Management's Discussion and Analysis

For the three and nine month periods ended September 30, 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 condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2020 and 2019 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 2020 (three and nine month periods ended September 30, 2020) are compared with results from the third quarter of 2019.This MD&A has been prepared as of October 29, 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 October 29, 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. 3	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**
Sales	**$ 41,986**	$ 31,518	$ 24,233	$ 36,824	$ 36,874	$ 35,421	$ 24,113	$ 35,283
Gross profit	**15,417**	9,531	5,737	10,461	10,202	9,436	4,729	8,148
Gross profit margin %	**36.7**	30.2	23.7	28.4	27.7	26.6	19.6	23.1
Operating income (loss)	**9,975**	5,088	770	5,237	4,940	4,255	(952)	3,109
Net income (loss)	**7,331**	3,750	346	3,695	3,442	3,061	(1,172)	2,077
Earnings (loss) per share:								
Basic	**1.09**	0.56	0.05	0.55	0.51	0.45	(0.17)	0.31
Diluted	**1.08**	0.55	0.05	0.54	0.50	0.44	(0.17)	0.31
Adjusted EBITDA[1]	**11,065**	6,278	1,909	6,363	6,080	5,410	185	4,289
Adjusted EBITDA per share[1]	**$ 1.64**	$ 0.94	$ 0.29	$ 0.95	$ 0.90	$ 0.80	$ 0.03	$ 0.64

[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	
	2020	**2019**	**2020**	**2019**
Sales	**$ 41,986**	$ 36,874	**$ 97,737**	$ 96,408
Cost of sales	**(26,569)**	(26,672)	**(67,052)**	(72,041)
Gross profit	**15,417**	10,202	**30,685**	24,367
Selling expenses	**(3,118)**	(3,146)	**(8,995)**	(9,306)
Administrative expenses	**(2,317)**	(2,060)	**(5,956)**	(5,770)
Other (losses)	**(7)**	(56)	**99**	(1,048)
Operating income	**9,975**	4,940	**15,833**	8,243
Insurance claim - gain	**-**	-	**65**	-
Investment income	**5**	44	**55**	72
Finance costs	**(278)**	(288)	**(850)**	(876)
Income before taxes	**9,702**	4,696	**15,103**	7,439
Income taxes expense	**(2,371)**	(1,254)	**(3,676)**	(2,108)
Net income for the period	**$ 7,331**	$ 3,442	**$ 11,427**	$ 5,331
Earnings per share - $ per share				
Basic	**$ 1.09**	$ 0.51	**$ 1.70**	$ 0.79
Diluted	**$ 1.08**	$ 0.50	**$ 1.68**	$ 0.77

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 $41,986 in the three month period ended September 30, 2020, an increase of $5,112 or 13.9% from sales of $36,874 in the comparative three month period of 2019. Sales growth for the quarter fully offset the declines reported in Q2/20 and were across a broad range of products, regions and industries led by our core EPS insulating and building products. Sales increased in both operating segments with the Canadian segment responsible for the majority of gains.

In the nine month period ended September 30, 2020, consolidated sales were $97,737, an increase of $1,329 or 1.4% from sales of $96,408 in the comparative nine month period of 2019. The increase in sales occurred in both the Canadian and USA operating segments driven by our custom homes project activity over the nine month period.

Gross profit

Consolidated gross profit was $15,417 in the three month period ended September 30, 2020, as compared to $10,202 in the comparative three month period of 2019, an increase of $5,215. Gross profit margin of 36.7% in the current quarter compared to a gross profit margin of 27.7% in Q3/19. The increase in gross profit margin is primarily attributable to lower raw material input costs supported by stable product pricing and improved operating efficiencies as a result of increased volumes and ongoing overhead expense controls.

Consolidated gross profit was $30,685 in the nine month period ended September 30, 2020, as compared to $24,367 in comparative nine month period of 2019, or a favourable variance of $6,318 and was driven by higher sales volumes, stable product pricing, lower raw material input costs and continued operating efficiencies in labour and overhead expenses. Gross profit margin of 31.4% in the current nine month period was higher than a gross profit margin of 25.3% reported in the comparative nine month period.

A slight depreciation of the Canadian currency in the current three and nine month periods, compared to the respective prior periods, increased the cost of raw materials, which are purchased in US dollars. Similarly, the appreciation of the US currency, contributed to higher consolidated sales over the nine month period, when US transactions are consolidated into Canadian currency.

Selling and administrative expenses

In the current quarter, selling and administrative expenses have decreased as a percentage of sales to 12.9% of sales for the current quarter contrasted with 14.1% in the comparative quarter, primarily as a result of increased sales, reduced travel and implemented spending controls. For the nine month period, selling and administrative expenses are slightly lower as a percentage of sales at 15.3% for the nine months of 2020 compared to 15.6% for the comparative period.

Operating income

Operating income of $9,975 in the current quarter compared to operating income of $4,940 reported in Q3/19, a favourable variance of $5,035, a two-fold increase.

In the nine month period ended September 30, 2020, operating income of $15,833 compared to operating income of $8,243 reported in the comparative nine month period of 2019, a favourable variance of $7,590.

Income before taxes

In the current quarter, income before taxes of $9,702 was reported as compared to income before taxes of $4,696 in Q3/19, an increase of $5,006.

In the nine month period ended September 30, 2020, income before taxes of $15,103 was reported as compared to income before taxes of $7,439 reported in the comparative nine month period of 2019, a favourable variance of $7,664.

Income taxes

Income tax expense in the current quarter was $2,371 as compared to income tax expense of $1,254 in Q3/19. The most current, effective income tax rate of 24.3%, applied for the nine month period is reasonably representative of the blended tax rate expected for 2020.

Net income

Net income of $7,331 in the current quarter compares to net income of $3,442 reported in the comparative quarter of 2019, an increase of $3,889. In the nine month period ended September 30, 2020, net income of $11,427 compared to net income of $5,331 in the comparative nine month period of 2019, an increase of $6,096.

Earnings per share

Basic and diluted earnings per share in the current quarter were $1.09 and $1.08, respectively, as compared to basic and diluted earnings per share of $0.51 and $0.50, respectively, reported in Q3/19, a two-fold increase.

In the nine month period ended September 30, 2020, basic and diluted earnings per share of $1.70 and $1.68, respectively, as compared to basic and diluted earnings per share of $0.79 and $0.77, respectively, reported in the comparative nine month period of 2019, representing a two-fold increase.

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 unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 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, 2020 and 2019, is set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2020	**2019**	**2020**	**2019**
Canada	**$ 26,550**	$ 22,801	**$ 6,848**	$ 3,138
USA	**15,436**	14,073	**2,909**	1,634
Total for segments	**$ 41,986**	$ 36,874	**9,757**	4,772
Corporate – income			**219**	166
Foreign exchange (loss) gain on inter-segment settlements			**(1)**	2
Consolidated operating income			**$ 9,975**	$ 4,940

Nine month periods ended September 30	**Sales revenues**		**Operating income**	
	2020	**2019**	**2020**	**2019**
Canada	**$ 60,759**	$ 60,012	**$ 10,954**	$ 6,492
USA	**36,978**	36,396	**4,365**	2,210
Total for segments	**$ 97,737**	$ 96,408	**15,319**	8,702
Corporate – income (expense)			**520**	(464)
Foreign exchange (loss) gain on inter-segment settlements			**(6)**	5
Consolidated operating income			**$ 15,833**	$ 8,243

(a) Canadian segment

Sales

Sales generated by the Canadian segment were $26,550 in Q3/20 compared with $22,801 in the comparative Q3/19 period, an increase of $3,749 or 16.4%. In the nine month period, ended September 30, 2020 sales were $60,759 an increase of $747 or 1.2% over $60,012 in the comparative period.

In the current quarter, Canadian segment sales growth was broad-based across multiple products, regions and markets. Sales in eastern Canada were noticeably strong and benefited from the completion of a large public works infrastructure project during the quarter.

Operating income

The Canadian segment reported operating income of $6,848 in the current quarter, an increase of $3,710 as compared to operating income of $3,138 reported in Q3/19, a two-fold increase.

In the nine month period ended September 30, 2020, the Canadian segment reported operating income of $10,954 as compared to operating income of $6,492 in the comparative nine month period of 2019, a favourable variance of $4,462.

The improved operating income was primarily related to increased volumes, stable product pricing, decreased raw material input costs and improved operating efficiencies in managing labour and overhead expenses. Selling and administrative expenses remained lower than prior year when expressed as a percent of sales.

(b) USA segment

Sales

As reported in Canadian dollars, sales in the USA segment increased from $14,073 in Q3/19 to $15,436 in the current quarter, an increase of $1,363 or 9.7%. The increase in sales during the third quarter was broad-based across the majority of product lines and regions.

Foreign currency movements had a very slight impact when translating US sales into Canadian dollars during Q3/20. Average foreign exchange rates experienced by the Corporation during the periods reflected the slight depreciation of the Canadian currency from an average rate of $1.32 per US$1.00 in the 2019 comparative quarter, to an average rate of approximately $1.33 per US$1.00 in the current quarter.

Eliminating the effect of foreign exchange fluctuations, the sales, expressed in USA dollars, were $11,596 in the current quarter or 8.9% higher than Q3/19 sales of $10,648.

As reported in Canadian dollars, sales in the USA segment increased from $36,396 in nine month period ending September 30, 2019, to $36,978 in the current nine month period, an increase of $582 or 1.6%. The increase in year-to-date sales were driven by the Custom Homes Group as well as sales of insulated panel building products but was offset by a decrease in our core EPS insulating and building product sales. EPS foam sales were lower as a result of infrastructure project delays.

During the nine month periods, foreign currency movements had a favorable impact when translating US sales into Canadian dollars. Average foreign exchange rates experienced by the Corporation during the nine month periods reflected the continued 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 $1.35 per US$1.00. Eliminating the effect of foreign exchange fluctuations, the sales remained flat to prior year when expressed in USA dollars, at $27,373 in the current nine month period compared to $27,380 in the comparative nine month period.

Operating income

The USA segment reported operating income of $2,909 in the current quarter as compared to operating income of $1,634 in the comparative quarter of 2019. This represents an increase of $1,275 and was attributable to increased sales, stable product pricing, lower raw material input costs, improved operating efficiencies and reduced selling and administrative expenses. In the nine month period ended September 30, 2020, the USA segment reported operating income of $4,365 as compared to an operating income of $2,210 in the comparative nine month period of 2019, a favorable variance of $2,155. The increase in operating income was a result of stable product pricing, lower raw material costs, improved operating efficiencies and reduced selling and administrative expenses.

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, 2020	As at Dec 31, 2019
Assets		
Segmented assets	**$ 55,084**	$ 49,198
Assets not allocated to segments:		
Cash and cash equivalents	**29,345**	20,129
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**20,924**	21,567
Corporate taxes[1]	**355**	326
Total assets	**$ 107,191**	$ 92,703
Liabilities		
Segmented liabilities	**$ 24,097**	$ 18,996
Liabilities not allocated to segments:		
Lease obligations	**9,112**	9,846
Long-term debt	**7,947**	8,217
Total liabilities	**$ 41,156**	$ 37,059
Net segmented assets		
Canada	**$ 24,854**	$ 22,889
USA	**6,133**	7,313

[1] Deferred taxes.

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Additions to non-current assets:				
Canada	**$ 58**	$ 241	**$ 545**	$ 726
USA	**74**	119	**678**	562
Corporate	**-**	-	**10**	-
Total	**$ 132**	$ 360	**$ 1,233**	$ 1,288
Additions to right-of-use assets:				
Canada	**$ 44**	$ 44	**$ 69**	$ 93
USA	**-**	59	**-**	96
Total	**$ 44**	$ 103	**$ 69**	$ 189
Depreciation and amortization:				
Canada	**$ 599**	$ 631	**$ 1,834**	$ 1,905
USA	**229**	244	**730**	729
Corporate	**262**	265	**790**	798
Total	**$ 1,090**	$ 1,140	**$ 3,354**	$ 3,432
Inter-segment sales	**$ 1,792**	$ 2,186	**$ 4,089**	$ 6,451

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, 2020 and December 31, 2019 were as follows:

	September 30, 2020	December 31, 2019
Cash held with banks	**$ 22,345**	$ 18,629
Short-term investments	**7,000**	1,500
	$ 29,345	$ 20,129

Cash balances typically fluctuate with the seasonality of its business. The increase in cash balances for the nine month period ended September 30, 2020 was primarily attributed to significantly improved gross margins, led by higher sales and lower cost of sales. 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 $3,216, an increase of $2,292 from $924 over the last nine months, reflects a strong order book in 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.

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, 2020 and 2019 are shown in the following table:

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Net cash flows from:				
Cash from operating activities, before income taxes	**$ 13,741**	$ 8,024	**$ 18,749**	$ 11,043
Income taxes paid, net	**(2,212)**	(127)	**(2,962)**	(1,460)
Net cash from operating activities	**11,529**	7,897	**15,787**	9,583
Net cash used in investing activities	**(1,723)**	(32)	**(3,439)**	(1,475)
Net cash used in financing activities	**(1,214)**	(1,821)	**(3,667)**	(4,052)
Effects of exchange rates on cash and cash equivalents, and restricted cash held in foreign currencies	**(326)**	180	**535**	(416)
Net increase in cash and cash equivalents	**8,266**	6,224	**9,216**	3,640
Cash and cash equivalents – beginning of period	**21,079**	14,360	**20,129**	16,944
Cash and cash equivalents – end of period	**$ 29,345**	$ 20,584	**$ 29,345**	$ 20,584

(a) Operating activities

Net cash generated from operating activities was $11,529 in the current quarter as compared to $7,897 in the comparative quarter of 2019, an increase of $3,632. In the nine month period ended September 30, 2020, net cash generated from operating activities was $15,787 versus net cash from operating activities of $9,583 in the comparative nine month period of 2019, an increase of $6,204.

Net cash from operating activities increased in the third quarter primarily as a result of strong gross margins, reflecting increased sales and a reduction in the cost of sales, as compared to the 2019 comparative period. For the current nine month period, net cash from operating activities increased as a result of a strong third quarter, as compared to the 2019 period.

The changes in non-cash working capital amounts which occurred in the nine month period ended September 30, 2020 are shown in the following table:

	Sept 30, 2020	**Dec 31, 2019**	**Change**
Trade receivables	**$ 15,427**	$ 10,746	$ 4,681
Inventories	**11,244**	11,598	(354)
Prepaid expenses	**899**	469	430
Contract costs	**403**	487	(84)
Trade and other payables	**(10,871)**	(10,324)	(547)
Contract liabilities	**(9,719)**	(5,943)	(3,776)
	$ 7,383	$ 7,033	$ 350

Non-cash working capital increased in the nine month period ended September 30, 2020 by $350 (2019 - $1,661).

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

Inventories have decreased since the beginning of the year, which is reflective of both lower raw material input costs and active inventory management to maintain lower levels of inventory at facilities in response to market conditions.

Prepaid expenses of $899, have increased by $430 from the beginning of the year due to the prepayment of property taxes and higher insurance premiums.

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs have decreased by $84 in the last nine months and are primarily related to the payment of commissions in the USA segment on the completion of performance obligations on certain contracts.

The increase in trade and other payables of $547 since the beginning of the year is reflective of higher trade payables and sales taxes payable from 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 $3,776 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 $1,723 in the current quarter as compared to cash flows used in investing activities of $32 in Q3/19, an increase of $1,691. In the nine month period, ended September 30, 2020 net cash used in investing activities was $3,439 versus $1,475 in the comparative nine month period of 2019, an increase of $1,964. The increased cash used in investing activities in both the three and nine month periods is primarily related to changes in restricted cash related to the progress of performance obligations in the Custom Homes Group.

(c) Financing activities

Net cash used in financing activities in the current quarter was $1,214 as compared to net cash used in financing activities of $1,821 in the comparative quarter of 2019, or a decrease of $607. In the nine month period, ended September 30, 2020, net cash used in financing activities was $3,667 versus $4,052 in the comparative nine month period of 2019, or a decrease of $385. The decrease reflects payments made to buy-back common shares in the prior three and nine month periods, which were not repeated in the current three and nine month periods, in the amount of $525.

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 (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).

The Corporation's capital structure as at September 30, 2020 and December 31, 2019, is outlined in the following table:

	As at September 30, 2020	**As at December 31, 2019**
Debt	**$ 7,947**	$ 8,217
Less: cash and cash equivalents	**29,345**	20,129
Surplus cash	**$ (21,398)**	$ (11,912)
Shareholders' equity	**$ 66,035**	$ 55,644

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, 2020 and December 31, 2019, is set forth in the following table:

	September 30, 2020 (Nine 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	**6,000**	**52**	25,000	222
Exercise of restricted share units	**100,000**	**950**	-	-
Repurchased pursuant to normal course issuer bid	**-**	**-**	(50,000)	(157)
Balance, end of period	**6,797,003**	**$ 22,014**	6,691,003	$ 21,012

Share-based options

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

There were 6,000 share options exercised in the three and nine month periods ended September 30, 2020, whereas nil and 25,000 share options were exercised in the three and nine month periods, ended September 30, 2019, respectively.

Restricted Share Units

In the three month period ended September 30, 2020, there were 100,000 restricted share units exercised, resulting in the issuance of 100,000 common shares from treasury which had the effect of a $950 decrease in equity-settled employee benefits reserve and a $950 increase in capital stock. There were no restricted share units remaining or outstanding as at September 30, 2020.

Dividends

In the first quarter of 2020, the Corporation's board of directors declared a regular quarterly dividend of $0.09 (2019 - $0.08) per common share which was paid in February of each year, respectively. The dividend payment in February 2020 amounted to $602 (2019 - $538).

In the second quarter of 2020, the Corporation's board of directors declared a regular quarterly dividend of $0.09 (2019 - $0.09) per common share which was paid in May of each year, respectively. The dividend payment in May 2020 amounted to $602 (2019 - $607).

In the third quarter of 2020, the Corporation's board of directors declared a regular quarterly dividend of $0.09 (2019 - $0.09) per common share which was paid in August of each year, respectively. The dividend payment in August 2020 amounted to $611 (2019 - $606).

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.

In the three month period ended September 30, 2020, the Corporation did not purchase any of its common shares. In the comparative three month period ended September 30, 2019, the Corporation purchased for cancellation 50,000 of its common shares for an aggregate price of $525, of which $368 was charged to retained earnings as a premium on redemption of the 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 (loss)" 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, 2020 and 2019 is as follows:

	Three month periods ended September 30		**Nine month periods ended September 30**	
	2020	**2019**	**2020**	**2019**
Net income for the period	**$ 7,331**	$ 3,442	**$ 11,427**	$ 5,331
Other comprehensive (loss) income	**(596)**	267	**683**	(675)
Comprehensive income for the period	**$ 6,735**	$ 3,709	**$ 12,110**	$ 4,656

In the third quarter of 2020, comprehensive income was $6,735 as compared to comprehensive income of $3,709 in the comparative quarter of 2019. Other comprehensive loss of $596 (Q3/19 – gain of $267) in the current quarter consisted of losses attributed to foreign currency translation when consolidating PFB's USA operations.

Included in accumulated other comprehensive income at September 30, 2020, were foreign currency translation adjustments equal to $683, unrealized gains on financial assets of $406 and $96 of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $3,821.

Long-term debt

Total long-term debt of $7,947 as at September 30, 2020 compares to long-term debt of $8,306 as at September 30, 2019, a reduction of $359. 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 1.25:1.00. 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, 2019 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, 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 September 30, 2020					
Long-term debt (principle & interest)	**$ 10,296**	$ 623	$ 1,246	$ 1,263	$ 7,164
Lease obligations	**15,293**	1,972	3,467	2,929	6,925
Commitments for PP&E and intangible assets	**676**	676	-	-	-
Other long-term obligations	**835**	54	436	345	-
Fixed price utility contracts	**1,061**	355	541	165	-
Total contractual obligations	**$ 28,161**	**$ 3,680**	**$ 5,690**	**$ 4,702**	**$ 14,089**
As at December 31, 2019					
Long-term debt (principle & 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 finance lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs.

8.2 Performance bonds

At September 30, 2020, the Canadian segment did not have any performance bonds outstanding (December 31, 2019 - $nil). In the USA, performance bonds in the amount of $636 were pledged to various government agencies as at September 30, 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 reported record sales and adjusted EBITDA in the third quarter of 2020. Sales for the current quarter at $41,986 offset the declines experienced in Q2/20, and represented an increase of $5,112 over Q3/19. Sales were driven by increased activity in both the Canadian and USA segments. Sales volumes increased across a broad range of product offerings, regions and markets. Sales during the quarter benefited from increased economic activity as a result of government and health authority actions intended to ease restrictions associated with the ongoing pandemic. Additionally, sales benefited from construction projects moving forward that were previously delayed and increased government stimulus spending. Sales for the first nine months of 2020 have recovered and are slightly above the prior year.

The Corporation improved on its strong margin performance from the first half of 2020. Continued stable product pricing, lower raw material input costs along with improved operating efficiencies and overhead spending controls resulted in a gross margin of 36.7% as compared to 27.7% for Q3/19, an increase of 900 basis points. We expect gross margin performance to remain strong due to pressures within the petrochemical industry that will contribute to styrene monomer pricing stability and continued operational efficiencies. In addition to improved gross margins, increased volumes and selling and administrative spending controls resulted in a record adjusted EBITDA of $11,065 for the current quarter, an increase of $4,985 over Q3/19. Net income and adjusted EBITDA for the first nine months of 2020 are at record levels.

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 coronavirus in the communities in which we operate. The Corporation’s COVID-19 protocols have proven to be very effective resulting in no material disruptions to our regional operations over the first nine months of 2020. The Corporation acknowledges that as winter months approach, there is a potential for transmission rates to increase and as such we continue to review, adapt and improve COVID-19 protocols.

Governments in Canada and the United Sates continue to support various fiscal policies to provide COVID-19 related subsidies, tax relief and loan programs intended to support businesses. The Corporation’s business is seasonal in nature and employment is based on customer demand. The Corporation has not participated in any government support programs as a result of our overall strong performance during 2020. The Corporation will continue to review and assess options moving forward.

The Corporation continues to experience increased demand for our nationally branded insulation building products and services across North America. Order books remain strong entering the fourth quarter of 2020. However, as efforts to contain the virus are complicated by both the seasonal flu and the arrival of colder weather, general uncertainty persists and we remain unable to accurately quantify the impact these events will have on our customers’ requirements.

Our focus is to continue driving profitability and positive cash flows, while maintaining a strong balance sheet. 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 is confident that the Corporation is well positioned heading into the final quarter of 2020.

Management will continue to make every effort to keep our employees safe while providing critical products and services to our customers, protect and support the communities in which we operate, increase value for our shareholders and search for suitable acquisitions to expand our business.

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, 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 September 30, 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 September 30, 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. Related party transactions

There have been no material changes in related party transactions in the three and nine month periods ended September 30, 2020. 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 2019. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2019.

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, 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.

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.

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 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Net income (loss) (As per financial statements)	**$ 7,331**	$ 3,750	$ 346	$ 3,695	$ 3,442	$ 3,061	$ (1,172)	$ 2,077
Add back (deduct):								
Income taxes (recovery)	**2,371**	1,125	180	1,302	1,254	906	(52)	751
Finance costs	**278**	282	290	287	288	293	295	300
Investment income	**(5)**	(4)	(46)	(47)	(44)	(5)	(23)	(18)
Depreciation	**1,053**	1,089	1,102	1,080	1,095	1,119	1,106	1,149
Amortization	**37**	36	37	46	45	36	31	30
Adjusted EBITDA	**11,065**	6,278	1,909	6,363	6,080	5,410	185	4,289
Adjusted EBITDA per share	**$ 1.64**	$ 0.94	$ 0.29	$ 0.95	$ 0.90	$ 0.80	$ 0.03	$ 0.64

Adjusted EBITDA was a record amount for a third quarter. Adjusted EBITDA of $11,065 in the current quarter increased by $4,985 from $6,080 in the comparative three month period of 2019. The increased adjusted EBITDA is primarily related to increased net income from $3,442 in Q3/19 to $7,331 in Q3/20 or an increase of $3,889.