoing business requirements over the next twelve months including: working capital; contractual obligations; and payment of regular dividends.

Cash and cash equivalents

Cash and cash equivalent balances as at March 31, 2020 and December 31, 2019 were as follows:

	March 31, 2020	**December 31, 2019**
Cash held with banks	**$ 13,489**	$ 18,629
Short-term investments	**-**	1,500
	$ 13,489	$ 20,129

PFB's cash balances typically fluctuate with the seasonality of its business. The reduction in cash balances in the current quarter was primarily used to fund increased non-cash working capital, primarily a seasonal build-up of inventory and changes to accounts payable. The majority of the cash held with banks is comprised of cash and cash equivalents held by the USA segment.

Cash - restricted

Restricted cash increased over the last three months to $1,057, an increase of $133 from $924 December 31, 2019 on specific contract activity within the Custom Homes Group. Restricted cash comprises cash collected from certain customers of the USA segment that is contractually segregated from other cash and not comingled, as it is held exclusively for disbursements to suppliers and service providers specific to those individual customer contracts.

PFB's restricted cash balances typically fluctuate throughout the year in line with seasonality and contracts with customers for bundled construction contracts.

Bank credit facilities

In January 2019, the Corporation increased its credit facility arrangements from $10,000 to $17,000. The revolving facility continues to be secured by a first ranking security interest in trade receivables and inventories of the Canadian subsidiary, without any additional financial covenants.

The Corporation continues to provide a guarantee and postponement of claim to the bank in the amount of $17,000 which has increased from prior agreements with the bank reflecting the increased credit facility. The interest rate applicable on draws made against the facility is at the Canadian bank's prime rate and the facility carries a nominal maintenance fee.

The Canadian and USA revolving credit facilities remained fully available at the end of the current quarter. Normally the Corporation would follow a policy of carrying cash balances in US dollars and funding Canadian operations with credit line borrowings in Canadian dollars, rather than executing multiple foreign exchange transactions. During the first quarter, in response to uncertainty related to the ongoing health care crisis, the Corporation executed an inter-segment loan transaction in the amount of $5,000 US dollars to centralize funds as part of a cash management strategy, as well as to minimize borrowing on credit facilities, reduce finance costs and limit foreign exchange transactions.

Summary of cash flows

A summary of cash flows for the three month periods ended March 31, 2020 and 2019 are shown in the following table.

	2020	2019
Net cash flows used in:		
Cash used in operating activities, before income taxes paid	**$ (4,811)**	$ (2,587)
Income taxes paid, net	**(643)**	(395)
Net cash used in operating activities	**(5,454)**	(2,982)
Net cash used in investing activities	**(605)**	(496)
Net cash used in from financing activities	**(1,255)**	(1,170)
Effects of exchange rates on cash and cash equivalents, and restricted cash held in foreign currencies	**674**	(373)
Net decrease in cash and cash equivalents	**$ (6,640)**	$ (5,021)
Cash and cash equivalents – beginning of period	**20,129**	16,944
Cash and cash equivalents – end of period	**$ 13,489**	$ 11,923

(a) Operating activities

Cash used in operating activities, before income taxes paid, was $4,811 as compared to $2,587 in the comparative prior quarter, an increase of $2,224. The increase is primarily attributed to increased changes in non-cash working capital in the current quarter when compared with the 2019 comparative quarter.

The changes in non-cash working capital amounts which occurred in the first three months of 2020 are as follows:

	Mar 31, 2020	Dec 31, 2019	Change
Trade receivables	**$ 11,577**	$ 10,746	$ 831
Inventories	**16,018**	11,598	4,420
Prepaid expenses	**1,236**	469	767
Contract costs	**503**	487	16
Trade and other payables	**(9,312)**	(10,324)	1,012
Contract liabilities	**(5,397)**	(5,943)	546
	$ 14,625	$ 7,033	$ 7,592

Non-cash working capital increased in the current quarter by $7,592.

The trade receivables balance is reflective of increased selling activity during the first quarter as sales begin to improve.

Inventory increased in the current quarter and is a normal occurrence as operations begin building-up raw material, work-in-process and finished goods inventories ahead of the seasonal upsurge in sales activities. The increase in the current quarter was higher than normal to support large infrastructure projects in the Canadian and USA segments. The Corporation decided to increase resin inventories at favourable pricing early in the quarter to protect margins and ensure ready supply of product. In response to the ongoing health care crisis, government and various health authorities have implemented actions that impact our business operations. As a result, delivery dates for larger projects remain uncertain, slowing the draw-down on raw material inventories in the short term.

Prepaid expenses increased by $767, primarily related to higher insurance costs and renewals in the first quarter within the Canadian and USA segments along with other normal course operating activities.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs increased by $16 and are primarily related to sales commissions payable on the achievement of performance obligations in the USA segment on sales of bundled contracts within the Custom Homes Group.

The decrease in trade and other payables of $1,012 since the beginning of the year was primarily related to the payment of year-end payroll incentives during the first quarter and the timing of payments in the normal course of operations.

Contract liabilities represent consideration received prior to delivery of performance obligations and customers' rebates earned, but not yet paid. Contract liabilities decreased by $546 during the period, primarily representing the payment of customers' rebates, reflecting amounts paid-out in the first quarter. The decreased contract liabilities from rebates was somewhat offset by slightly increased deposits from customers within the Custom Homes Group.

(b) Investing activities

Cash flows used in investing activities in the current quarter were $605 as compared to cash flows used in investing activities of $496 in Q1/19, primarily as a result of changes in restricted cash within the Custom Homes Group.

(c) Financing activities

Cash flows used in financing activities in the current quarter were $1,255, similar to cash flows used in financing activities of $1,170 in Q1/19, an increase of $85. The regular quarterly dividend payment made to shareholders in February 2020 was $602, an increase of $64 compared to the $538 payment made to shareholders in February 2019. Repayment of principal lease obligations increased by $23, from $251 in Q1/19 to $274 in Q1/20.

7. Capital resources

Capital structure

PFB manages its capital structure to ensure its consolidated operations continue to operate as a going concern, to optimize returns to shareholders, and to safeguard corporate assets.

PFB's capital structure consists of net debt (long-term debt offset by cash and cash equivalents) and equity of the Corporation (comprising issued share capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity).

PFB's capital structure, net of cash and cash equivalents, as at March 31, 2020 and December 31, 2019, is as outlined in the following table:

	As at March 31, 2020	As at December 31, 2019
Long-term debt (excluding lease obligations)	**$ 8,128**	$ 8,217
Less: cash and cash equivalents	**13,489**	20,129
Net debt (surplus cash)	**(5,361)**	(11,912)
Shareholders' equity	**$ 57,806**	$ 55,644

Share capital

A summary of the Corporation's share capital position as at March 31, 2020 and December 31, 2019, is set forth in the following table:

	March 31, 2020 (Three Months)		December 31, 2019 (Twelve Months)	
	No. of Shares	Amount	No. of Shares	Amount
Balance, beginning of period	**6,691,003**	**$ 21,012**	6,716,003	$ 20,947
Exercise of stock options	-	-	25,000	222
Repurchased pursuant to normal course issuer bid	-	-	(50,000)	(157)
Balance, end of period	**6,691,003**	**$ 21,012**	6, 691,003	$ 21,012

Share-based options

The Corporation granted 125,000 share-based options in the three month period ended March 31, 2020, and no share options were exercised in the period.

Dividends

In the three-month periods ended March 31, 2020 and 2019, the Corporation's Board of Directors declared a regular quarterly dividend of $0.09 (2019 - $0.08) per common share which was paid in the month of February in each year, respectively.

The dividend payment in February 2020 amounted to $602 (2019 - $538).

Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit enacted under Canadian tax law.

Normal course issuer bid

In August 2019, the Corporation obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid (the "Bid") program for a 12-month period, which commenced on September 3, 2019 and ends no later than September 2, 2020. On March 7, 2020, the Corporation obtained approval from the Toronto Stock Exchange to amend its Bid from 50,000 (or 0.74% of PFB's issued and outstanding shares as of August 26, 2019), to 100,000 common shares (or 1.48% of PFB's shares as of August 26, 2019). In the quarter ended March 31, 2020, the Corporation did not purchase any of its common shares.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income or loss, together with certain other economic gains and losses which, collectively, are described as "other comprehensive income (loss)" and those items are excluded from the consolidated statements of income.

A summary of comprehensive income (loss) for the three month periods ended March 31, 2020 and 2019 is as follows:

	2020	**2019**
Net income (loss) for the period	**$ 346**	$ (1,172)
Other comprehensive income (loss)	**2,407**	(469)
Comprehensive income (loss) for the period	**$ 2,753**	$ (1,641)

In the first quarter of 2020, other comprehensive income was $2,407 as compared to other comprehensive losses of $469 in the comparative quarter of 2019. Other comprehensive income in the current quarter consisted of $2,407 attributed to foreign currency gains upon translation of PFB's USA operations, which contrasted with foreign currency losses of $469 in the comparative quarter of 2019.

Included in accumulated comprehensive income at March 31, 2020, were foreign currency translation adjustments totalling $5,043, unrealized gains on restricted financial assets of $406, and gains of $96 related to defined benefit pension plan valuation changes, net of tax, for total accumulated other comprehensive income of $5,545.

Long-term debt

Total long-term debt of $8,128 as at March 31, 2020 compares to long-term debt of $8,482 as at March 31, 2019, a reduction of $354. The reduction in long-term debt in the current period was a result of scheduled principal repayments. There were no prepayments or additional increases in long-term debt in the current period.

The terms of the long-term debt are a fixed interest rate of 3.25% from a Canadian bank, a 20 year amortization period and an option to renew in 5 years. The long-term debt is eligible for prepayment privilege, subject to certain prepayment penalties and is supported by a first mortgage on the Corporation's property in the Canadian segment.

The Corporation is subject to an annual covenant calculation on the long-term debt, tested on an annual, year-end basis. The financial covenant specifies a Debt Service Coverage Ratio of not less than 1.25:1. The Debt Service Coverage Ratio is defined as adjusted EBITDA for the current year, less dividends, divided by the sum of all principal and interest payments during the course of the year. The most recently calculated covenant test was performed on December 31, 2019 and exceeded the minimum requirement of 1.25:1.

8. Commitments and contractual obligations

8.1 Long-term debt, lease obligations and commitments for PP&E and intangible assets

PFB's contractual obligations and commitments as at March 31, 2020 and December 31, 2019, are as outlined in the following table:

Contractual obligations[1] (Payment due periods)	**Total**	**Within 1 year**	**2–3 years**	**4–5 years**	**Over 5 years**
As at March 31, 2020					
Long-term debt (principal & interest)	**$ 10,591**	**$ 623**	**$ 1,246**	**$ 1,246**	**$ 7,476**
Lease obligations	**16,317**	**2,027**	**3,587**	**3,058**	**7,645**
Commitments for PP&E and intangible assets	**1,068**	**1,068**	**-**	**-**	**-**
Other long-term obligations	**945**	**218**	**425**	**302**	**-**
Fixed price utility contracts	**1,239**	**355**	**609**	**275**	**-**
Total contractual obligations	**$ 30,160**	**$ 4,291**	**$ 5,867**	**$ 4,881**	**$ 15,121**
As at December 31, 2019					
Long-term debt (principal & interest)	$ 10,746	$ 623	$ 1,246	$ 1,246	$ 7,631
Lease obligations	16,672	2,024	3,599	3,084	7,965
Commitments for PP&E and intangible assets	1,086	1,086	-	-	-
Other long-term obligations	999	218	436	345	-
Fixed price utility contracts	1,505	355	710	440	-
Total contractual obligations	$ 31,008	$ 4,306	$ 5,991	$ 5,115	$ 15,596

[1] Long term debt and lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs.

8.2 Performance bonds

As at March 31, 2020, the Canadian segment did not have any contracts secured by a performance bonds (December 31, 2019 - $nil). In the USA, performance bonds in the amount of $677 were pledged to various government agencies as at March 31, 2020 (December 31, 2019 - $620).

9. Financial instruments and leases

The Corporation continues to hold restricted marketable securities in the form of trust units of a prior Canadian REIT, which completed a plan of arrangement by an acquiring entity on May 24, 2018. The Corporation has 183,084 trust units remaining in an escrow account, which will result in the conversion of cash proceeds of approximately $1,483.The units are restricted as they were pledged, at inception of the leases, as security for minimum rent obligations for a period of ten years during which time they will be held in an escrow account. Under the terms of the sale-leaseback agreement, the security deposit shall remain in escrow until March 15, 2023, upon which the cash will be released. The total unrealized gain on the financial assets, as recorded in accumulated other comprehensive income on the balance sheet, in the amount of $406, net of tax, will remain until disposition. Upon completion of the plan of arrangement or release of the escrow account, the gain on disposal will subsequently be transferred as a reclassification adjustment directly to equity as a result of the adoption of IFRS 9 and irrevocable election to account for changes in the fair value of marketable securities through other comprehensive income, until derecognition.

10. Current Outlook

The Corporation has been implementing a growth strategy since 2018 that has been successful in growing both sales and net income on a comparative quarter-over-quarter basis. In Q1/20 revenues remained at similar levels to those reported in Q1/19, however margin performance significantly improved resulting in a record adjusted EBITDA for the quarter. The USA segment sales showed an increase over the prior period and remain aligned with our strategic initiatives intended to increase USA segment sales as a proportion of total consolidated sales.

Sales growth in the USA segment was driven by core EPS insulation and building products, supported by the Custom Homes Group project sales and offset by slower structural insulated panel sales for the quarter. The Canadian segment experienced similar sales activity compared with the prior year period, resulting in a comparative sales decline for the period.

Favourable raw material input costs along with stable product pricing and improved operating efficiencies resulted in gross margins of 23.7% for Q1/20 as compared to 19.6% for Q1/19, an increase of 4.1% of sales. We expect this level of gross margin to be relatively stable due to our strong resin inventory position as well as pressures within the petrochemical industry that will contribute to styrene monomer pricing stability.

Notwithstanding the positive influence of stability in raw material costs, the ongoing COVID-19 pandemic and resulting health care crisis has created a high level of uncertainty. Governments and various health authorities have implemented a series of actions and protocols that impact business operations. Additionally, governments in our markets are taking financially stimulative steps with uncertain outcomes to address the severe economic consequences. The Corporation continues to operate and serve customers in all regions as an “essential or allowable business” as defined by local, state, provincial and federal orders in both the United States and in Canada. The Corporation has implemented strict employee safety protocols, procedures and practices intended to ensure the health and welfare of all our employees, customers, contractors and visitors as well as to support the broader effort to contain the virus in the communities in which we operate. Our safety protocols have proven effective as the rate of employee confirmed infections remain extremely low to date.

At this time the Corporation is experiencing continued demand for our nationally branded insulation building products and services across North America. Our order book remains strong but delivery dates are uncertain so we expect our growth trajectory to be interrupted by this health crisis as we are unable to accurately quantify the impact these events will have on our customers’ requirements. Our focus is to remain profitable and generate positive cash flows but we expect growth as measured against the record high results achieved in 2019 to be difficult to achieve. Our balance sheet is strong and management is confident the Corporation is well positioned to weather this crisis. Our geographic footprint and diverse portfolio of building products and services positions the Corporation to continue providing products and services to the commercial and residential construction sectors, large scale public and private infrastructure projects and various industrial applications.

Management remains committed to managing through this crisis making every effort to keep our employees safe while providing critical products to our customers, protecting and supporting the communities in which we operate and preserving value for our shareholders.

11. Off-balance sheet arrangements

The Corporation does not believe it has any off-balance sheet arrangements (other than what has been reported in this MD&A) that have, or are reasonably likely to have, a current or future material effect on the Corporation’s financial condition, results of operations, or liquidity, other than those disclosed in the balance sheet as the available portion of credit facilities.

12. Disclosure controls and procedures

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the chief executive officer (CEO) and the chief financial officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of our DC&P was conducted, as at March 31, 2020, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at March 31, 2020, our DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), was effective.

Notwithstanding the foregoing, no absolute assurances can be made that the Corporation's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

13. Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with IFRS.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that the Corporation's internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

As at March 31, 2020, the CEO and CFO assessed the effectiveness of the Corporation's internal control over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal control over financial reporting had been identified.

14. Critical accounting policies and estimates

The Corporation prepares its financial statements in accordance with IFRS, which requires estimates and judgements to be made. The estimates and judgments are based on historical experience, current trends, and all information deemed relevant at the time financial statements are prepared.

The Corporation's annual audited consolidated financial statements for the year ended December 31, 2019 and its 2019 annual MD&A outlined the accounting policies and estimates that are critical to the understanding of the Corporation's results of operations and its businesses.

15. Bank credit facilities update

On April 28, 2020, the USA segment renewed and increased its credit facility arrangement with a US bank for a variable rate revolving facility from $1,250 US dollars to $3,000 US dollars. The revolving facility continues to be secured by all inventory and equipment of the USA subsidiary. The interest rate applicable on draws made against the facility is a variable rate based on an index, plus 0.25%. Under the facility, the US subsidiary is subject to certain covenants, one of which is a financial covenant to maintain an Operating Cash Flow to Fixed Charge Coverage ratio of not less than 1.20:1.00. The second covenant is to maintain a Total Debt to Tangible Net Worth Ratio of less than 3.00 to 1.00. Both covenants are tested at year-end.

16. Related party transactions

There have been no material changes in related party transactions in the first quarter of 2020. See Note 19 of the condensed interim consolidated financial statements.

17. Risk management and assessment

Detailed descriptions of the Corporation's risk management and assessment can be found in the Corporation's annual MD&A for 2019. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2019.

18. Application of new and revised International Financial Reporting Standards (IFRSs)

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2020 and have been adopted by the Corporation, as applicable. The Corporation has determined the amendments had no material impact on the disclosures or amount recognized in the condensed interim consolidated financial statements.

19. Non-IFRS Financial Measures

The Corporation uses measurements primarily based on IFRS as issued by the IASB and also certain secondary non-IFRS measurements.

The non-IFRS measures used by the Corporation are considered to be useful as complimentary measures in assessing financial performance. Non-IFRS measurements do not have a standardized meaning prescribed by IFRS and, as such, are unlikely to be comparable in definition to similar measures presented by other companies. The definitions of non-IFRS measurements used in this MD&A can be found in the section below:

Measure	**Definition**
Adjusted EBITDA	Represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is an absolute measure of our operating performance and provides an indication of the results generated by our business activities prior to how the activities are financed, how assets are depreciated and amortized, or how results are taxed.
Adjusted EBITDA per share	Adjusted EBITDA divided by the basic weighted average number of shares outstanding in the period.

The following table shows the reconciliation of quarterly net income (loss) to quarterly adjusted EBITDA and related per share amounts for the current quarter and previous seven quarters:

	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Net income (loss) (As per financial statements)	**$ 346**	$ 3,695	$ 3,442	$ 3,061	$ (1,172)	$ 2,077	$ 3,263	$ 1,536
Add back (deduct):								
Income taxes (recovery)	**180**	1,302	1,254	906	(52)	751	1,211	604
Finance costs	**290**	287	288	293	295	300	319	354
Investment income	**(46)**	(47)	(44)	(5)	(23)	(18)	(4)	(13)
Depreciation	**1,102**	1,080	1,095	1,119	1,106	1,149	1,145	1,150
Amortization	**37**	46	45	36	31	30	31	35
Adjusted EBITDA	**1,909**	6,363	6,080	5,410	185	4,289	5,965	3,666
Adjusted EBITDA per share	**$ 0.29**	$ 0.95	$ 0.90	$ 0.80	$ 0.03	$ 0.64	$ 0.89	$ 0.55

A record amount of adjusted EBITDA was achieved for a first quarter reporting period. Adjusted EBITDA was $1,909 in the three month period March 31, 2020; an increase of $1,724 from $185 in the comparative three month period of 2019. The higher adjusted EBITDA is primarily related to slightly elevated sales, improved gross margins in the current quarter and the non-occurrence of one-time other losses of $950 incurred in the prior quarter of 2019. In Q1/20, had other losses of $950 been excluded from net loss, the net loss and adjusted EBITDA would have been $222 and $1,135, which would compare to net income of $346 and $1,909 in the current quarter, respectively.