



BUILDING ON OUR STRENGTHS

ANNUAL MEETING
OF SHAREHOLDERS

May 2, 2019

AGENDA

1

Opening of the Meeting

Chair, Secretary and Scrutineers

Notice of Meeting

Scrutineer's Report

Minutes of Previous Meeting

Annual Report & Independent Auditor's Report

Election of Directors

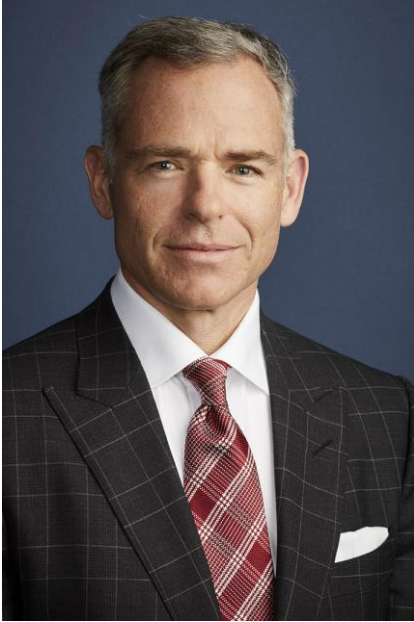
Appointment of Auditors

Termination of the Meeting

Management Presentations

Question Period

MANAGEMENT



Brian McManus

President and
Chief Executive Officer



Eric Vachon, CPA, CA

Senior Vice-President and
Chief Financial Officer



Marla Eichenbaum

Vice-President, General Counsel
and Secretary

Caution Regarding Forward-Looking Information

This presentation contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency rates and other factors referenced herein and in the Company's continuous disclosure filings. Unless required to do so under applicable securities legislation, the Company's management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes.

The terms "gross profit", "EBITDA", "EBITDA margin", "operating income", "operating margins" and "Cash flow from operating activities before changes in non-cash working capital components and interest and income taxes paid", are financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section of Stella-Jones' MD&A for the first quarter of 2019 and the 2018 annual report for additional information.



Katherine A. Lehman
Chair of the Board



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ELECTION OF DIRECTORS



Katherine A. Lehman
Chair of the Board,
Stella-Jones Inc.
Managing Partner,
Hilltop Private Capital LLC



George J. Bunze
Vice-Chairman,
Kruger Inc.



Brian McManus
President and CEO,
Stella-Jones Inc.



Karen Laflamme
Executive Vice-President and
Chief Financial Officer, Retail
Ivanhoe Cambridge



James A. Manzi, Jr.
Corporate Director



Simon Pelletier
Senior Vice-President,
North American Sales
and Operations, Metso



Mary Webster
Corporate Director

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Appointment of Auditors

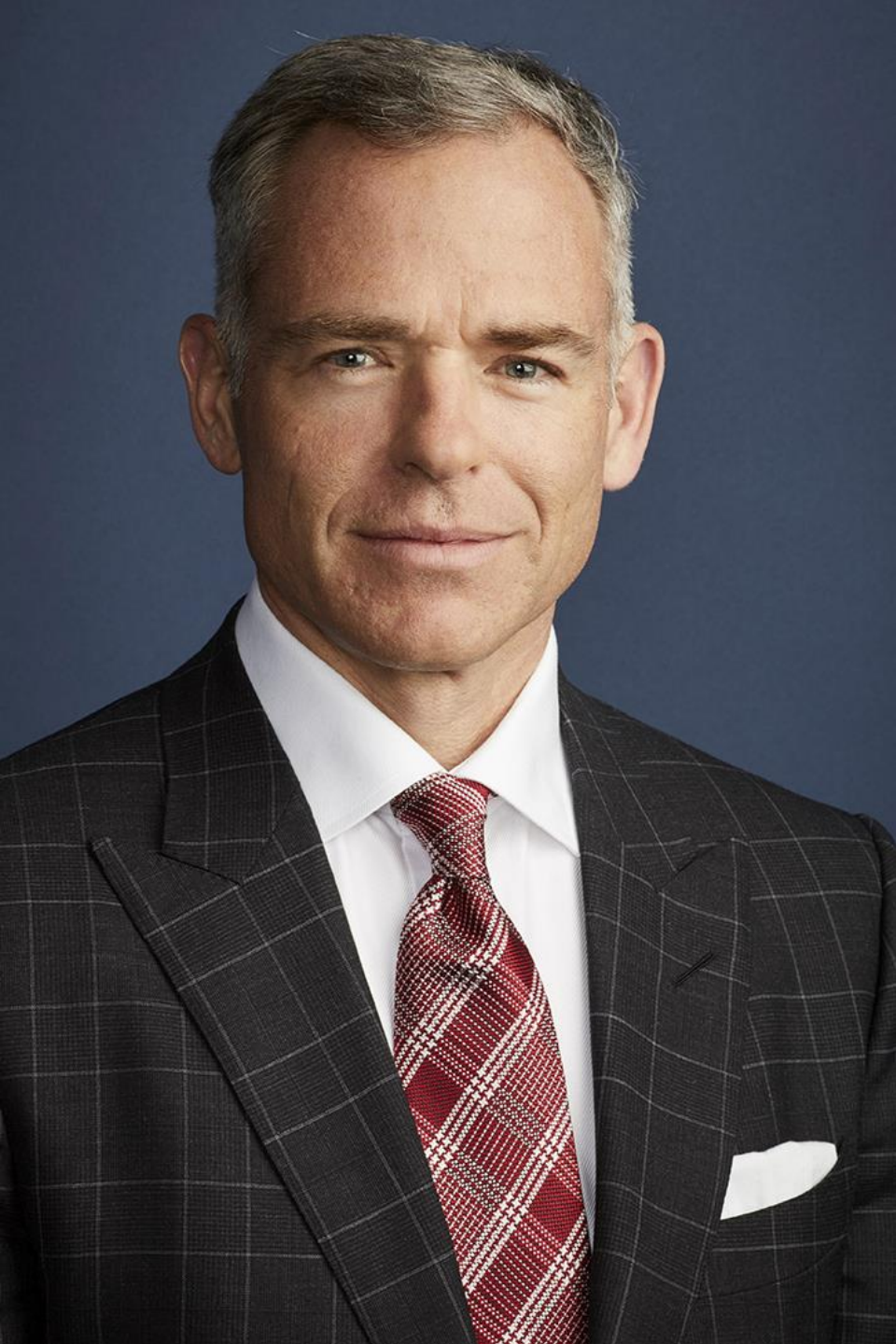
9

Termination of the Meeting

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Brian McManus
President and
Chief Executive Officer



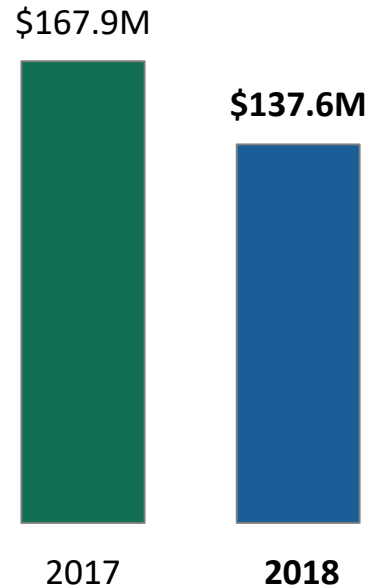
2018 - Sales Surpassing the \$2 Billion Mark

Sales



10.1% Organic Growth

Net income

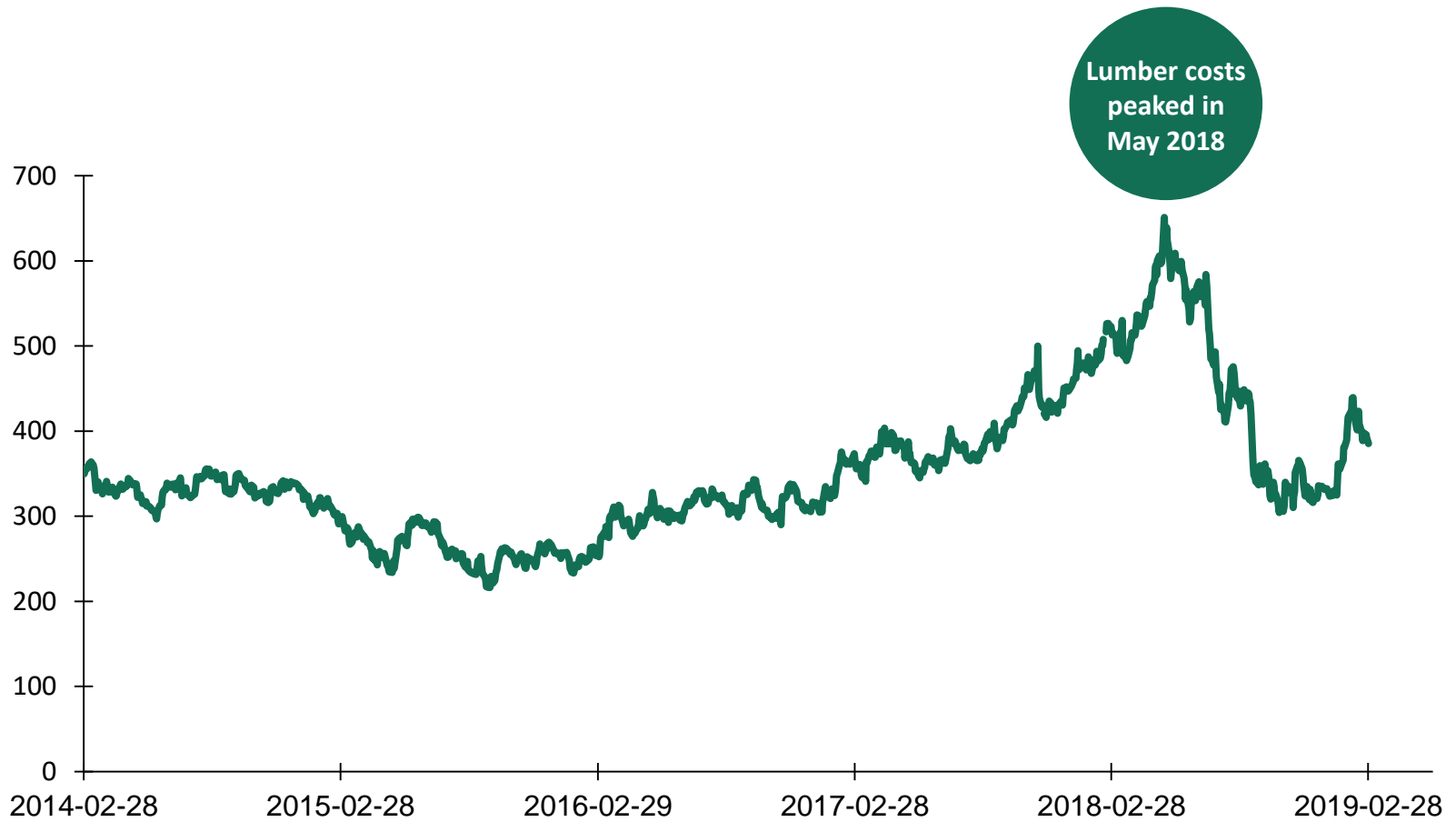


Earnings benefited by a one-time item in 2017

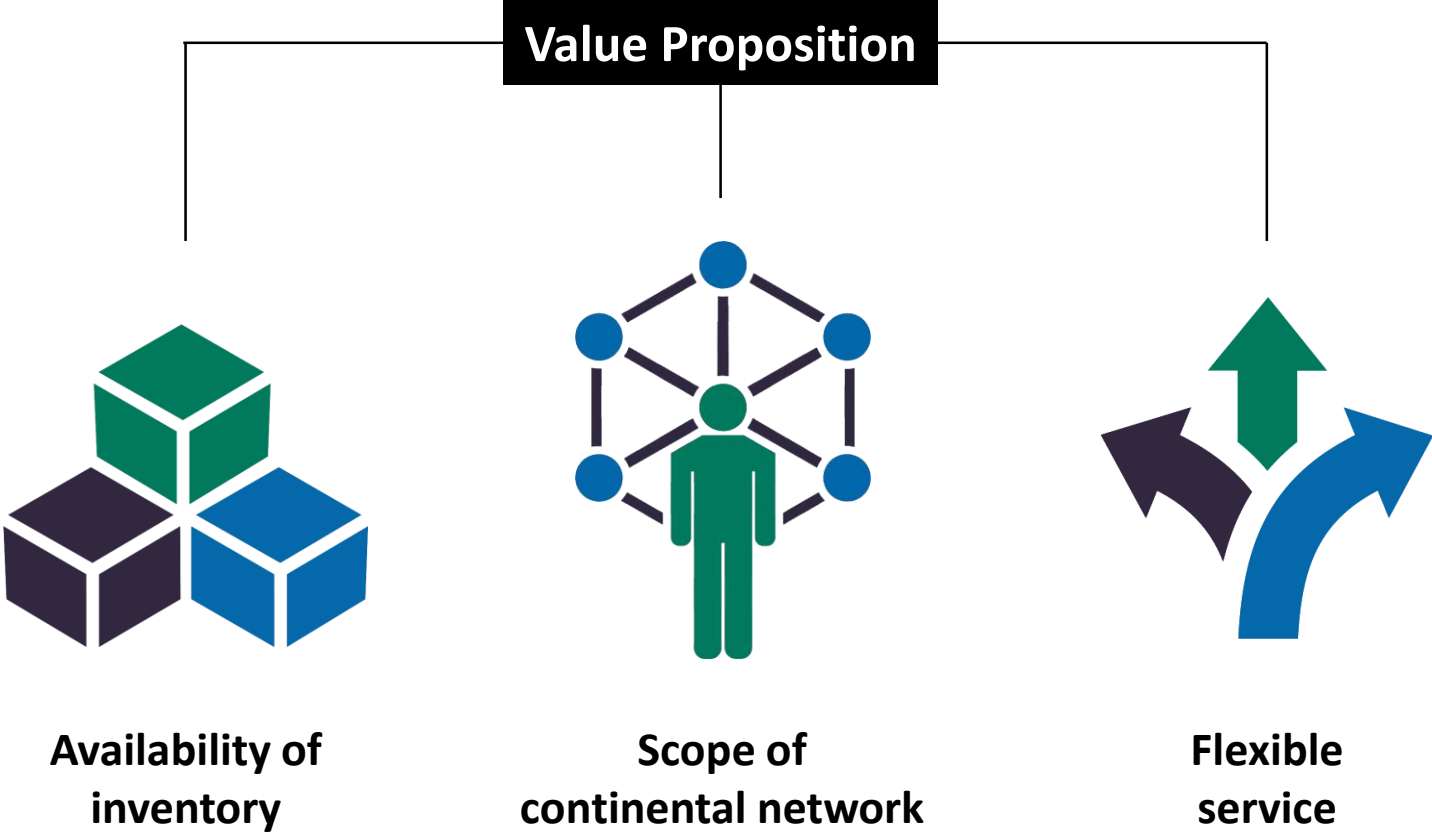
EPS



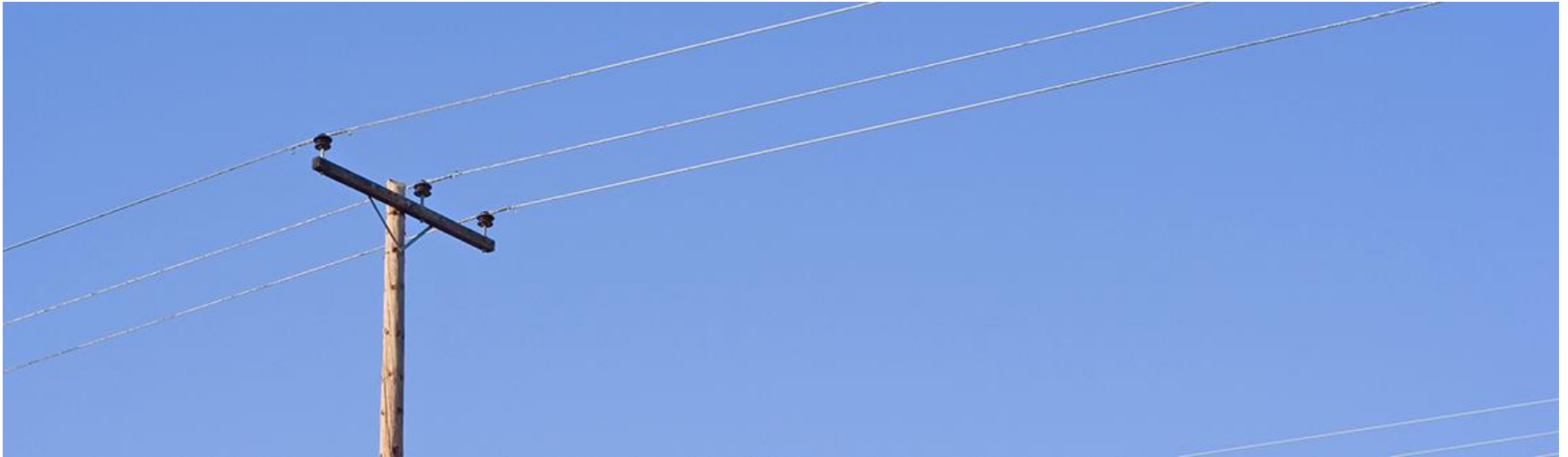
Rising Lumber Costs



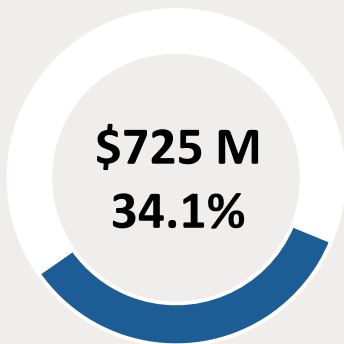
Building on Our Reputation for Quality & Service



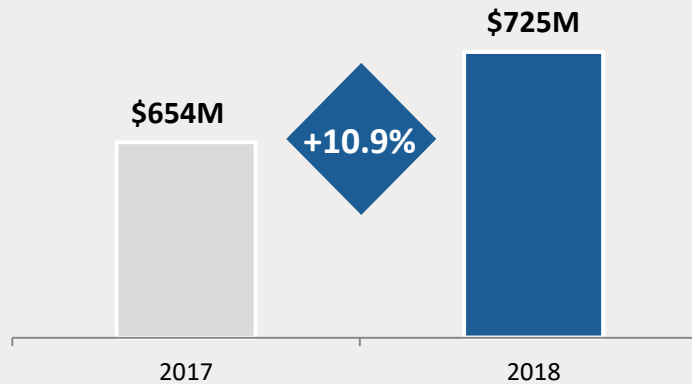
Utility Poles



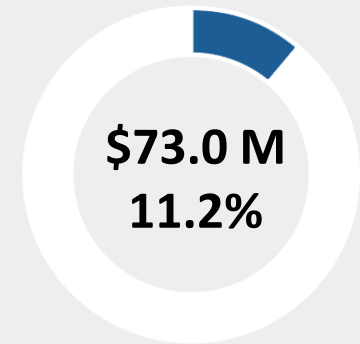
2018 Sales



Sales Variation



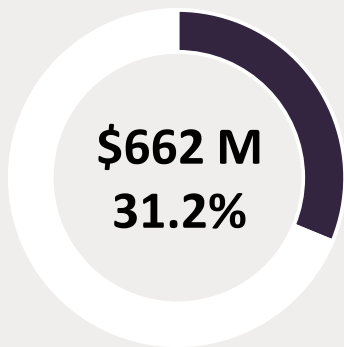
Organic Growth



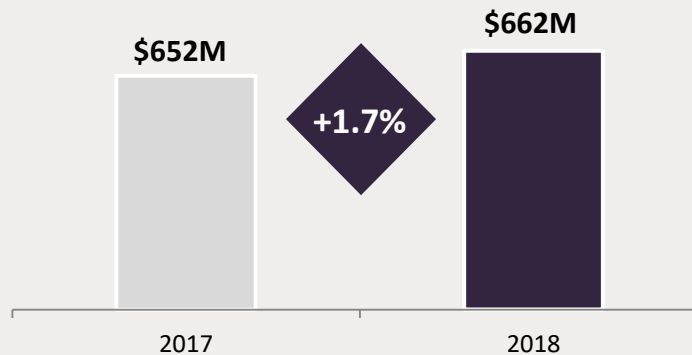
Railway Ties



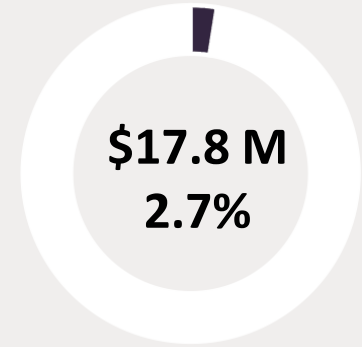
2018 Sales



Sales Variation



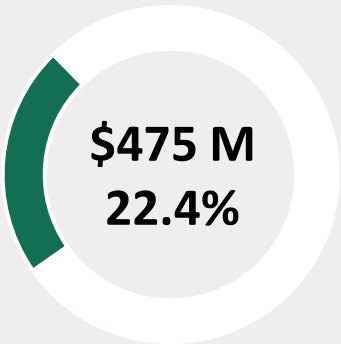
Organic Growth



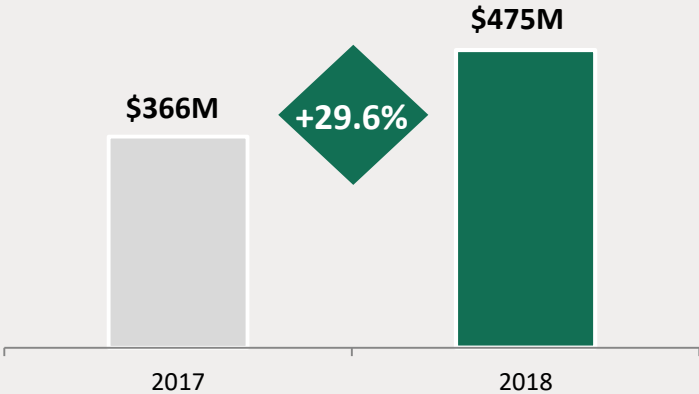
Residential Lumber



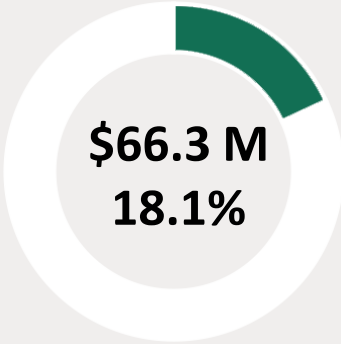
2018 Sales



Sales Variation



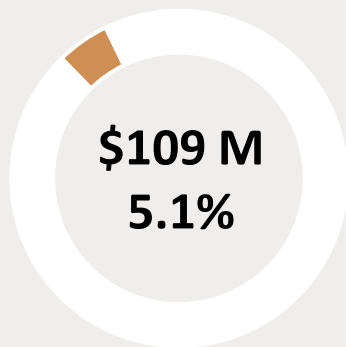
Organic Growth



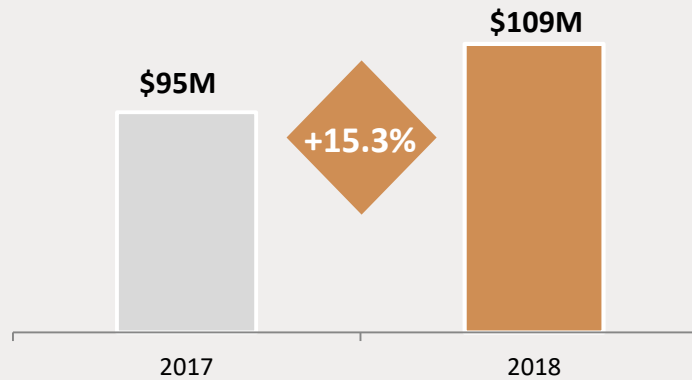
Industrial Products



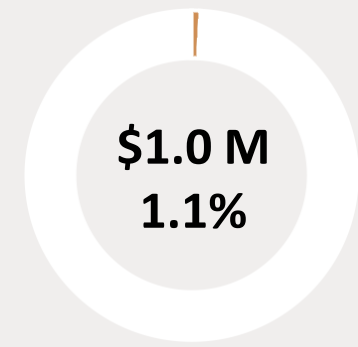
2018 Sales



Sales Variation



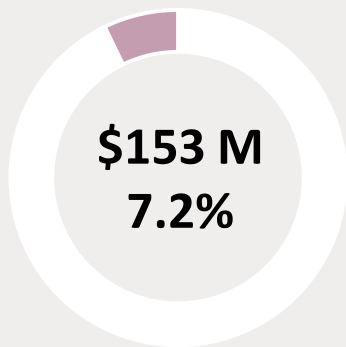
Organic Growth



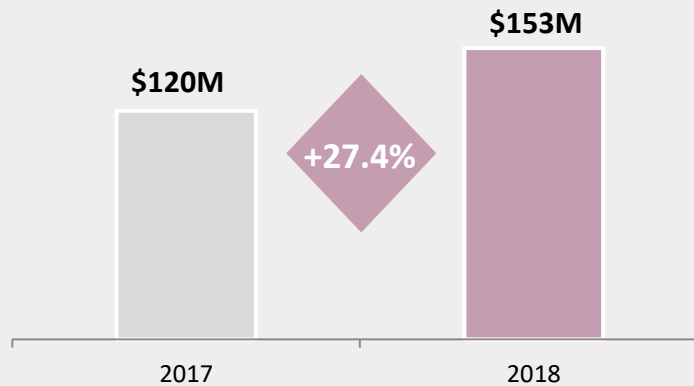
Logs & Lumber



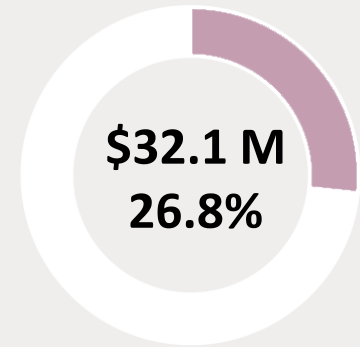
2018 Sales



Sales Variation



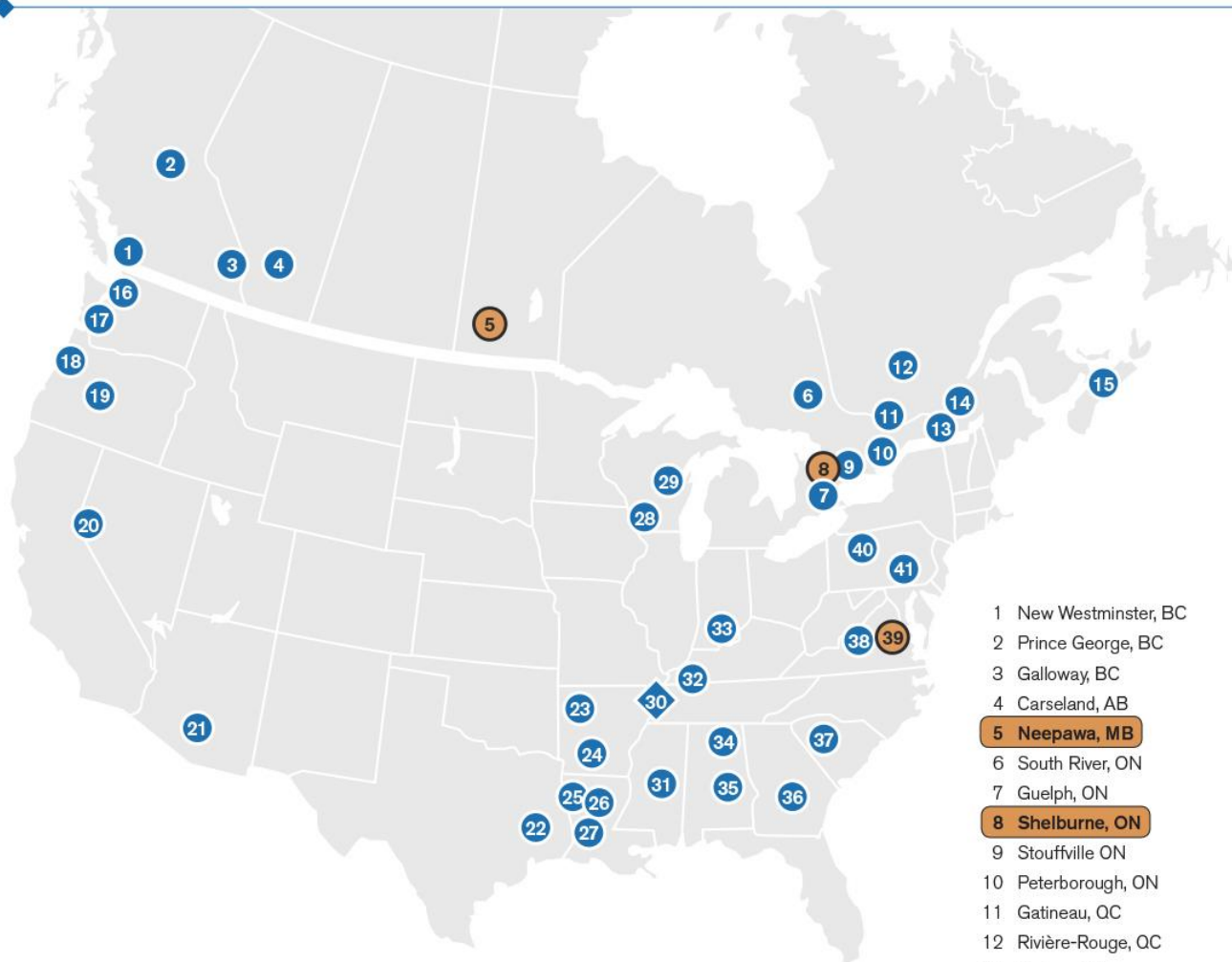
Organic Growth



Growing by Acquisitions

| | |
|----------------|---|
| July 2003 | Cambium Group Inc. (Canada) |
| August 2005 | Webster Wood Preserving (U.S.) |
| July 2006 | Bell Pole Company (Canada) |
| February 2007 | Wood utility pole business of J.H. Baxter (U.S.) |
| April 2008 | The Burke-Parsons-Bowlby Corporation (U.S.) |
| April 2010 | Tangent Rail Corporation (U.S.) |
| December 2011 | Thompson Industries (U.S.) |
| November 2012 | McFarland Cascade Holdings (U.S.) |
| November 2013 | The Pacific Wood Preserving Companies® (U.S.) |
| May 2014 | Wood treating facilities of Boatright Railroad Products (U.S.) |
| September 2015 | Treated Materials Co., Inc. (U.S.) |
| October 2015 | Ram Forest Group Inc. and Ramfor Lumber Inc. (Canada) |
| December 2015 | United Wood Treating Company, Inc. (U.S.) |
| June 2016 | Lufkin Creosoting Co., Inc. and 440 Investments, LLC [“Kisatchie”] (U.S.) |
| December 2016 | Bois KMS Ltée and Northern Pressure Treated Wood Ltd (Canada) |
| December 2017 | Wood Products Industries Inc. (Canada) |
| February 2018 | Prairie Forest Products (Canada) |
| April 2018 | Wood Preservers Incorporated (U.S.) |
| April 2019 | Shelburne Wood Protection Ltd. (Canada) |

Expanding our Continental Network



- Treating Facilities
- ◆ Coal Tar Distillery

- | | | |
|------------------------|-----------------------|------------------------|
| 1 New Westminster, BC | 15 Truro, NS | 29 Cameron, WI |
| 2 Prince George, BC | 16 Arlington, WA | 30 Memphis, TN |
| 3 Galloway, BC | 17 Tacoma, WA | 31 Scooba, MS |
| 4 Carseland, AB | 18 Sheridan, OR | 32 Fulton, KY |
| 5 Neepawa, MB | 19 Eugene, OR | 33 Winslow, IN |
| 6 South River, ON | 20 Silver Springs, NV | 34 Montevallo, AL |
| 7 Guelph, ON | 21 Eloy, AZ | 35 Clanton, AL |
| 8 Shelburne, ON | 22 Lufkin, TX | 36 Cordele, GA |
| 9 Stouffville, ON | 23 Russellville, AR | 37 Whitmire, SC |
| 10 Peterborough, ON | 24 Rison, AR | 38 Goshen, VA |
| 11 Gatineau, QC | 25 Converse, LA | 39 Warsaw, VA |
| 12 Rivière-Rouge, QC | 26 Pineville, LA | 40 Dubois, PA |
| 13 Delson, QC | 27 Alexandria, LA | 41 McAllisterville, PA |
| 14 Sorel-Tracy, QC | 28 Bangor, WI | |

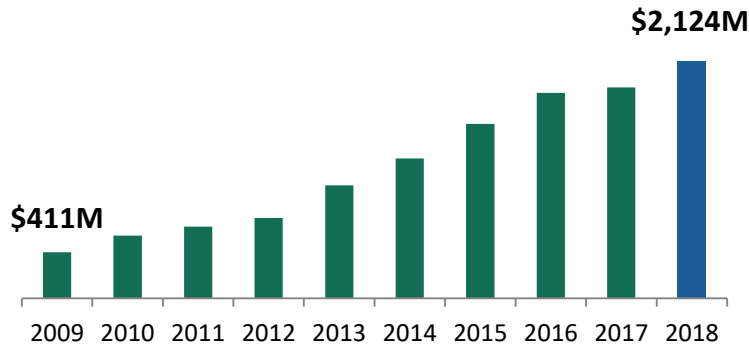


Eric Vachon, CPA, CA
Senior Vice-President and
Chief Financial Officer

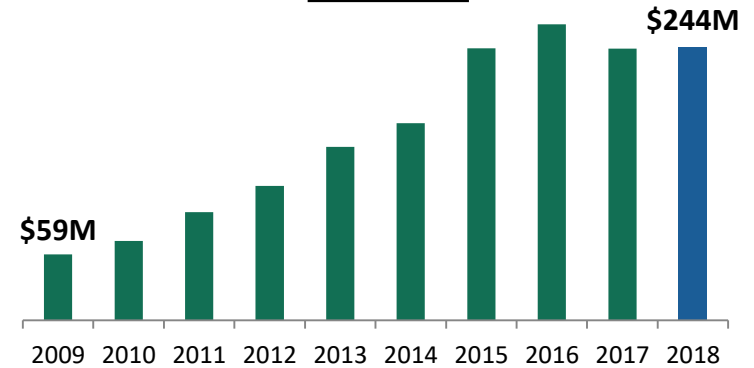


Building on Solid Performance

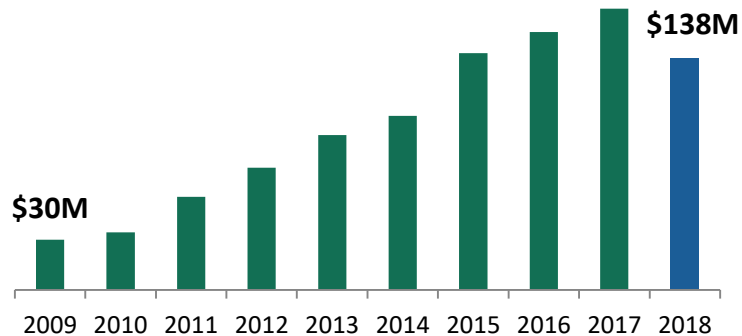
Sales



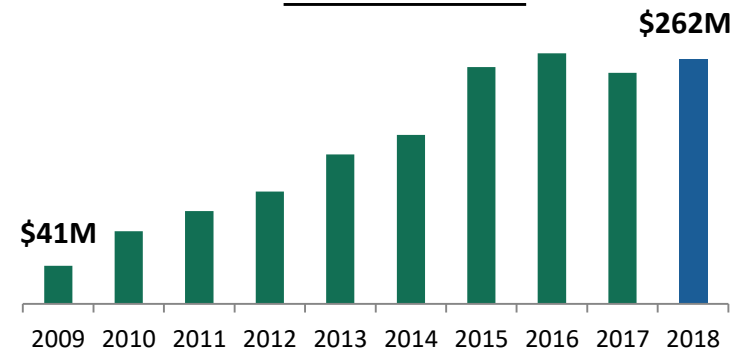
EBITDA⁽¹⁾



Net Income



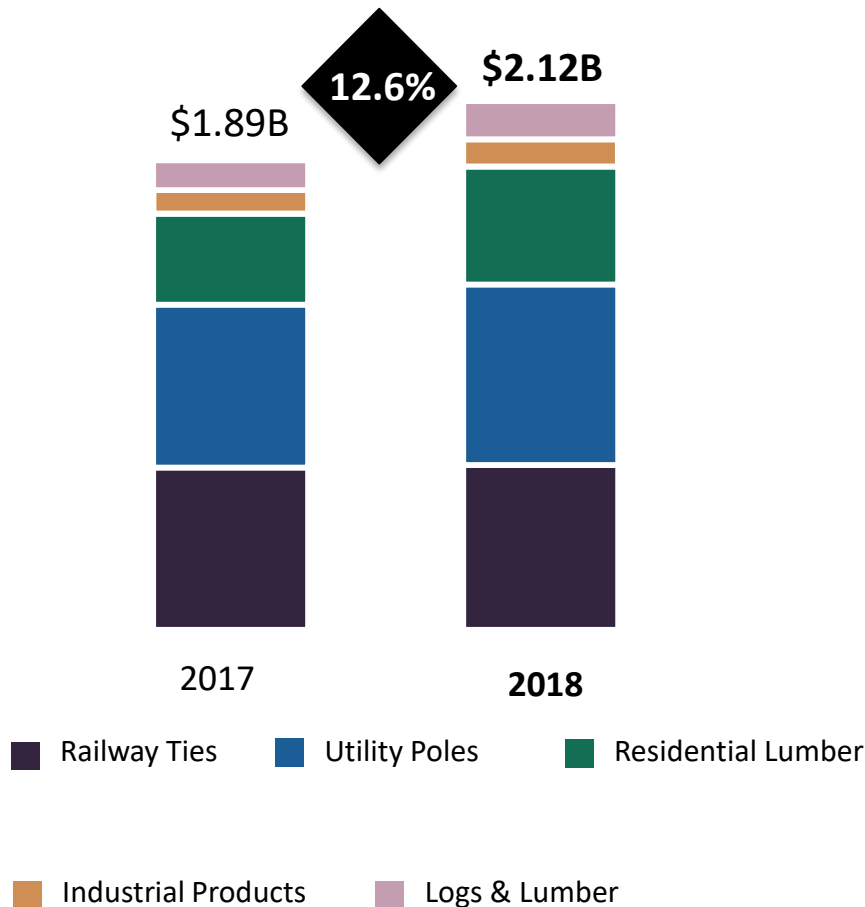
Cash Flow⁽¹⁾⁽²⁾



⁽¹⁾This is a non-IFRS financial measure. Please refer to the Company's MD&A.

⁽²⁾Before changes in non-cash working capital components and interest and income tax paid.

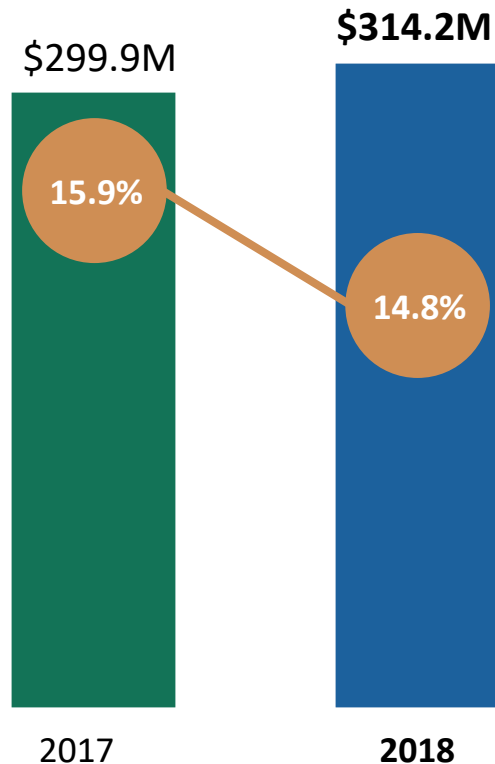
2018 – Sales Increased for 18th Consecutive Year



SALES VARIANCE

| | |
|-----------------------|------------------|
| 2017 Sales (M) | \$1,886.1 |
| Acquisitions | 60.5 |
| Currency variations | (12.9) |
| Organic growth | 190.2 |
| 2018 Sales (M) | \$2,123.9 |

2018 – Higher Gross Profit⁽¹⁾ But Lower Margin

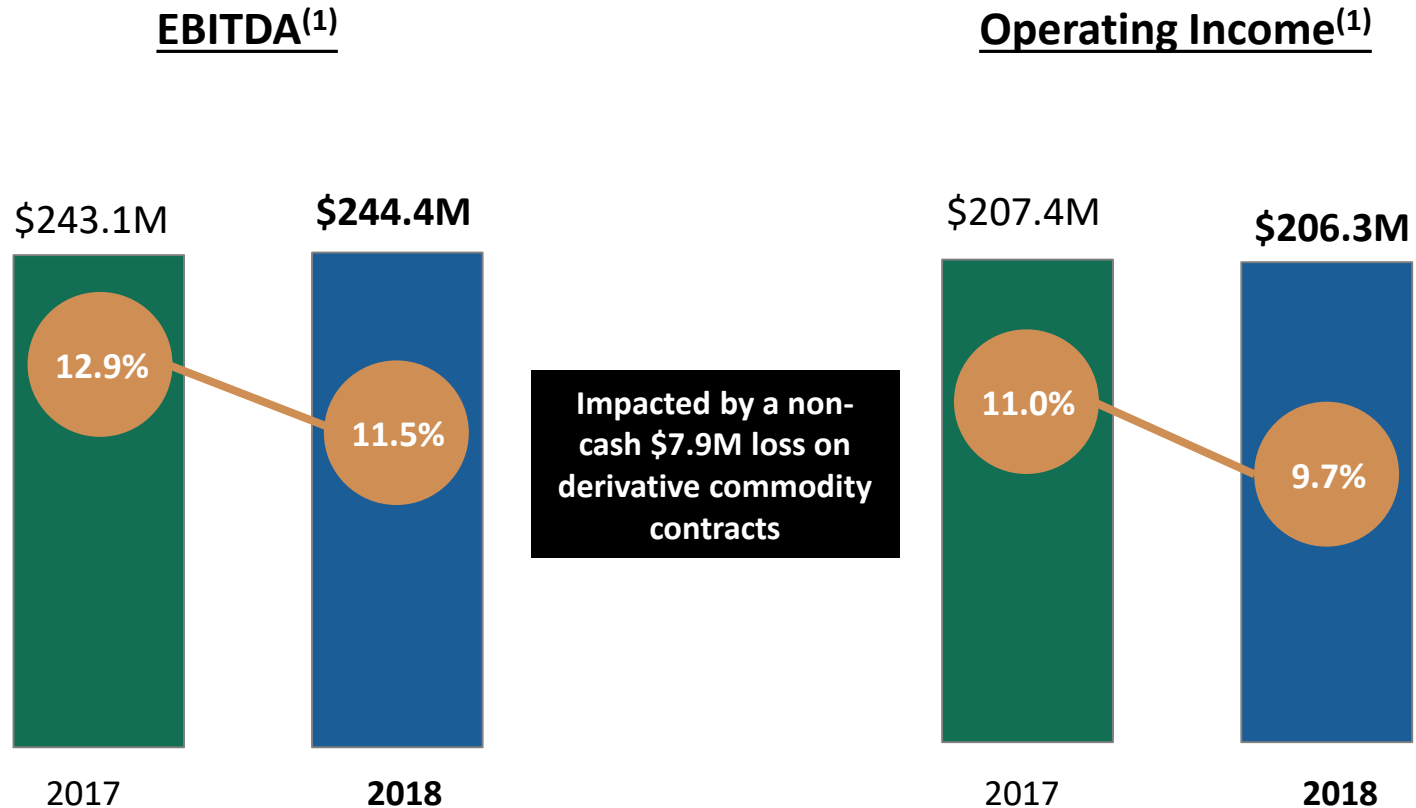


MARGIN PRESSURE

- ① Transition of a Class 1 railroad customer from a “treating services only” program to full service “black-tie” program
- ② Increasing cost of untreated railway ties and certain untreated species of poles
- ③ Higher lumber costs
- ④ Softer pricing for utility poles and railway ties in certain regions

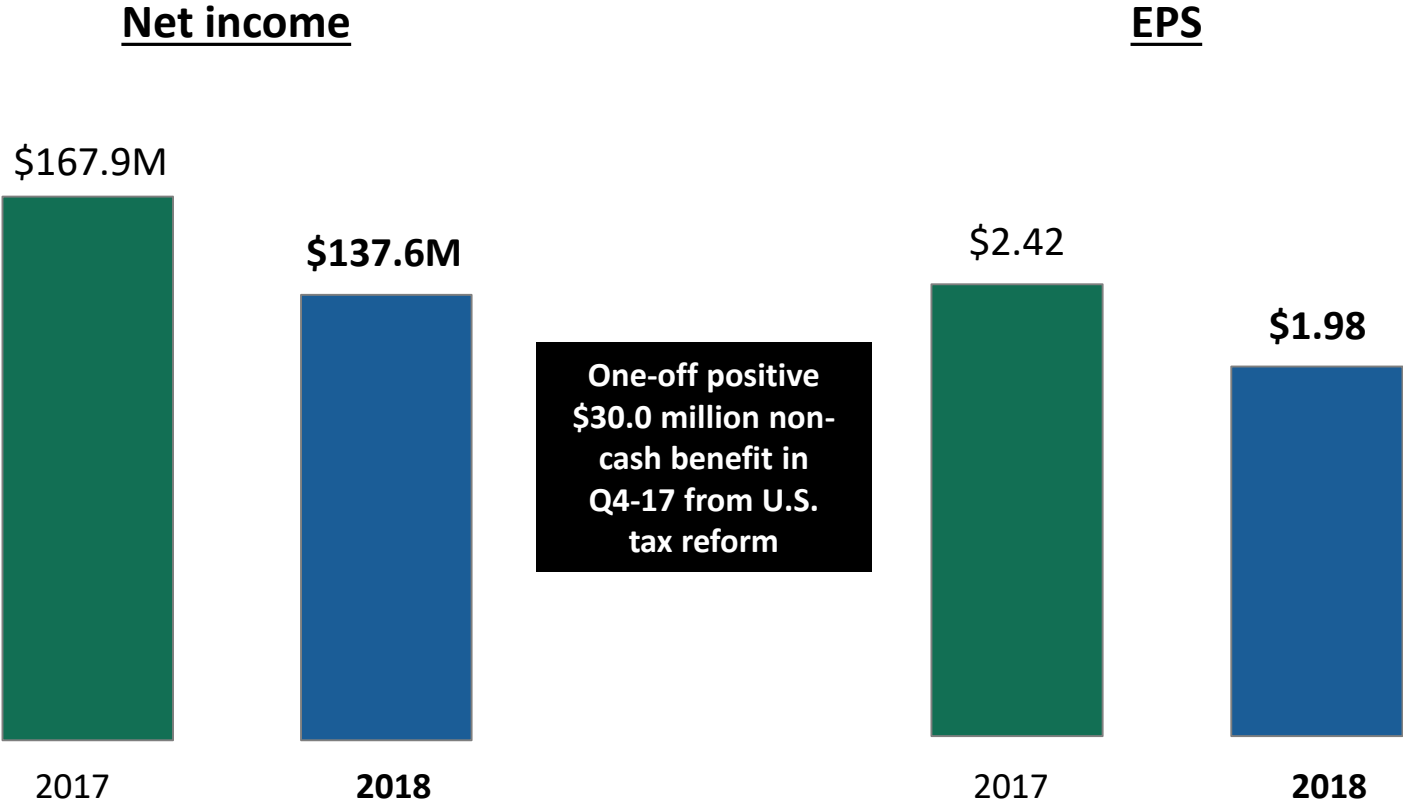
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2018 – Higher EBITDA⁽¹⁾ But Lower Margin



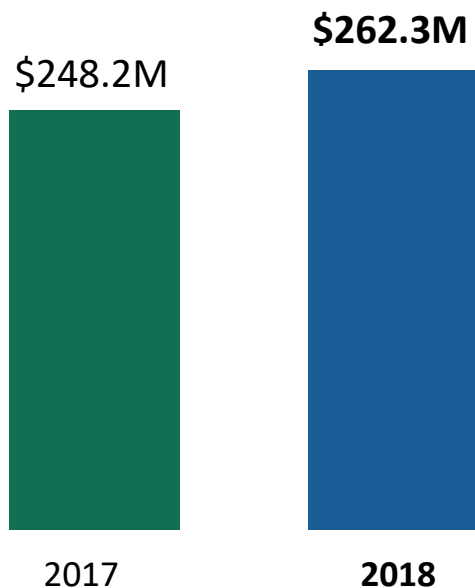
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2018 – Lower Net Income & EPS on One-Time Items

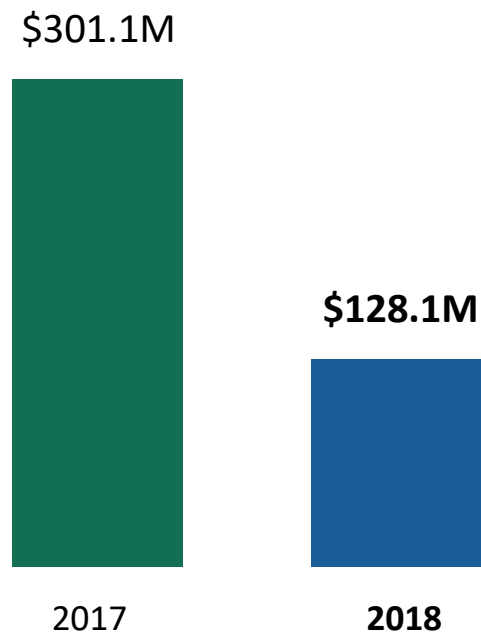


2018 – Lower CFO Due to Unfavorable Working Cap

Cash Flow before certain items⁽¹⁾⁽²⁾



Cash Flow from Operating Activities

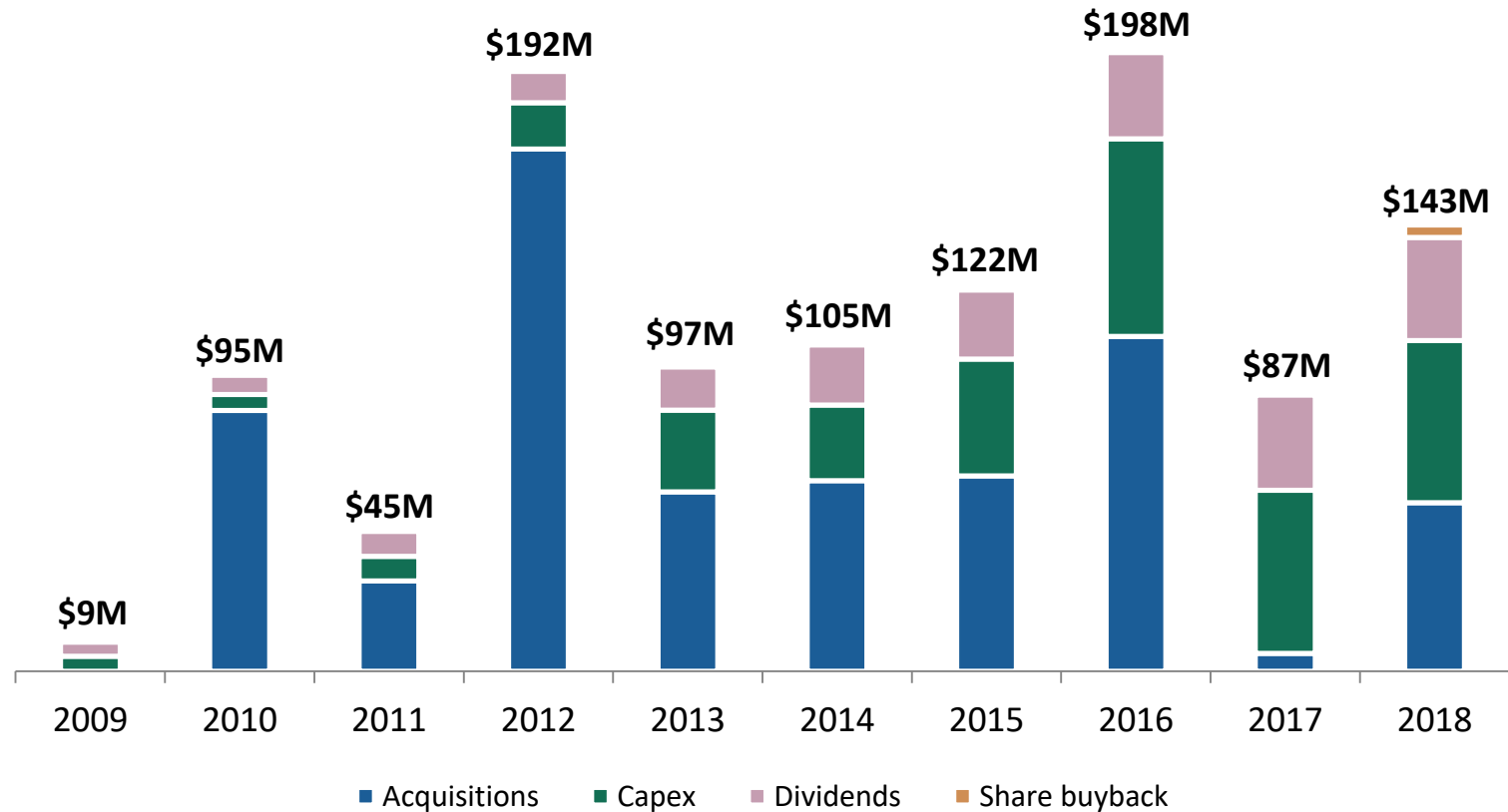


**Working capital investment
primarily linked to increases
in inventory**

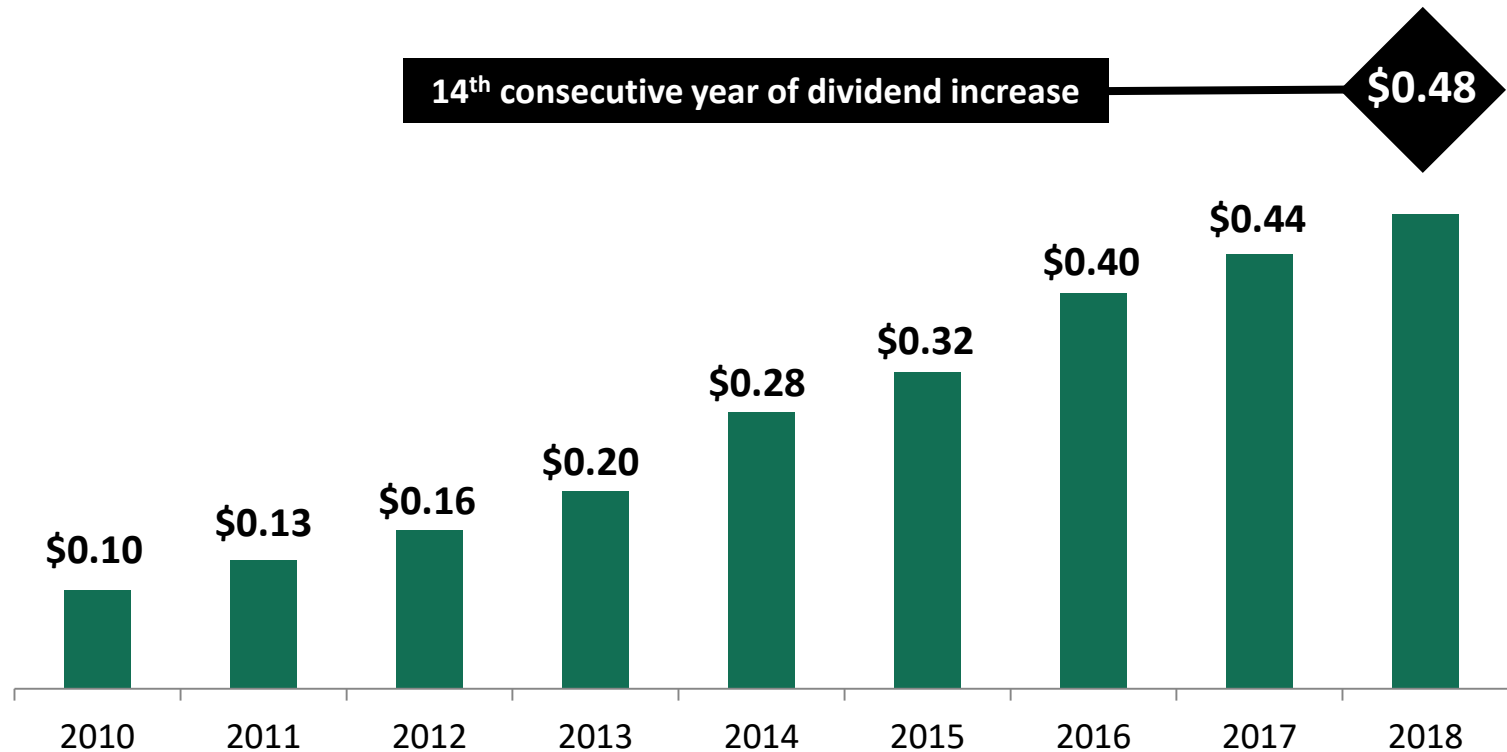
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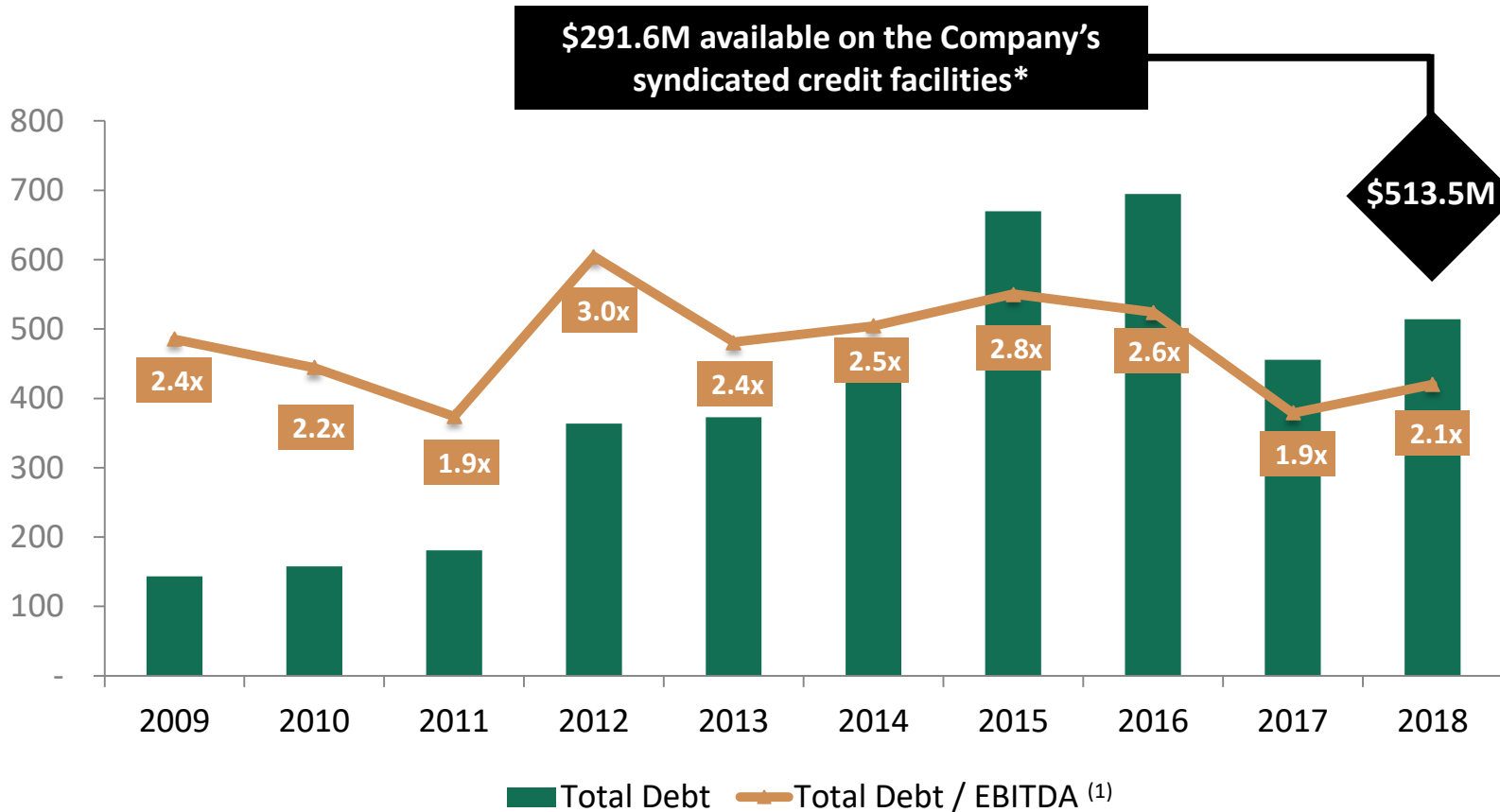
Allocating Capital Equitably



Increasing Dividends Consistently



Maintaining a Solid Financial Position



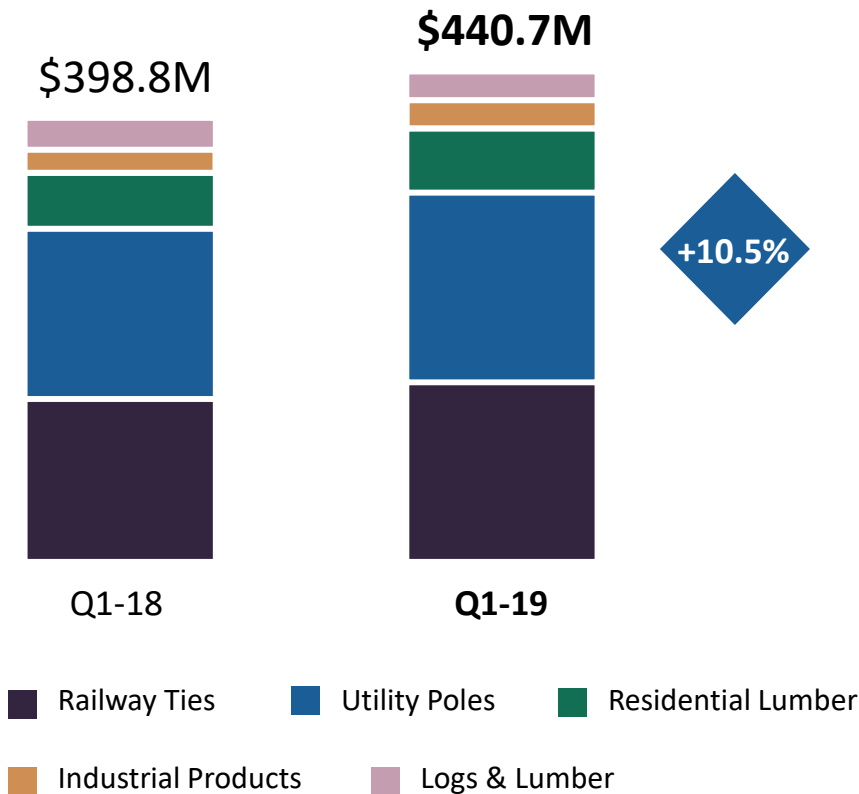
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* As at December 31, 2018

Q1-19 - Adoption of IFRS 16, *Leases*

- On January 1, 2019, the Company retrospectively adopted IFRS 16
- Comparatives for the 2018 reporting period have not been restated
- The application of this new standard resulted in:
 - The addition of right-of-use assets and lease liabilities to the consolidated statements of financial position
 - Instead of lease expenses, right-of-use asset depreciation and financing costs will be recorded to the consolidated statements of income

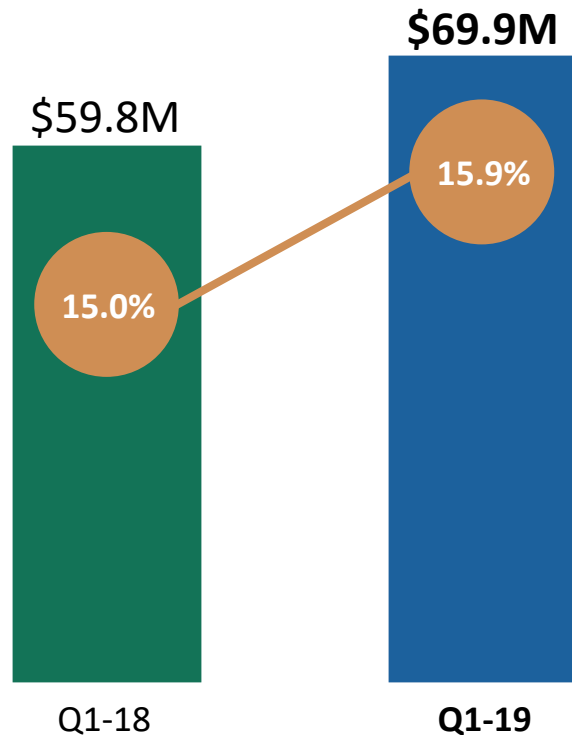
Q1-19 – Strong Sales Growth



SALES VARIANCE

| | |
|------------------------|----------------|
| Q1-18 Sales (M) | \$398.8 |
| Acquisitions | 11.6 |
| Currency variations | 18.6 |
| Organic growth | 11.7 |
| Q1-19 Sales (M) | \$440.7 |

Q1-19 – Increased Gross Profit⁽¹⁾ and Margin



Gross profit increased due to:

- Greater sales volumes
- Lower lumber costs

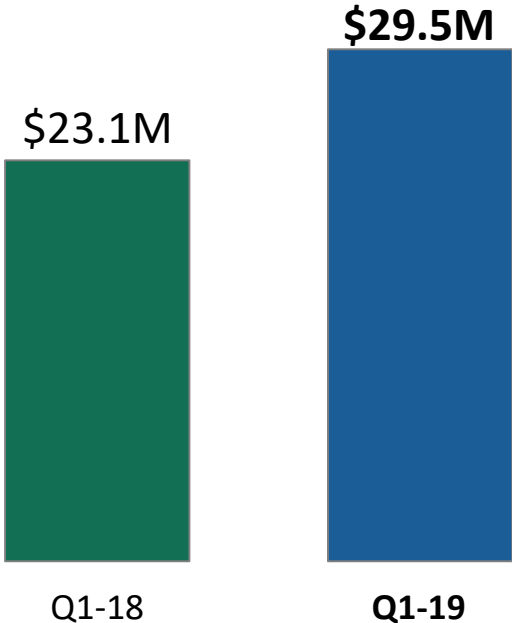
Partially offset by:

- Higher costs for untreated railway ties and certain treated species of poles

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Q1-19 – Net Income & EPS Increased

Net income



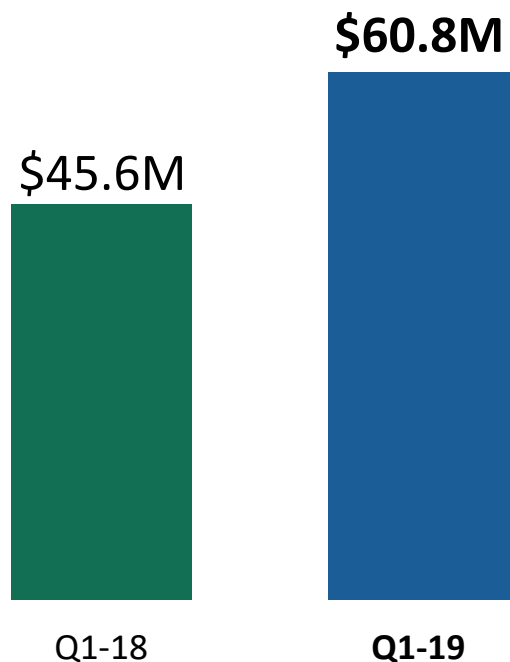
EPS



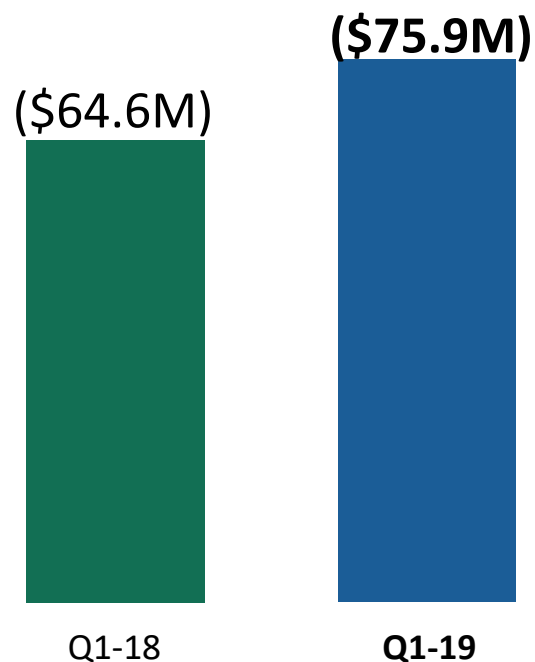
Due to the increase
in operating
income

Managing Cash Flow for Seasonality

Cash Flow before certain items⁽¹⁾⁽²⁾



Cash Flow Used in Operating Activities

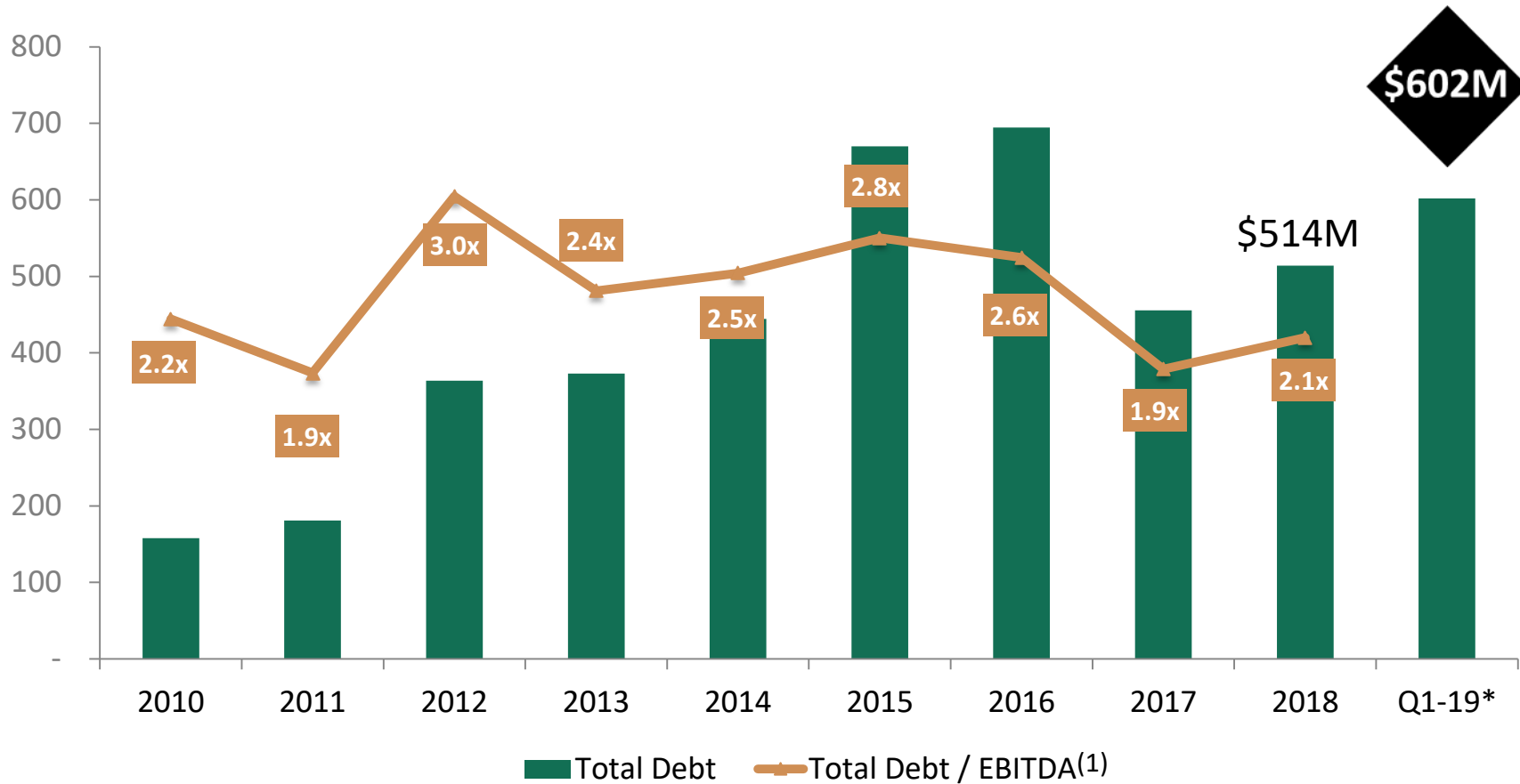


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**Normal seasonal working
capital requirements**

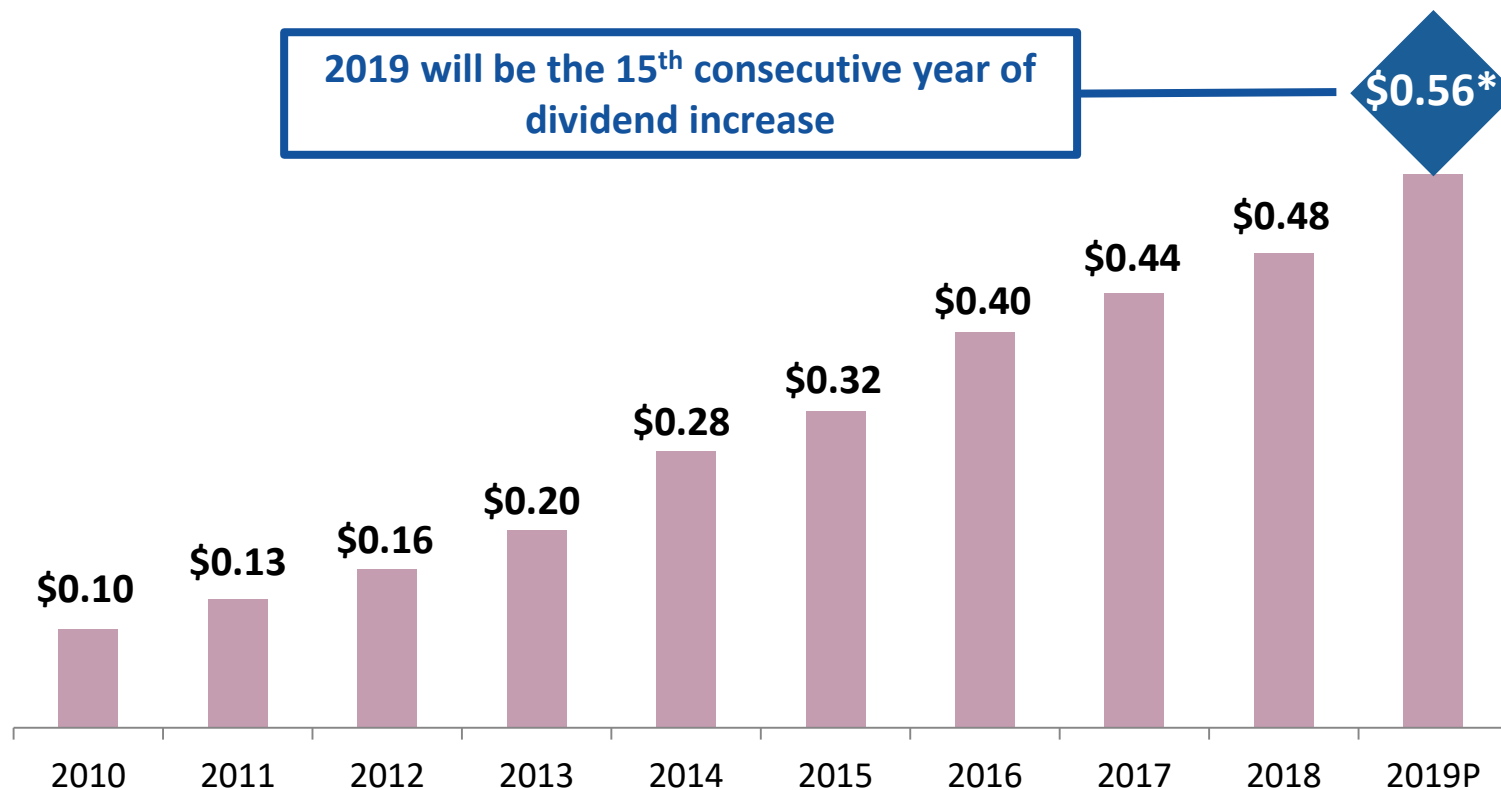
Maintaining a Solid Financial Position



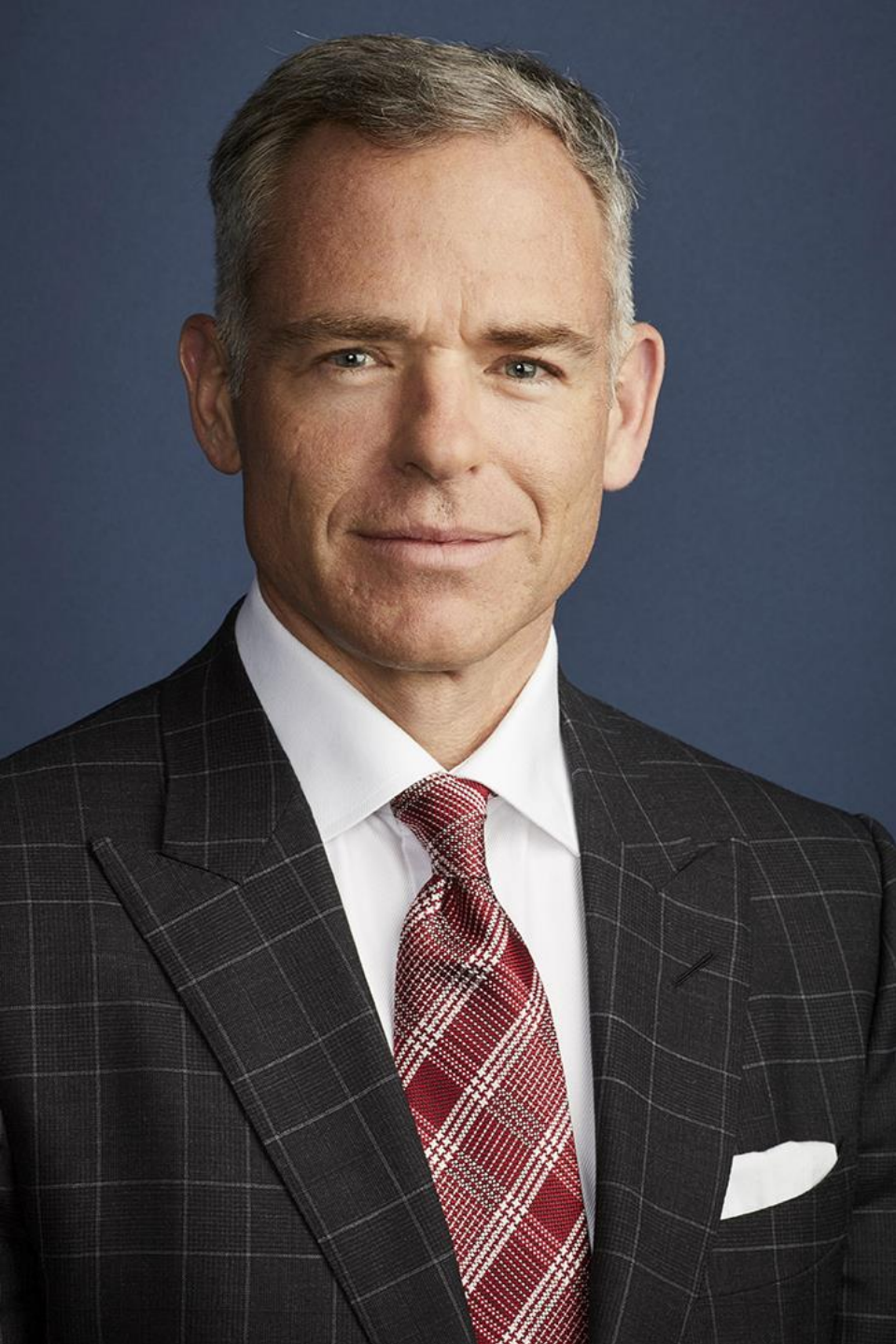
⁽¹⁾This is a non-IFRS financial measure. Please refer to the Company's MD&A

*Includes long term debt and current portion of long term debt. Does not include lease liabilities.

Increasing Dividends Consistently



* Projected based on the latest quarterly dividend



Brian McManus
President and
Chief Executive Officer



2019 Outlook

Based on current market conditions and assuming stable currencies and the current level of lumber prices

| | |
|--------------------|--|
| Consolidated | Higher sales |
| | Improved margins across all product categories |
| Utility Poles | Sales and margins are expected to increase |
| Railway Ties | Sales and margins are expected to increase |
| Residential Lumber | Sales are expected to be stable |

Agenda

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Question Period



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