Management's Discussion and Analysis

For the three and nine month periods ended September 30, 2021 and 2020

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 condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2021 and 2020 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2020.

PFB's unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

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

In this MD&A, unless otherwise indicated, results for the third quarter of 2021 (three and nine month periods ended September 30, 2021) are compared with results from the third quarter of 2020. This MD&A has been prepared as of October 22, 2021. 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 October 22, 2021, 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, 2020.

2. Summary of quarterly financial data

	2021			2020				2019
	Qtr. 3	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**
Sales	**$ 47,981**	$ 40,049	$ 26,058	$ 37,059	$ 41,986	$ 31,518	$ 24,233	$ 36,824
Gross profit	**13,182**	9,760	6,735	12,024	15,417	9,531	5,737	10,461
Gross profit margin %	**27.5**	24.4	25.8	32.4	36.7	30.2	23.7	28.4
Operating income	**7,771**	4,737	2,309	6,959	9,975	5,088	770	5,237
Net income	**5,800**	3,247	1,654	4,993	7,331	3,750	346	3,695
Earnings per share:								
Basic	**0.85**	0.48	0.24	0.73	1.09	0.56	0.05	0.55
Diluted	**0.81**	0.46	0.23	0.70	1.08	0.55	0.05	0.54
Adjusted EBITDA[1]	**8,831**	5,804	3,383	8,047	11,065	6,278	1,909	6,363
Adjusted EBITDA per share[1]	**$ 1.30**	$ 0.85	$ 0.50	$ 1.18	$ 1.64	$ 0.94	$ 0.29	$ 0.95

[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 18 of this MD&A.

3. Consolidated statements of income (unaudited)

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	**2020**	**2021**	**2020**
Sales	**$ 47,981**	$ 41,986	**$ 114,088**	$ 97,737
Cost of sales	**(34,799)**	(26,569)	**(84,411)**	(67,052)
Gross profit	**13,182**	15,417	**29,677**	30,685
Selling expenses	**(3,135)**	(3,118)	**(8,891)**	(8,995)
Administrative expenses	**(2,232)**	(2,317)	**(5,940)**	(5,956)
Other (losses) gains	**(44)**	(7)	**(29)**	99
Operating income	**7,771**	9,975	**14,817**	15,833
Insurance claim - gain	**-**	-	**-**	65
Investment income	**5**	5	**32**	55
Finance costs	**(264)**	(278)	**(802)**	(850)
Income before taxes	**7,512**	9,702	**14,047**	15,103
Income taxes expense	**(1,712)**	(2,371)	**(3,346)**	(3,676)
Net income for the period	**$ 5,800**	$ 7,331	**$ 10,701**	$ 11,427
Earnings per share - $ per share				
Basic	**$ 0.85**	$ 1.09	**$ 1.57**	$ 1.70
Diluted	**$ 0.81**	$ 1.08	**$ 1.50**	$ 1.68

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

4. Consolidated results of operations

Sales

Consolidated sales were a record high for a third quarter reporting period. Consolidated sales were $47,981 in the three month period ended September 30, 2021, an increase of $5,995 or 14.3% from sales of $41,986 in the comparative three month period of 2020. USA segment sales accounted for all of the sales growth in the current quarter.

In the nine month period ended September 30, 2021, consolidated sales were $114,088, an increase of $16,351 or 16.7% from sales of $97,737 in the comparative nine month period of 2020. The increase in sales occurred in both the Canadian and USA operating segments on strong demand for all product lines over the nine-month period.

Gross profit

Consolidated gross profit was $13,182 in the three month period ended September 30, 2021, as compared to $15,417 in the comparative three-month period of 2020, a decrease of $2,235. Gross profit margin of 27.5% in the current quarter compared to a gross profit margin of 36.7% in Q3/20. The decrease in gross profit margin is attributable to higher raw material input costs which were partially offset by operating efficiencies in labour and overhead costs on significantly increased volumes.

Consolidated gross profit was $29,677 in the nine month period ended September 30, 2021, as compared to $30,685 in the comparative nine month period of 2020, an unfavourable variance of $1,008. The reduction in gross profit resulted from significantly higher raw material input costs and were partially offset by higher sales on increased volumes. Gross profit margin of 26.0% in the current nine month period declined from gross profit margin of 31.4% reported in the comparative nine month period.

The appreciation of the Canadian currency in the current three and nine month periods, compared to the respective prior periods, decreased the cost of raw materials, which are purchased in US dollars. Similarly, the depreciation of the US dollar had the offsetting effect of reducing consolidated sales over the nine month period, when US transactions are consolidated into Canadian currency.

Selling and administrative expenses

In the current quarter, combined selling and administrative expenses were $68 lower than in the comparative quarter of 2020 aligning with management's continued focus on controlling discretionary spending. In the current quarter, selling and administrative expenses have decreased as a percentage of sales to 11.2% for the current quarter contrasted with 12.9% in the comparative quarter, as a result of ongoing spending controls and leverage from increased sales.

In the nine month period ended September 30, 2021, selling and administrative expenses combined were $120 lower than in the comparative nine month period of 2020. For the nine month period, selling and administrative expenses are lower as a percentage of sales at 13.0% for the nine months of 2021 compared to 15.3% for the comparative period.

Operating income

Operating income of $7,771 in the current quarter compared to operating income of $9,975 reported in Q3/20, a decline of $2,204.

In the nine month period ended September 30, 2021, operating income of $14,817 compared to operating income of $15,833 reported in the comparative nine month period of 2020, a decline of $1,016.

Income before taxes

In the current quarter, income before taxes of $7,512 was reported, as compared to income before taxes of $9,702 in Q3/20, a decrease of $2,190.

In the nine-month period, ended September 30, 2021, income before taxes of $14,047 as compared to income before taxes of $15,103 reported in the comparative nine-month period of 2020, an unfavourable variance of $1,056.

Income taxes

Income tax expense in the current quarter was $1,712 as compared to income tax expense of $2,371 in Q3/20. The most current, effective income tax rate of 23.8%, applied for the nine-month period is reasonably representative of the blended tax rate expected for 2021.

Net income

Net income of $5,800 in the current quarter compares to net income of $7,331 reported in the comparative quarter of 2020, a decrease of $1,531. In the nine-month period ended September 30, 2021, net income of $10,701 compared to net income of $11,427 in the comparative nine month period of 2020, a decrease of $726.

Earnings per share

Basic and diluted earnings per share in the current quarter were $0.85 and $0.81, respectively, as compared to basic and diluted earnings per share of $1.09 and $1.08, respectively, reported in Q3/20.

In the nine-month period ended September 30, 2021, basic and diluted earnings per share of $1.57 and $1.50, respectively, as compared to basic and diluted earnings per share of $1.70 and $1.68, respectively, reported in the comparative nine month period of 2020.

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, 2020 and 2019 and Note 3 of the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2021) 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 sales and operating income

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). There are varying levels of integration between each segment.

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

Information regarding each reportable operating segment for the three and nine month periods ended September 30, 2021 and 2020, is set out below:

Three month periods ended September 30	Sales revenues		Operating income	
	2021	**2020**	**2021**	**2020**
Canada	**$ 26,049**	$ 26,550	**$ 4,594**	$ 6,848
USA	**21,932**	15,436	**3,087**	2,909
Total for segments	**$ 47,981**	$ 41,986	**7,681**	9,757
Corporate – income			**89**	219
Foreign exchange gain (loss) on inter-segment settlements			**1**	(1)
Consolidated operating income			**$ 7,771**	$ 9,975

Nine month periods ended September 30	Sales revenues		Operating income	
	2021	**2020**	**2021**	**2020**
Canada	**$ 67,791**	$ 60,759	**$ 9,978**	$ 10,954
USA	**46,297**	36,978	**4,450**	4,365
Total for segments	**$ 114,088**	$ 97,737	**14,428**	15,319
Corporate – income			**365**	520
Foreign exchange gain (loss) on inter-segment settlements			**24**	(6)
Consolidated operating income			**$ 14,817**	$ 15,833

(a) Canadian segment

Sales

Sales generated by the Canadian segment were $26,049 in Q3/21 compared with $26,550 in the comparative Q3/20 period, a decrease of $501 or 1.9%, when compared to the exceptionally strong sales performance experienced in Q3/20. In the nine month period ended September 30, 2021, sales were $67,791 an increase of $7,032 or 11.6% over $60,759 in the comparative period. Canadian segment sales growth for the first nine months remained broad based across all product lines and regions.

Operating income

The Canadian segment reported operating income of $4,594 in the current quarter, a decrease of $2,254 as compared to operating income of $6,848 reported in Q3/20. In the nine month period ended September 30, 2021, the Canadian segment reported operating income of $9,978 as compared to operating income of $10,954 in the comparative nine month period of 2020, an unfavourable variance of $976. Operating income declined in both the current quarter and the first nine months primarily a result of increased raw material input costs and have been offset to some extent by increased sales on higher volumes on a year-to-date basis.

(b) USA segment

Sales

As reported in Canadian dollars, sales in the USA segment increased from $15,436 in Q3/20 to $21,932 in the current quarter, an increase of $6,496 or 42.1%. The increase in sales during the third quarter was broad-based across the majority of product lines and regions.

Foreign currency movements had a significant impact when translating US sales into Canadian dollars during Q3/21. Average foreign exchange rates experienced by the Corporation during the periods reflected the appreciation of the Canadian currency from an average rate of $1.32 per US$1.00 in the 2020 comparative quarter, to an average rate of approximately $1.25 per US$1.00 in the current quarter. Eliminating the effect of foreign exchange fluctuations, the sales, expressed in USA dollars, were $17,392 in the current quarter compared to Q3/20 sales of $11,596.

As reported in Canadian dollars, sales in the USA segment increased from $36,978 in nine month period ending September 30, 2020, to $46,297 in the current nine month period, an increase of $9,319 or 25.2%. The increase in year-to-date sales were driven by our core EPS insulating and building product and by strong sales of our structurally insulated panel products. The Custom Homes Group also reported overall sales growth for the first nine months on strong sales performance.

During the nine month periods, foreign currency movements had a significantly unfavorable effect when translating US sales into Canadian dollars. Average foreign exchange rates experienced by the Corporation during the nine month periods reflected the continued appreciation of the Canadian currency from an average rate of $1.35 per US$1.00 in the 2020 comparative period, to an average rate of approximately $1.25 per US$1.00. Eliminating the effect of foreign exchange fluctuations, the sales growth was very robust when expressed in USA dollars, at $37,021 in the current nine month period compared to $27,373 in the comparative nine month period.

Operating income

The USA segment reported operating income of $3,087 in the current quarter as compared to operating income of $2,909 in the comparative quarter of 2020. This represents an increase of $178. Increased sales on higher volumes offset significantly higher raw material input costs in the quarter as compared to the prior period in 2020. In the nine month period ended September 30, 2021, the USA segment reported operating income of $4,450 as compared to an operating income of $4,365 in the comparative nine month period of 2020, a favorable variance of $85. Increased sales on higher volumes offset significantly higher raw material input costs as compared to the first nine months of 2020.

Product price increases implemented during the second and third quarter of 2021 in the USA segment experienced some delays due to committed projects, the majority of which were completed in the third quarter. Management expects price increases to take hold into Q4/21.

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 Sept 30, 2021	As at Dec 31, 2020
Assets		
Segmented assets	**$ 58,880**	$ 46,869
Assets not allocated to segments:		
Cash and cash equivalents	**34,088**	32,271
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**19,811**	20,570
Corporate taxes[1]	**196**	313
Total assets	**$ 114,458**	$ 101,506
Liabilities		
Segmented liabilities	**$ 27,632**	$ 22,789
Liabilities not allocated to segments:		
Lease obligations	**8,495**	8,895
Debt	**7,578**	7,856
Total liabilities	**$ 43,705**	$ 39,540
Net segmented assets		
Canada	**$ 25,758**	$ 18,746
USA	**5,490**	5,334

[1] Deferred taxes.

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	**2020**	**2021**	**2020**
Additions to non-current assets:				
Canada	**$ 124**	$ 58	**$ 563**	$ 545
USA	**78**	74	**325**	678
Corporate	**-**	-	**-**	10
Total	**$ 202**	$ 132	**$ 888**	$ 1,233
Additions to right-of-use assets:				
Canada	**$ 365**	$ 44	**$ 388**	$ 69
USA	**10**	-	**85**	-
Total	**$ 375**	$ 44	**$ 473**	$ 69
Depreciation and amortization:				
Canada	**$ 586**	$ 599	**$ 1,780**	$ 1,834
USA	**215**	229	**642**	730
Corporate	**259**	262	**779**	790
Total	**$ 1,060**	$ 1,090	**$ 3,201**	$ 3,354
Inter-segment sales	**$ 4,701**	$ 1,792	**$ 7,257**	$ 4,089

6. Liquidity

Sources of liquidity

The Corporation expects its current cash balances, future cash flows generated by operations, and unused 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

Cash and cash equivalent balances as at September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
Cash held with banks	**$ 30,088**	$ 24,771
Short-term investments	**4,000**	7,500
	$ 34,088	$ 32,271

Cash balances typically fluctuate with the seasonality of its business. The increase in cash balances for the nine-month period ended September 30, 2021 was primarily attributed to increased sales offset by lower gross margins. The majority of the cash held with banks comprises of cash and cash equivalents that continues to be held by the USA segment.

Cash - restricted

Restricted cash amounted to $2,467, an increase of $434 from $2,033 over the last nine months. 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.

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 and a Debt Service Coverage ratio of not less than 1.25:1.00 tested annually.

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.

In April 2020, the Corporation increased its US credit facility arrangements from $1,250 to $3,000. The revolving facility continues to be secured by all inventory and equipment of the USA subsidiary, and subject to certain additional covenants.

The Canadian and USA revolving credit facilities remained fully available at the end of the current quarter. The Corporation continues to follow a policy of carrying US dollar balances and borrowing in Canadian dollars, when required, rather than executing multiple cross border foreign exchange transactions.

Summary of cash flows

A summary of cash flows for the three and nine-month periods ended September 30, 2021 and 2020 are shown in the following table:

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	**2020**	**2021**	**2020**
Net cash flows from:				
Cash from operating activities, before income taxes	**$ 14,296**	$ 13,741	**$ 11,965**	$ 18,749
Income taxes paid, net	**(1,165)**	(2,212)	**(5,027)**	(2,962)
Net cash from operating activities	**13,131**	11,529	**6,938**	15,787
Net cash used in investing activities	**(1,207)**	(1,723)	**(1,176)**	(3,439)
Net cash used in financing activities	**(1,357)**	(1,214)	**(3,991)**	(3,667)
Effects of exchange rates on cash and cash equivalents, and restricted cash held in foreign currencies	**548**	(326)	**46**	535
Net increase in cash and cash equivalents	**11,115**	8,266	**1,817**	9,216
Cash and cash equivalents – beginning of period	**22,973**	21,079	**32,271**	20,129
Cash and cash equivalents – end of period	**$ 34,088**	$ 29,345	**$ 34,088**	$ 29,345

(a) Operating activities

Net cash generated from operating activities was $13,131 in the current quarter as compared to $11,529 in the comparative quarter of 2020, an increase of $1,602. In the nine-month period ended September 30, 2021, net cash generated from operating activities was $6,938 compared to net cash from operating activities of $15,787 in the comparative nine month period of 2020, a decrease of $8,849.

Net cash from operating activities increased in the third quarter primarily as a result of favourable changes in working capital and reduced income tax payments. For the current nine-month period, net cash from operating activities decreased as a result of lower net income, additional working capital needs and higher income tax payments as compared to the 2020 period.

The changes in non-cash working capital amounts which occurred in the nine-month period ended September 30, 2021 are shown in the following table[1]:

	Sept 30, 2021	Dec 31, 2020	Change
Trade receivables	**$ 18,342**	$ 10,692	$ 7,650
Inventories	**14,624**	10,061	4,563
Prepaid expenses	**950**	546	404
Contract costs	**799**	732	67
Trade and other payables	**(13,350)**	(11,661)	(1,689)
Contract liabilities	**(12,660)**	(7,719)	(4,941)
	$ 8,705	$ 2,651	$ 6,054

[1] The above table references non-cash working capital as defined in Section 18, below.

Debt due on March 5, 2022 in the amount of $7,578 is excluded in the above non-cash operating working capital calculation but represents an amount due in approximately five months. Management is evaluating repayment, renewal and refinancing options and will determine an outcome in due course.

Non-cash working capital increased in the nine month period ended September 30, 2021 by $6,054 (2020 - $350).

The increased trade receivables balance is reflective of higher sales and the seasonality of the sales cycle.

Inventories have increased since the beginning of the year, which is reflective of both higher raw material input costs and higher sales activity.

Prepaid expenses of $950, have increased by $404 from the beginning of the year as a result of normal operations.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs have increased to $799 in the last nine months and is primarily related to the capitalized commissions in the USA segment on strong sales activity on Custom Homes Group contracts.

The increase in trade and other payables of $1,689 since the beginning of the year is reflective of increased sales activity.

Contract liabilities represent consideration received prior to delivery of performance obligations and customers' rebates earned, but not yet paid. Contract liabilities increased by $4,941 since the beginning of the year, primarily representing increased consideration from customers paid to secure their future deliveries of custom products, mainly in the USA segment and additional customer rebates earned and not paid on higher sales activity. Customers' rebates are generally lower in the first quarter than other times of the year, reflecting amounts paid out and the lower seasonality of sales in the first and fourth quarters.

(b) Investing activities

Net cash used in investing activities was $1,207 in the current quarter as compared to cash flows used in investing activities of $1,723 in Q3/20, a decrease of $516. In the nine-month period, ended September 30, 2021 net cash used in investing activities was $1,176 versus $3,439 in the comparative nine month period of 2020, a decrease of $2,263. The decreased cash used in investing activities in both the three and nine month periods is primarily related to changes in restricted cash related to the activity in the Custom Homes Group.

(c) Financing activities

Net cash used in financing activities in the current quarter was $1,357 as compared to net cash used in financing activities of $1,214 in the comparative quarter of 2020, an increase of $143. In the nine-month period, ended September 30, 2021, net cash used in financing activities was $3,991 versus $3,667 in the comparative nine-month period of 2020, an increase of $324, primarily due to increased dividend payments.

7. Capital resources

Capital structure

PFB manages its capital structure to ensure its ongoing operations, to optimize returns to shareholders, and to safeguard corporate assets.

PFB's capital structure consists of net debt (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).

The Corporation's capital structure as at September 30, 2021 and December 31, 2020, is outlined in the following table:

	As at September 30, 2021	**As at December 31, 2020**
Debt	**$ 7,578**	$ 7,856
Less: cash and cash equivalents	**34,088**	32,271
Surplus cash	**$ (26,510)**	$ (24,415)
Shareholders' equity	**$ 70,753**	$ 61,966

Share capital

The Corporation has one class of publicly traded voting common shares. A summary of the Corporation's share capital position as at September 30, 2021 and December 31, 2020, is set forth in the following table:

	September 30, 2021 (Nine Months)		**December 31, 2020 (Twelve Months)**	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Balance, beginning of period	**6,797,003**	**$ 22,014**	6,691,003	$ 21,012
Exercise of stock options	**-**	**-**	6,000	52
Exercise of restricted share units	**-**	**-**	100,000	950
Balance, end of period	**6,797,003**	**$ 22,014**	6,797,003	$ 22,014

Share-based options

The Corporation did not grant any share options in the three-month period ended September 30, 2021, whereas 125,000 share-based options were granted in the nine month period ended September 30, 2020.

There were no share options exercised in the three and nine month periods ended September 30, 2021, whereas nil and 6,000 share options were exercised in the three and nine month periods, ended September 30, 2020, respectively.

Dividends

In the first quarter of 2021, the Corporation's board of directors declared a regular quarterly dividend of $0.10 (2020 - $0.09) per common share which was paid in February of each year, respectively. The dividend payment in February 2021 amounted to $680 (2020 - $602).

In the second quarter of 2021, the Corporation's board of directors declared a regular quarterly dividend of $0.10 (2020 - $0.09) per common share which was paid in May of each year, respectively. The dividend payment in May 2021 amounted to $680 (2020 - $602).

In the third quarter of 2021, the Corporation's board of directors declared a regular quarterly dividend of $0.10 (2020 - $0.09) per common share which was paid in August of each year, respectively. The dividend payment in August 2021 amounted to $680 (2020 - $611).

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

Normal course issuer bid

In September 2020, the Corporation obtained approval from the Toronto Stock Exchange ("TSX") to renew its Normal Course Issuer Bid (the "Bid") program for a 12-month period which commenced on September 3, 2020, and ends no later than September 2, 2021. The renewal allows the Corporation to purchase, up to a maximum of 50,000 of its common shares representing 0.74% of the Corporation's 6,791,003 issued and outstanding common shares as at August 24, 2020, subject to daily maximum purchases of 1,000 common shares. The Corporation may also make one block purchase per calendar week which exceeds such daily restriction, subject to the rules of the TSX. The Corporation will purchase from time-to-time its common shares at market prices by means of open market transactions on the Toronto Stock Exchange.

The normal course issuer bid expired without renewal on September 2, 2021. It is the policy of management to purchase shares when it enhances the book value of the Corporation's shares. In the current and comparative nine month period ended September 30, 2021, the Corporation did not purchase any of its common shares.

Comprehensive income

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

A summary of comprehensive income for the three and nine month periods ended September 30, 2021 and 2020 is as follows:

	Three month periods ended September 30		Nine month periods ended September 30	
	2021	**2020**	**2021**	**2020**
Net income for the period	**$ 5,800**	$ 7,331	**$ 10,701**	$ 11,427
Other comprehensive income gain (loss)	**908**	(596)	**77**	683
Comprehensive income for the period	**$ 6,708**	$ 6,735	**$ 10,778**	$ 12,110

In the third quarter of 2021, comprehensive income was $6,708 as compared to comprehensive income of $6,735 in the comparative quarter of 2020. Other comprehensive income of $908 (Q3/20 – loss of $596) in the current quarter consisted of gains attributed to foreign currency translation when consolidating PFB's USA operations.

Included in accumulated other comprehensive income at September 30, 2021, were foreign currency translation adjustments equal to $1,943, unrealized gains on financial assets of $406, and unfavourable losses of $53 on defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $2,296.

Debt

The current portion of debt matures on March 5, 2022. Total debt of $7,578 as at September 30, 2021 compares to debt of $7,856 as at September 30, 2020, a reduction of $278. The reduction in debt in the current period was a result of scheduled principal repayments. There were no prepayments or additional increases in debt in the current period. Management is evaluating repayment, renewal and refinancing options and will determine an outcome in due course.

The terms of the 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 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 debt, tested on an annual, year-end basis. The financial covenant specifies a Debt Service Coverage Ratio of not less than 1.25:1.00. 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, 2020 and exceeded the minimum requirement of 1.25:1.00.

8. Commitments and contractual obligations

8.1 Long-term debt, leases and commitments

PFB's contractual obligations and commitments as at September 30, 2021 and December 31, 2020, 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 September 30, 2021					
Debt [2] (principle & interest)	**$ 7,659**	**$ 7,659**	**$ -**	**$ -**	**$ -**
Lease obligations	**13,921**	**1,949**	**3,457**	**2,638**	**5,877**
Commitments for PP&E and intangible assets	**834**	**834**	**-**	**-**	**-**
Other long-term obligations	**811**	**72**	**523**	**216**	**-**
Fixed price utility contracts	**769**	**384**	**220**	**165**	**-**
Total contractual obligations	**$ 23,994**	**$ 10,898**	**$ 4,200**	**$ 3,019**	**$ 5,877**
As at December 31, 2020					
Debt (principle & interest)	$ 10,123	$ 623	$ 1,246	$ 1,246	$ 7,008
Lease obligations	14,886	1,972	3,503	2,817	6,594
Commitments for PP&E and intangible assets	352	352	-	-	-
Other long-term obligations	564	219	345	-	-
Fixed price utility contracts	972	355	507	110	-
Total contractual obligations	$ 26,897	$ 3,521	$ 5,601	$ 4,173	$ 13,602

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

[2] Represents both principal and interest repayments until maturity on March 5th, 2022.

8.2 Performance bonds

At September 30, 2021, the Canadian segment did not have any performance bonds outstanding (December 31, 2020 - $nil). In the USA, performance bonds in the amount of $684 were pledged to various government agencies as at September 30, 2021 (December 31, 2020 - $607).

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

Consolidated sales were a record high for any quarterly reporting period at $47,981 as compared to sales of $41,986 in Q3/20, an increase of 14.3%. On a year-to-date basis, sales for the first nine months of 2021 were also a record at $114,088 as compared to $97,737 for the first nine months of 2020, an increase of $16,351. USA segment sales performance accounted for all of the current quarter sales growth and was broad based across all business units and regions. When compared to the exceptionally strong sales performance experienced in Q3/20, the Canadian segment Q3/21 sales showed no growth. Sales growth for the first nine months of 2021 was driven by both the Canadian and USA operating segments reporting strong sales and increased volumes across the majority of product lines, in all regions and business units. The stronger Canadian dollar had an unfavourable effect when translating USA segment sales into Canadian dollars on a comparative basis, however was fully offset by significantly increased volumes.

Fractured industrial supply chains experienced throughout the world continues to disrupt the building products industry in North America with material shortages and increasing raw material costs. Shortages of system components being experienced by industrial roofing contractors and continuing disruptions to the petrochemical manufacturers in the US Gulf Coast caused by the winter storm in Q1/21 are affecting supply to the roofing industry. This has led to positive demand for our products that we have been able to supply. Nevertheless, rising raw material costs have led to gross margin compression into the third quarter of 2021 as expected.

Shortages of styrene, EPS resin and other materials significantly raised costs of acquiring these products and led to higher raw material input costs that compared unfavourably with comparative periods in 2020, when low input costs were experienced as a result of pandemic influences. Management has successfully raised product prices throughout Q2/21 and Q3/21 and therefore offset the impact of rising input costs and general inflationary trends. However, there are timing delays with respect to price increase implementation and rising raw material inventory costs that resulted in gross profit margin being compressed to 27.5% during Q3/21 as compared to 36.7% during Q3/20. Gross margins continued to improve during the latter part of the quarter as price increases gained traction. Operational efficiencies during the third quarter had a favourable impact on margins as the Corporation continued to effectively manage labour and overhead costs on significantly increased volumes. Virtually all gross profit margin compression was related to elevated material costs. The effect of the margin compression was that adjusted EBITDA for Q3/21 contracted to $8,831 compared to $11,065 for Q3/20. Adjusted EBITDA for the first nine months of 2021 at $18,018 compared to $19,252 for the 2020 period.

It is expected that during the fourth quarter, the price increases implemented in Q2/21 and Q3/21 across all products and services will continue to take hold and mitigate the higher costs of inventory. Anecdotal evidence suggests that we continue to increase our market share by being able to supply products to customers while material shortages more adversely impact our competitors. In addition to the further penetration of product price increases expected during Q4/21, the Corporation will optimize raw material inventory and continue to focus on operational efficiencies.

The Corporation continues to experience robust demand for our nationally branded insulation building products and services across North America. Order books remain very strong and continue to build across all business lines and continue to benefit from the construction industry’s busy fall season. Residential, commercial and infrastructure construction continues to show signs of sustained strength as consumers and businesses drive demand for both renovations and new building projects. In addition, governments continue to focus on new stimulus spending targeted toward infrastructure. COVID-19 related delays on job sites continue the potential for price volatility and supply constraints for construction materials and have the potential to disrupt customer schedules and product deliveries.

The Corporation continues to follow COVID-19 employee safety protocols, procedures and practices intended to ensure the health and welfare of all our employees, customers, contractors and visitors. The Corporation encourages all employees to get vaccinated and continues to follow government and health authority guidelines in the regions we operate, easing restrictions in tandem with recent government announcements.

We continue to focus on profitable growth and positive cash flows throughout the remainder of 2021. Our balance sheet remains strong and the Corporation is well positioned. Our geographic footprint and diverse portfolio of building products and services enables the Corporation to continue providing products and services to the commercial and residential construction sectors, large scale infrastructure projects and specific industrial applications. Employee safety and providing critical products and services to our customers are paramount in this complicated period. We continue to protect and support the communities in which we operate, and focus on increasing 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)

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 September 30, 2021, 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 September 30, 2021, 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 September 30, 2021, 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, 2020 and its 2020 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. Related party transactions

There have been no material changes in related party transactions in the three and nine month periods ended September 30, 2021. See Note 19 of the unaudited condensed interim consolidated financial statements.

16. 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 2020. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2020.

17. 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, 2021 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.

18. 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.
Non-cash working capital	A financial measure to monitor how much capital we have committed to the day-to-day operations of our business. Non-cash working capital represents current assets (excluding cash or cash equivalents, restricted cash and income taxes recoverable) less current liabilities (excluding income taxes payable, current portions of lease obligations and current portion of debt).

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

	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Net income (As per financial statements)	**$ 5,800**	$ 3,247	$ 1,654	$ 4,993	$ 7,331	$ 3,750	$ 346	$ 3,695
Add back (deduct):								
Income taxes	**1,712**	1,224	410	1,703	2,371	1,125	180	1,302
Finance costs	**264**	267	271	273	278	282	290	287
Investment income	**(5)**	(1)	(26)	(10)	(5)	(4)	(46)	(47)
Depreciation	**1,023**	1,028	1,036	1,048	1,053	1,089	1,102	1,080
Amortization	**37**	39	38	40	37	36	37	46
Adjusted EBITDA	**8,831**	5,804	3,383	8,047	11,065	6,278	1,909	6,363
Adjusted EBITDA per share	**$ 1.30**	$ 0.85	$ 0.50	$ 1.18	$ 1.64	$ 0.94	$ 0.29	$ 0.95

Adjusted EBITDA of $8,831 in the current quarter decreased by $2,234 from $11,065 in the comparative three month period of 2020. The decreased adjusted EBITDA is primarily related to decreased operating earnings from higher raw material input costs.