



INVESTOR PRESENTATION

November 2018

Forward-looking statements



This presentation contains certain statements that are forward-looking, including comments with respect to the Company's objectives, strategies, targets and expectations. We caution you not to place undue reliance on these statements since a number of known and unknown risks and uncertainties may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Such risks include: economic conditions; dependence on major customers; availability and cost of raw materials; environmental risk; risks related to acquisitions; litigation risk; insurance coverage; currency risk; interest rate fluctuations; customers' credit risk; cyber risk; corporate tax risk and other factors referred to herein and in the Company's annual information form, and other public documents filed with the Canadian Securities Regulatory Authorities (available on SEDAR at www.sedar.com).

Non-IFRS Measures



Operating income before depreciation of property, plant and equipment and amortization of intangible assets (herein referred to as earnings before interest, taxes, depreciation and amortization [“EBITDA”]), and cash flow from operating activities before changes in non-cash working capital components and interest and income taxes paid are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers.

Management considers these non-IFRS measures to be useful information to assist knowledgeable investors regarding the Company’s financial condition and operating results as they provide additional measures of its performance. Please refer to the Company’s MD&A for a reconciliation of EBITDA to net income.

Agenda



- Investment Thesis
- Overview of Stella-Jones
- Strategy and Future Growth
- Overview by Business Unit
- Financial Trends
- Q3-2018 Results
- Appendix



Investment Thesis

Investment Thesis



- Balanced portfolio of businesses
- Track record of performance
- Leadership positions in markets served
- Scope of network in North America
- Solid balance sheet
- Proven consolidator with disciplined acquisition strategy
- Experienced and proven management team

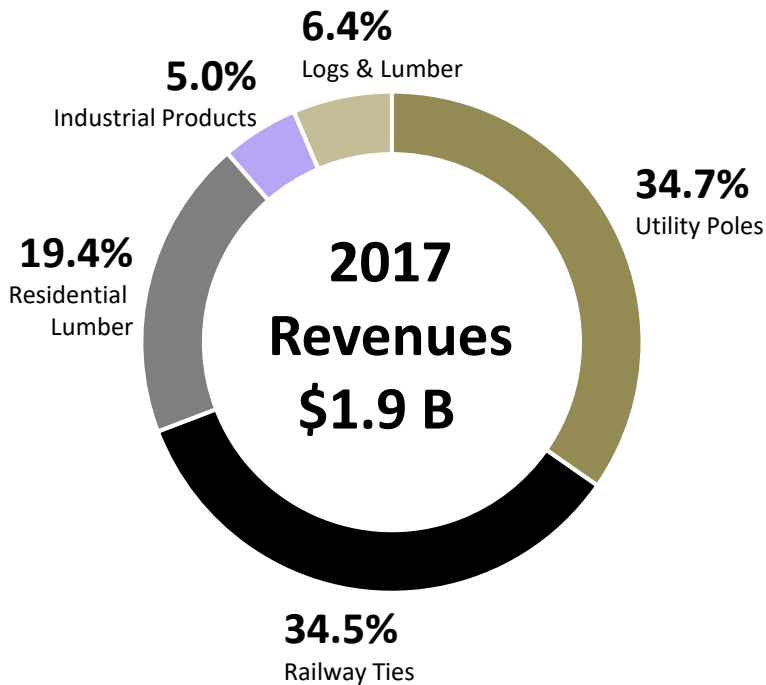


Overview of Stella-Jones

Stella-Jones at a Glance



A Leading North American Supplier of Pressure Treated Wood Products



2,000
Employees

39
Wood Treating
Facilities

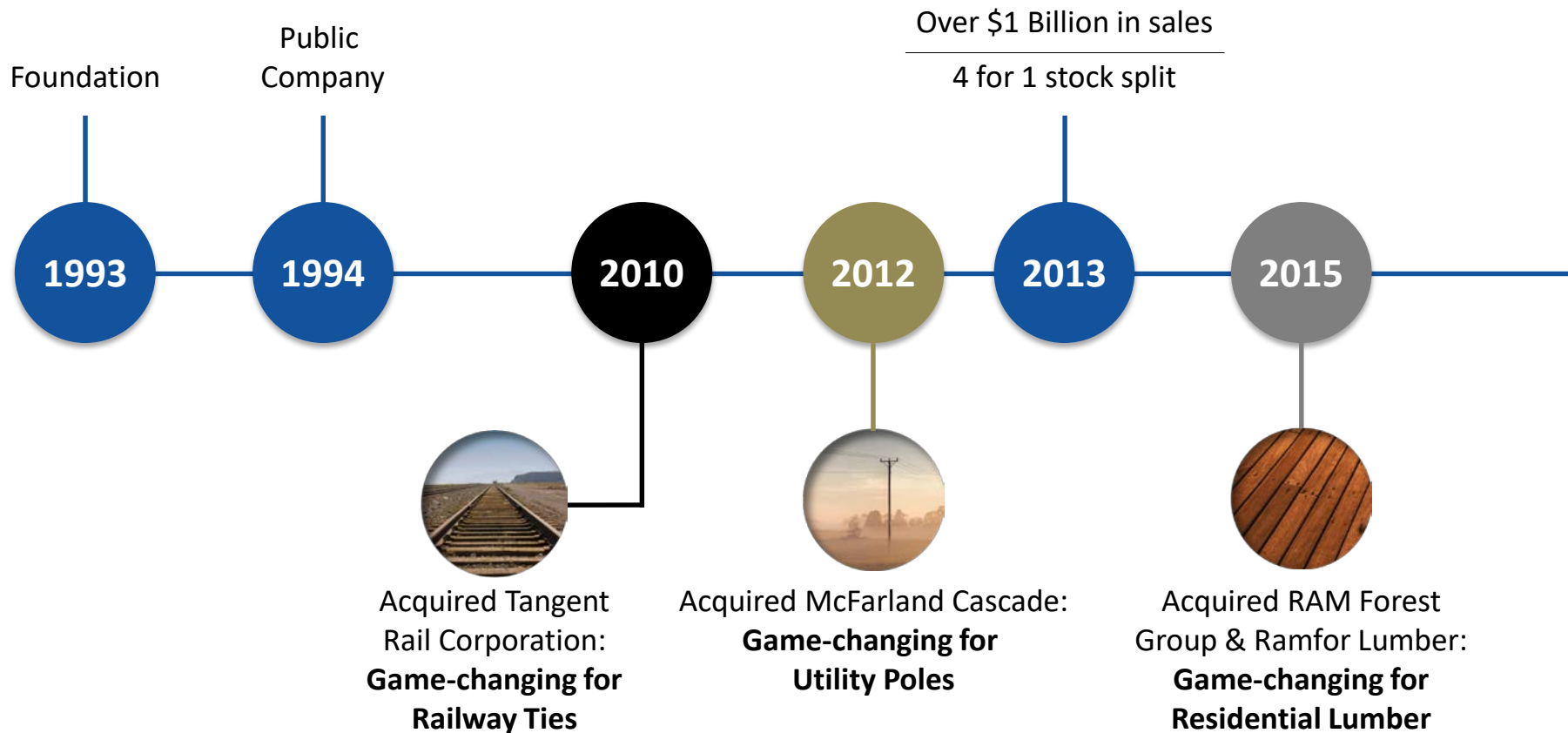
12
Pole Peeling
Facilities

70%
Revenues
from U.S.

\$2.8B
Market Cap

SJ
TSX

Important Milestones in 25-Year History



Growing by Acquisitions



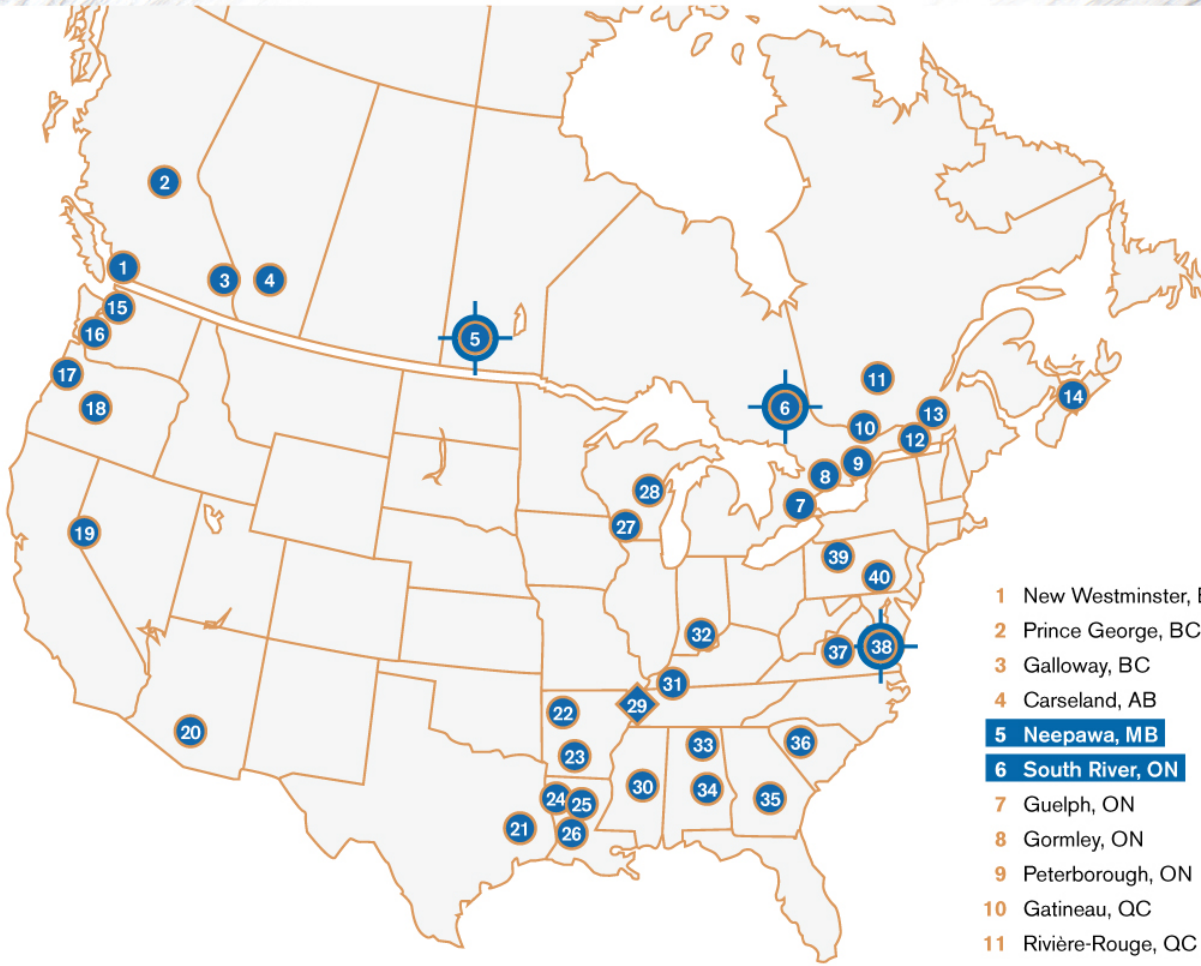
July 2003	Cambium Group Inc. (Canada)
August 2005	Webster Wood Preserving (U.S.)
July 2006	Bell Pole Company (Canada)
February 2007	Wood utility pole business of J.H. Baxter (U.S.)
April 2008	The Burke-Parsons-Bowlby Corporation (U.S.)
April 2010	Tangent Rail Corporation (U.S.)
December 2011	Thompson 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.)



Acquisition Contribution

- Stronger industry player
- Extended North American network & broadened product line
- Greater customer service flexibility & ability to bid on larger projects
- Synergies

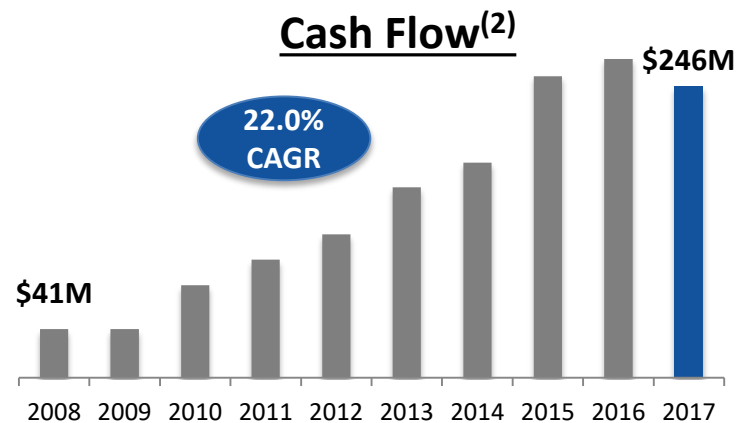
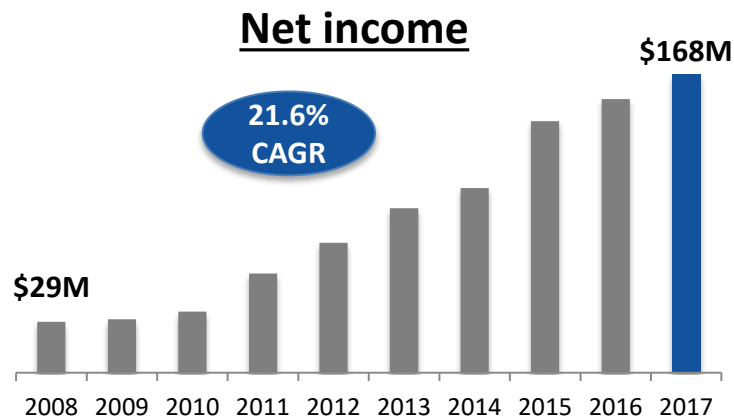
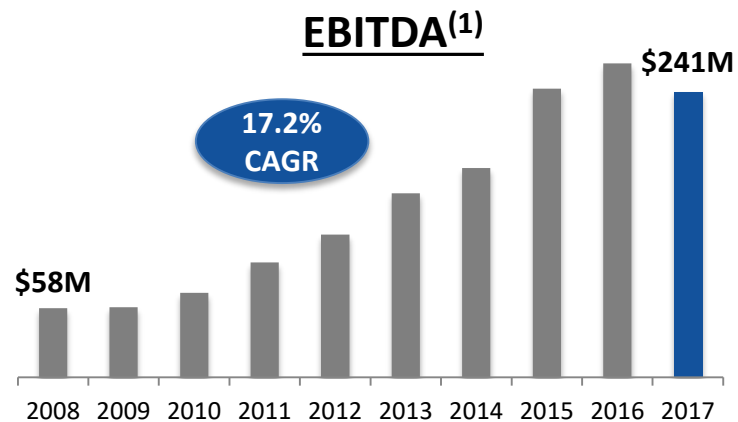
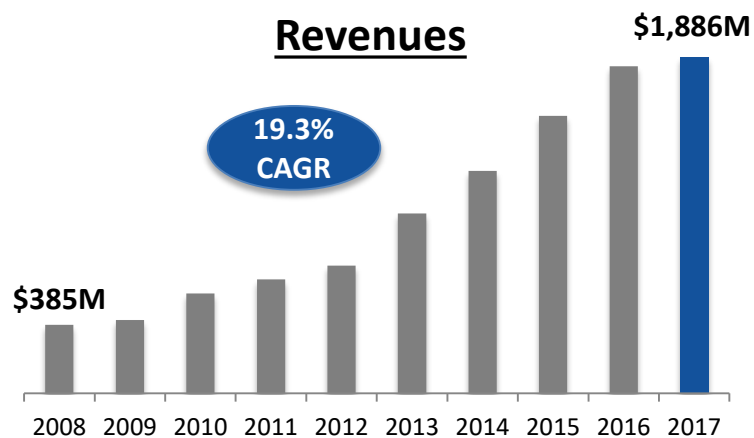
North American Network



- Treating Facilities
- ◆ Coal Tar Distillery

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

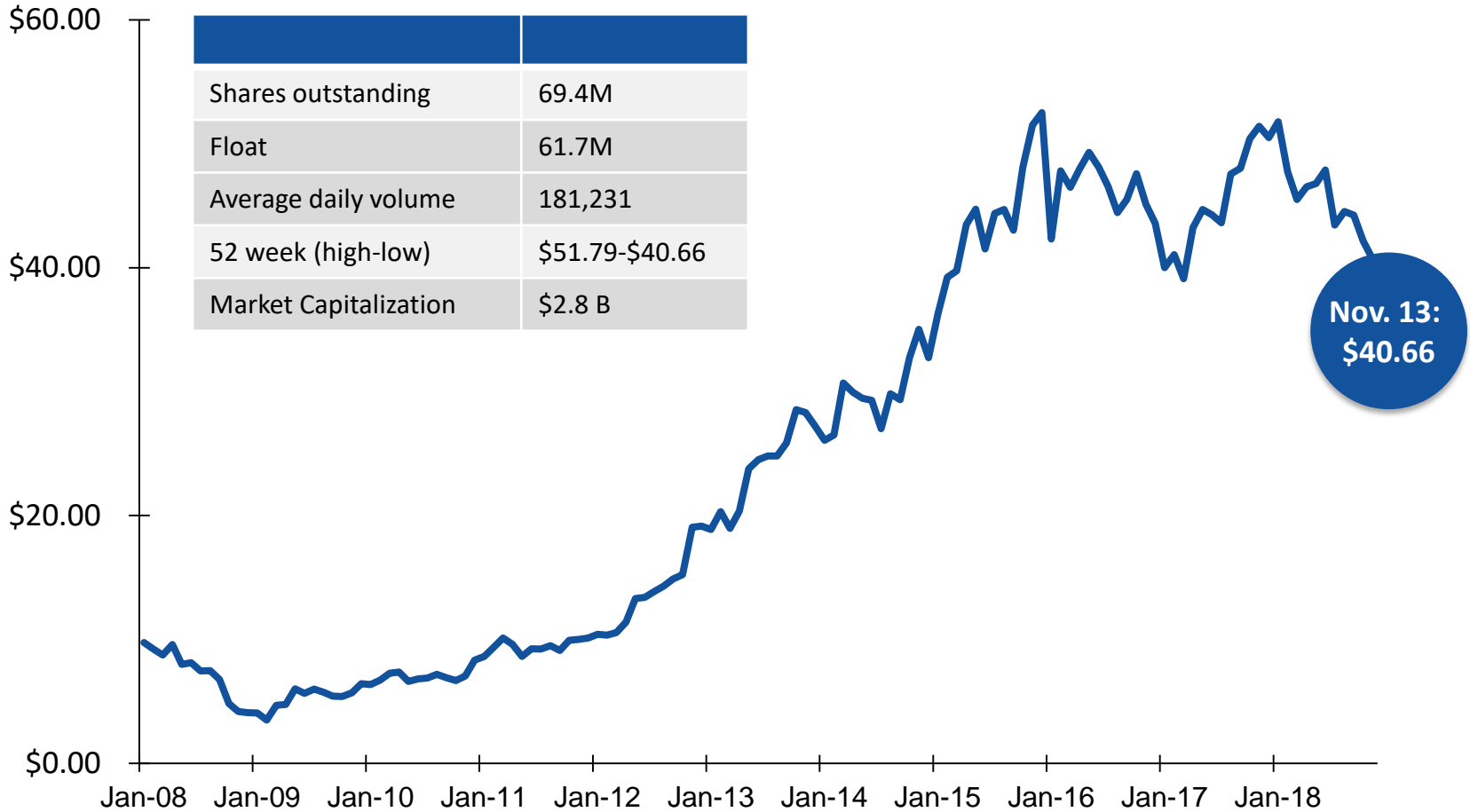
Track Record of Performance



⁽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. 12

Stock Price Appreciation










Strategy and Future Growth

Strategy and Future Growth by Business Unit



	Market	Growth Drivers	Trends	Growth Strategy
 <p>Railway Ties 34.5% of sales</p>	<ul style="list-style-type: none"> Stable market Market is fairly consolidated 	<ul style="list-style-type: none"> Maintenance requirements Market share gains GDP growth 	<ul style="list-style-type: none"> Oversupply of railway ties driving prices down Customers transitioning to “Black Tie” program 	<ul style="list-style-type: none"> Tuck-in acquisitions Market share gains
 <p>Utility Poles 34.7% of sales</p>	<ul style="list-style-type: none"> Potential for further consolidation in the North American market 	<ul style="list-style-type: none"> Replacement programs Weather related events Mid-single digit growth 	<ul style="list-style-type: none"> Increase in replacement demand as average age of poles is very high 	<ul style="list-style-type: none"> Acquisitions Leveraging the upcoming increase in replacement demand
 <p>Residential Lumber 19.4% of sales</p>	<ul style="list-style-type: none"> Partially consolidated 	<ul style="list-style-type: none"> Home renovation Dealer network 	<ul style="list-style-type: none"> Limited supply of wood driving prices of lumber up 	<ul style="list-style-type: none"> Expanding the dealer network Select acquisitions
 <p>Industrial Products 5.0% of sales</p>	<ul style="list-style-type: none"> Niche business driven primarily by bridge timbers, road crossings, pilings and special projects Recent acquisition in Warsaw, VA will further contribute to sales in this category 			
 <p>Logs and Lumber 6.4% of sales</p>	<ul style="list-style-type: none"> Business used to optimize our costs 			

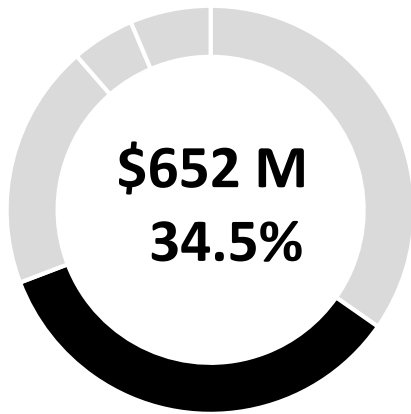


Overview by Business Units

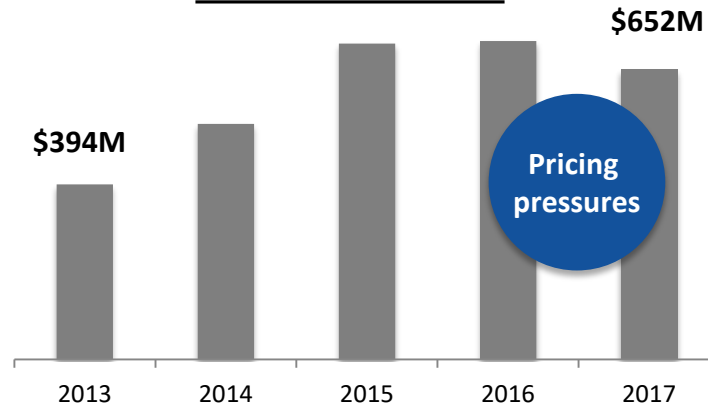
Railway Ties - Overview



% 2017 Sales



5-Year Revenue



90% of ties sold in North America are for maintenance and over 90% are wood

Producer of pressure-treated railway ties



Railway Ties – Business Model



Revenue Mix

65% Class 1 railroads



Game-changing Acquisition

Tangent Rail (2010)



Value Proposition

Availability of inventory, scope of network & flexible service

Selected Metrics	Business Model
Customers	<ul style="list-style-type: none"> ~65% Class 1 railroads (Union Pacific, CN, CP, CSX, BNSF, NS) ~35% short and regional rail lines and contractors
Contracts for Class 1	<ul style="list-style-type: none"> Long-term contracts up to 10 years (base contract) Variable pricing periodically
Contracts for short and regional rail lines & contractors	<ul style="list-style-type: none"> Bidding process – spot business
Facilities	<ul style="list-style-type: none"> 2 in Canada 10 in U.S.
Services	<ul style="list-style-type: none"> Black Tie Treatment Only
Inventory turnover	<ul style="list-style-type: none"> ~2-2.5x

Railway Ties - Market Conditions & Drivers



Players

Consolidation among railway operators favors large scale tie providers



Trends

Oversupply of railway ties driving prices down & customers transitioning to “Black Tie” program



Growth

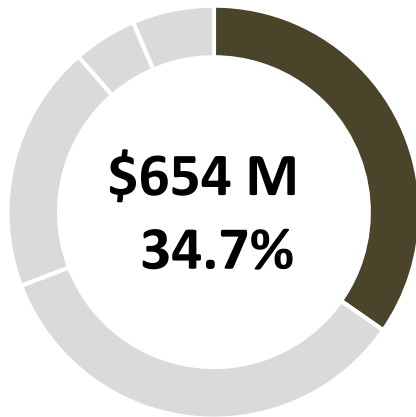
Tuck-in acquisitions and market gains as the market is fairly stable

Selected Metric	Market Conditions and Drivers
Market size	<ul style="list-style-type: none"> ~24 million railway tie purchases on an annualized basis in North America (source: Railway Tie Association)
Market share	<ul style="list-style-type: none"> One of the leading players in the industry
Competition/ Comparables	<ul style="list-style-type: none"> Koppers Holdings Inc. (NYSE: KOP) Amerities Holdings, LLC Kansas City Southern
Marketplace	<ul style="list-style-type: none"> Stable market Market is fairly consolidated
Growth drivers	<ul style="list-style-type: none"> Maintenance requirements Market share gains GDP growth

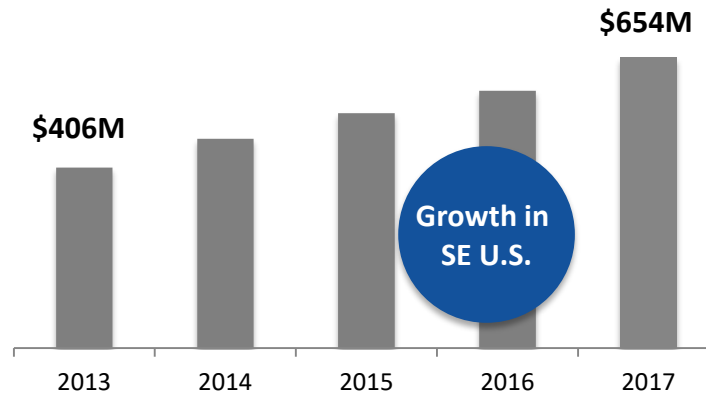
Utility Poles - Overview



% 2017 Sales



5-Year Revenues



Wood offers the best value over alternative materials, such as steel, composites and concrete

Producer of pressure-treated utility poles



Utility Poles – Business Model



Revenue Mix

~80% of business under multi-year agreements



Game-changing Acquisition

McFarland (2012)



Value Proposition

Availability of inventory, scope of network & flexible service

Selected Metrics	Business Model
Customers	<ul style="list-style-type: none"> • Electrical utility companies • Telecommunication companies
Contracts	<ul style="list-style-type: none"> • Competitive bidding process • Price increases are indexed • Varying 3 to 7 years (evergreen features)
Facilities	<ul style="list-style-type: none"> • 7 in Canada • 13 in U.S.
Inventory turnover	<ul style="list-style-type: none"> • 2-2.5x

Utility Poles - Market Conditions & Drivers



Market

South East U.S. market is fragmented



Trends

Increase in replacement demand as average age of poles is very high



Growth

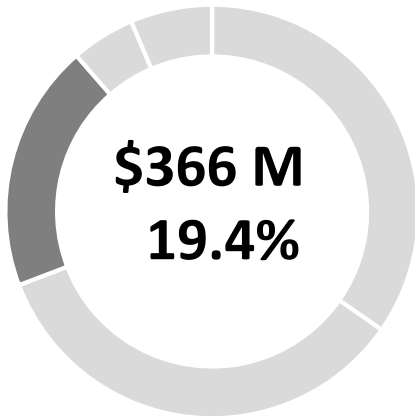
Acquisitions and leveraging the upcoming increase in replacement demand

Selected Metric	Market Conditions and Drivers
Market size	<ul style="list-style-type: none"> There are about 150MM poles in North America, of which 105MM are wood
Market share	<ul style="list-style-type: none"> One of the leading players in the industry
Competition/ Comparables	<ul style="list-style-type: none"> Koppers Holdings Inc. (NYSE: KOP) Bell Lumber & Pole Co. Cahaba Pressure Treated Forest Products Inc.
Marketplace	<ul style="list-style-type: none"> Potential for further consolidation in the North American market
Growth drivers	<ul style="list-style-type: none"> Replacement programs (life span of poles is typically 65 years) Weather related events Mid-single digit growth

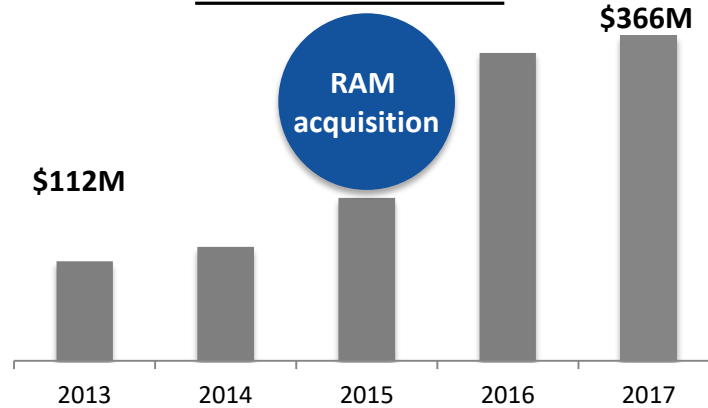
Residential Lumber - Overview



% 2017 Sales



5-Year Revenue



Sales are tied to the price of lumber as well as market share growth

Producer of treated wood sold through wholesalers and big-box retailers to consumers



Residential Lumber – Business Model



Revenue Mix

80% Big Box Retailers



Game-changing Acquisition

RAM Forest Group (2015)



Value Proposition

Availability of inventory, scope of network & flexible service

Selected Metrics	Business Model
Customers	<ul style="list-style-type: none"> • Big box retailers • Dealer network
Contracts	<ul style="list-style-type: none"> • 1 year - renewed annually
Facilities	<ul style="list-style-type: none"> • 5 in Canada • 2 in U.S.
Services in Canada	<ul style="list-style-type: none"> • Lumber • Distribution of complementary accessories
Services in U.S.	<ul style="list-style-type: none"> • Lumber
Inventory turnover	<ul style="list-style-type: none"> • 4-5x

Residential Lumber - Market Conditions & Drivers



Players

Limited pure plays



Trends

Limited supply of wood driving prices of lumber up



Growth

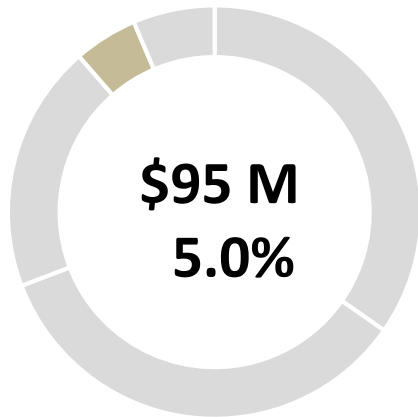
Expanding the dealer network, implementing the direct-to-home model in the U.S. and select acquisitions

Selected Metric	Market Conditions and Drivers
Market size	<ul style="list-style-type: none"> N/A
Market share	<ul style="list-style-type: none"> N/A
Competition/ Comparables	<ul style="list-style-type: none"> Canwell Building Materials Group Ltd Universal Forest Products, Inc. Great Southern Wood Preserving, Incorporated
Marketplace	<ul style="list-style-type: none"> Partially consolidated
Growth drivers	<ul style="list-style-type: none"> Home renovation Dealer network

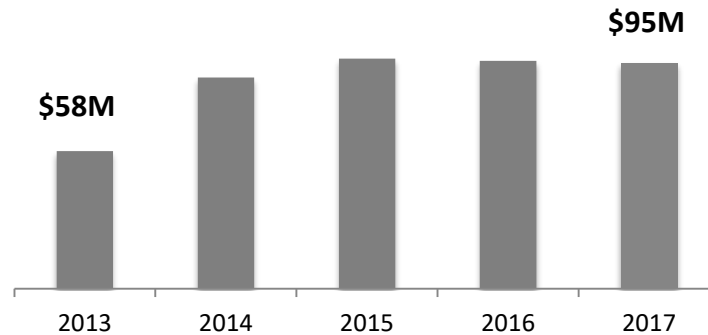
Industrial Products - Overview



% 2017 Sales



5-Year Revenues



Niche business driven primarily by bridge timbers, road crossings, pilings and special projects

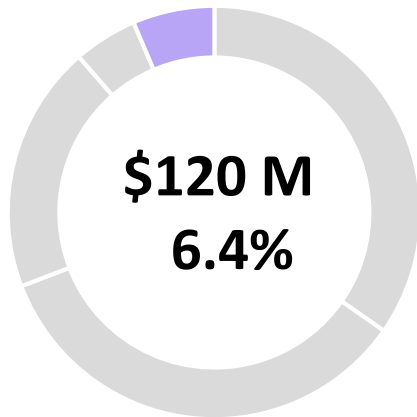
Producer of treated piles and timbers, mainly used for a variety of land-based and marine applications



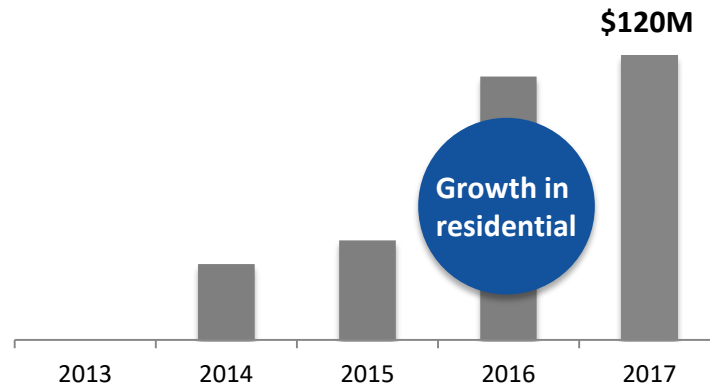
Logs and Lumber - Overview



% 2017 Sales



5-Year Revenues



Business used to optimize our costs by selling non-pole quality logs as well as selling excess untreated dimensional lumber to the market

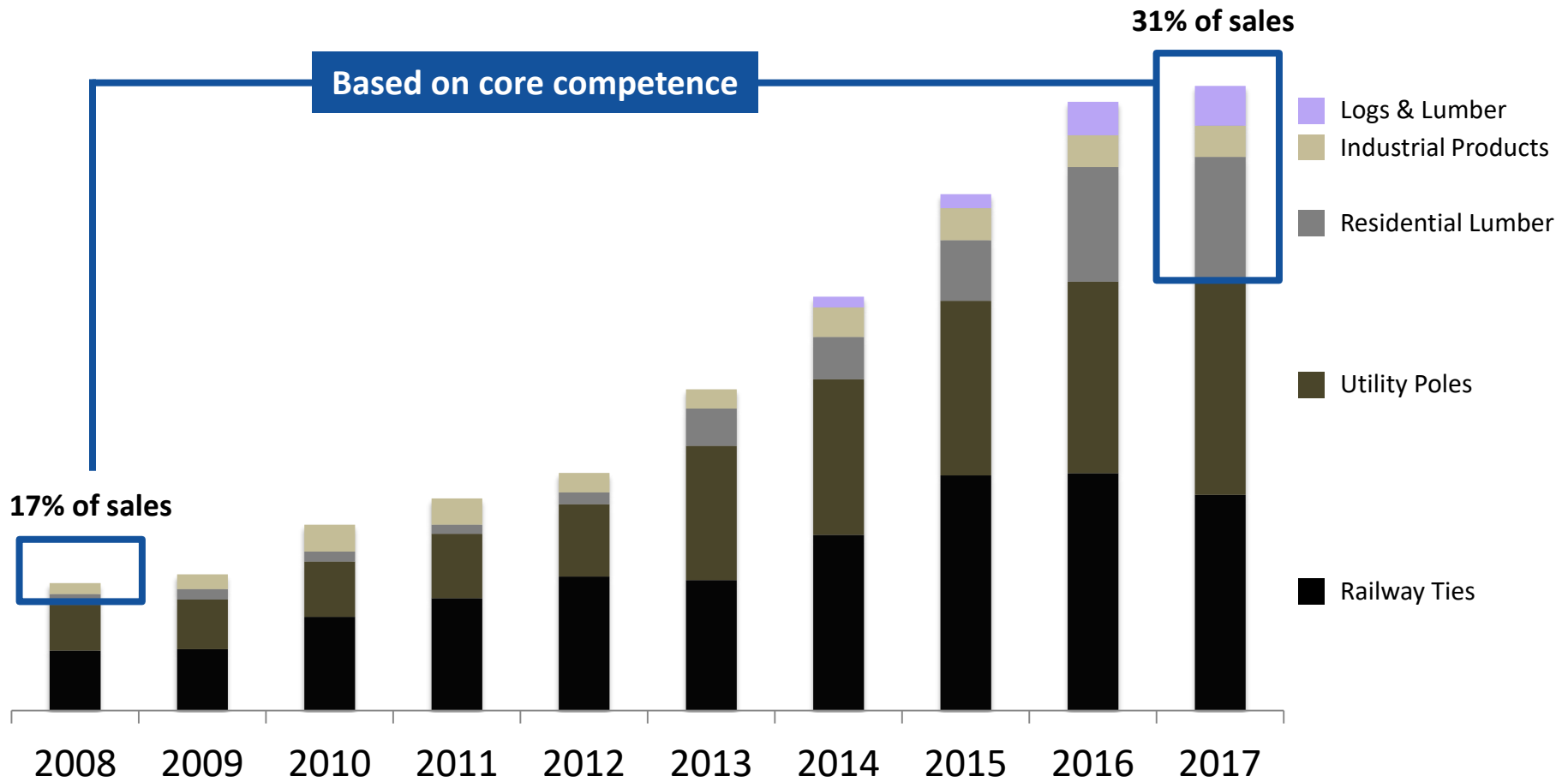
Sell untreated lumber and logs unsuitable for use as poles



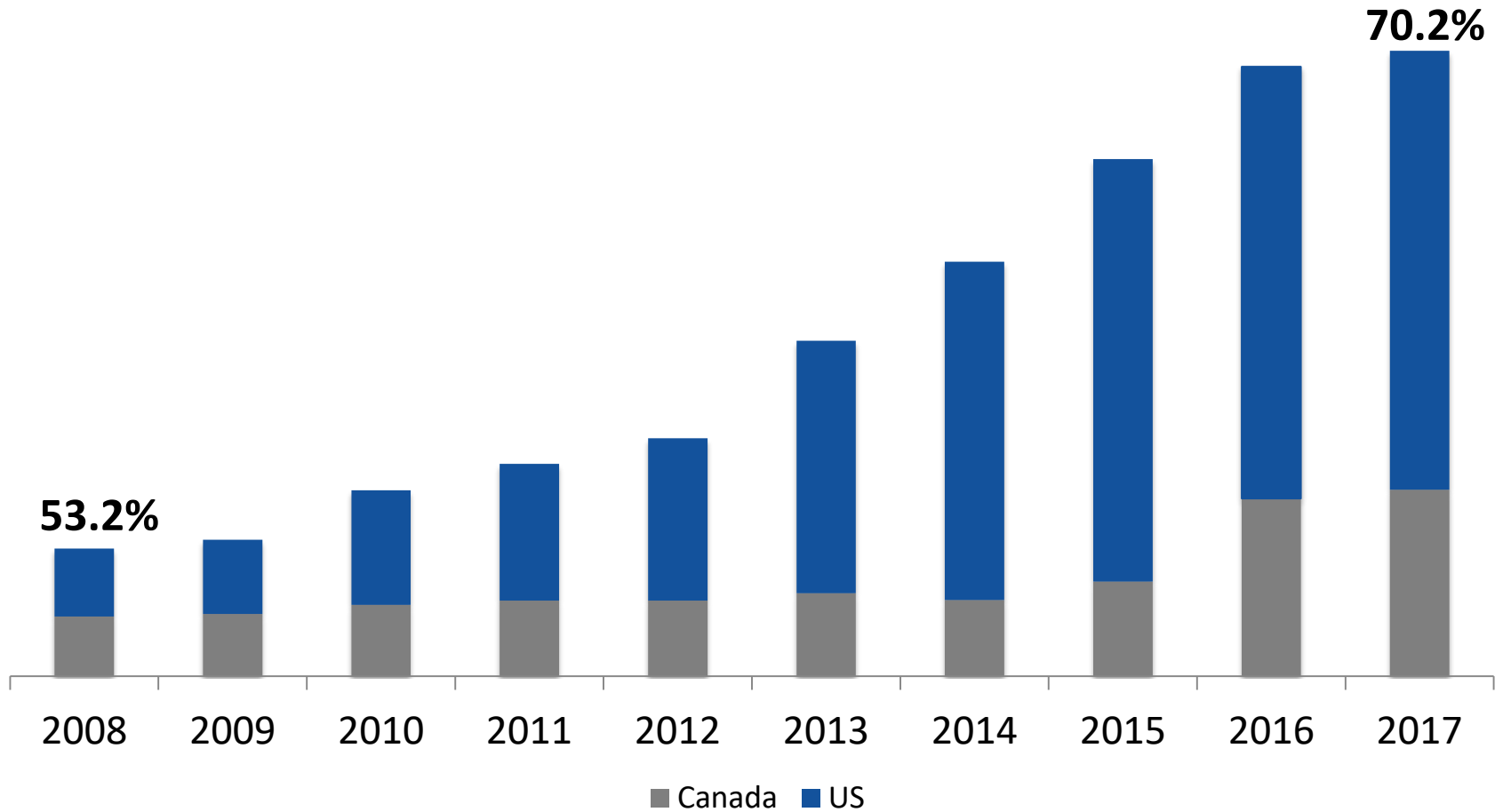


Financial Trends

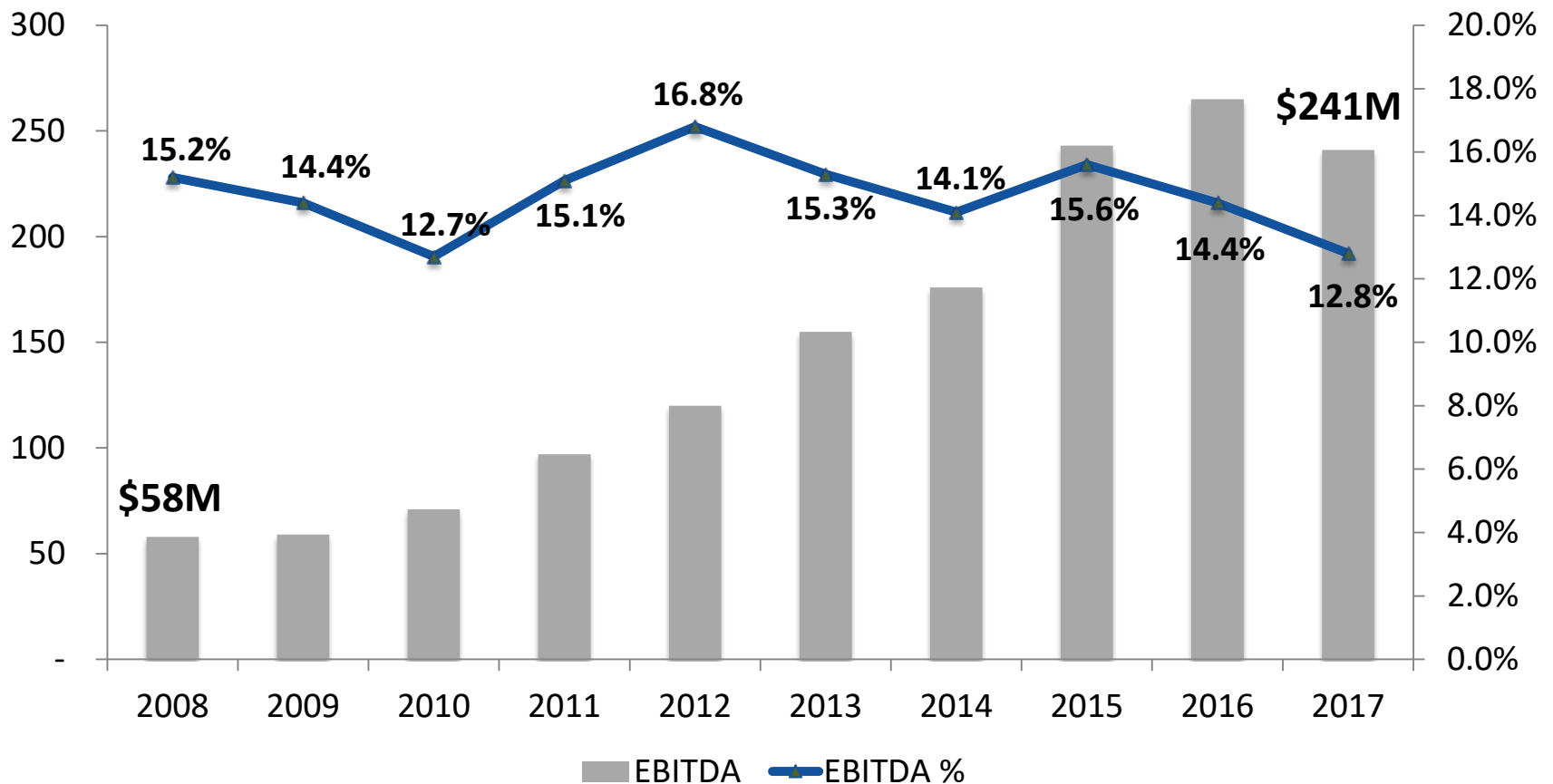
Diversifying Product Mix



Growing Proportion of U.S. Sales



Growing EBITDA⁽¹⁾ in Absolute Dollars

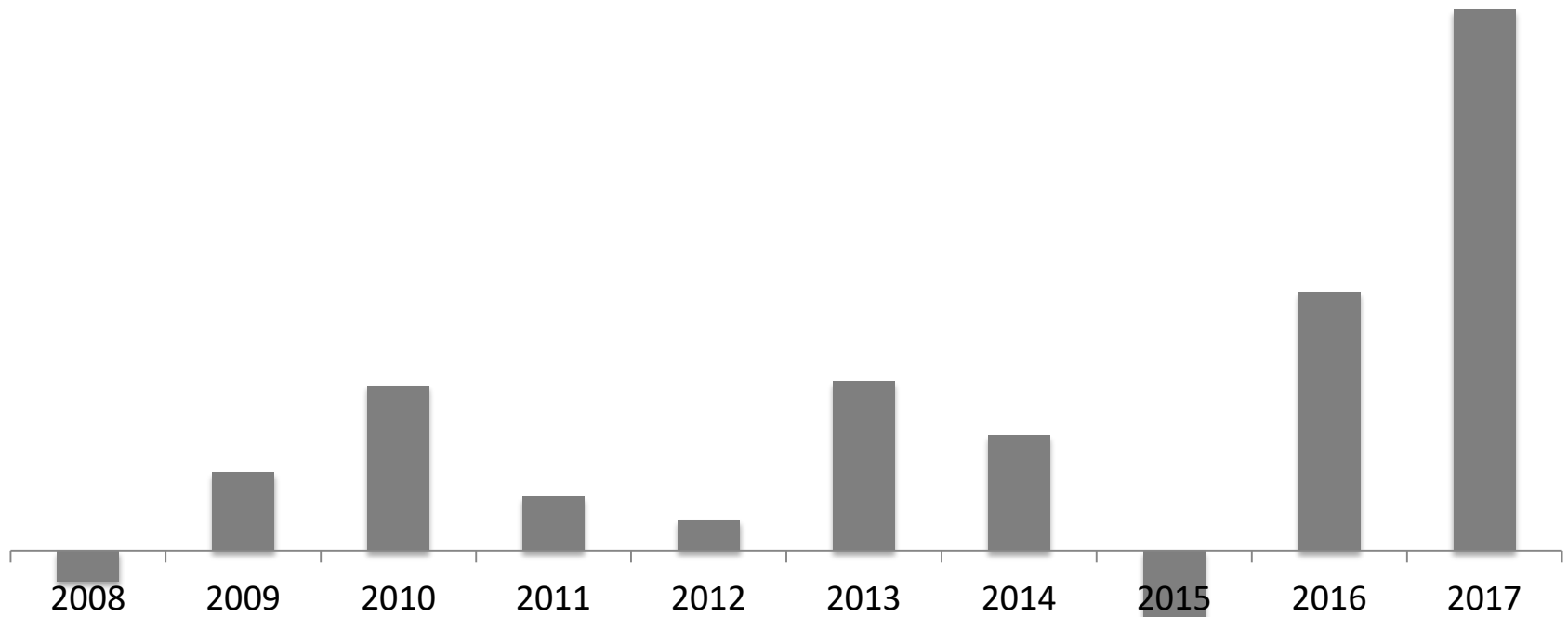


Generating Strong Free Cash Flow⁽¹⁾

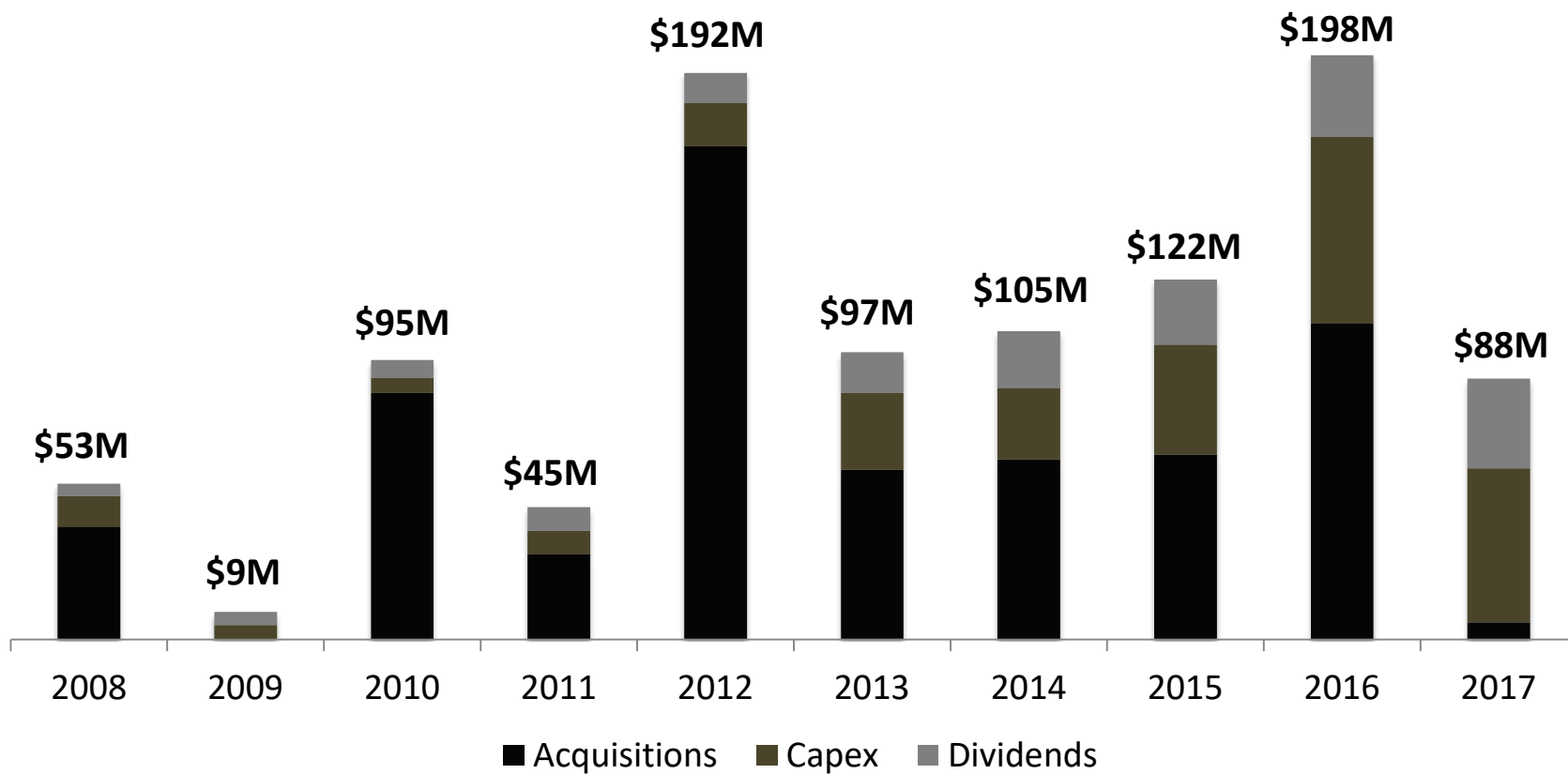


Free cash flow⁽¹⁾ profile improving

\$249M



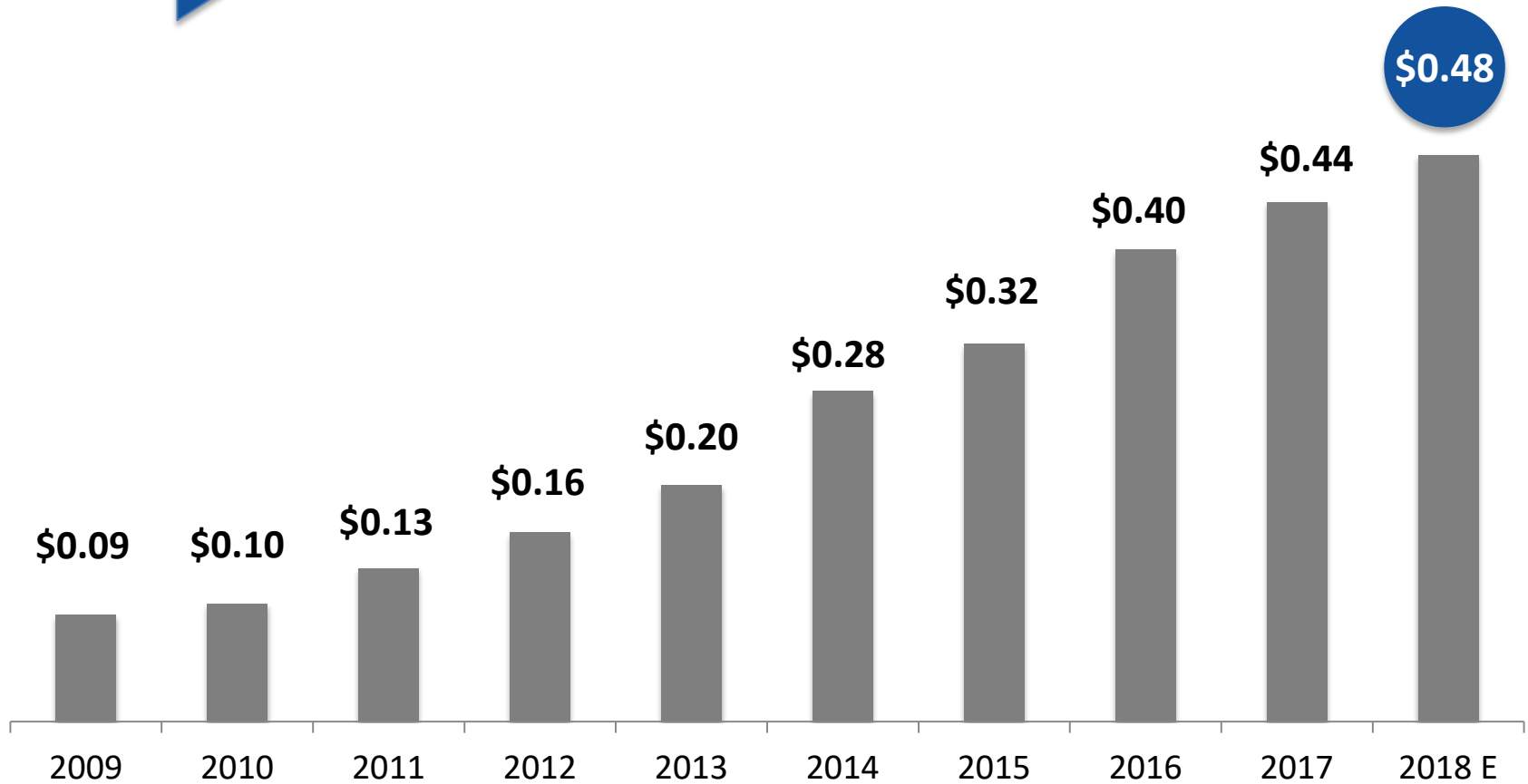
Deploying Capital Prudently



Increasing Dividends Consistently



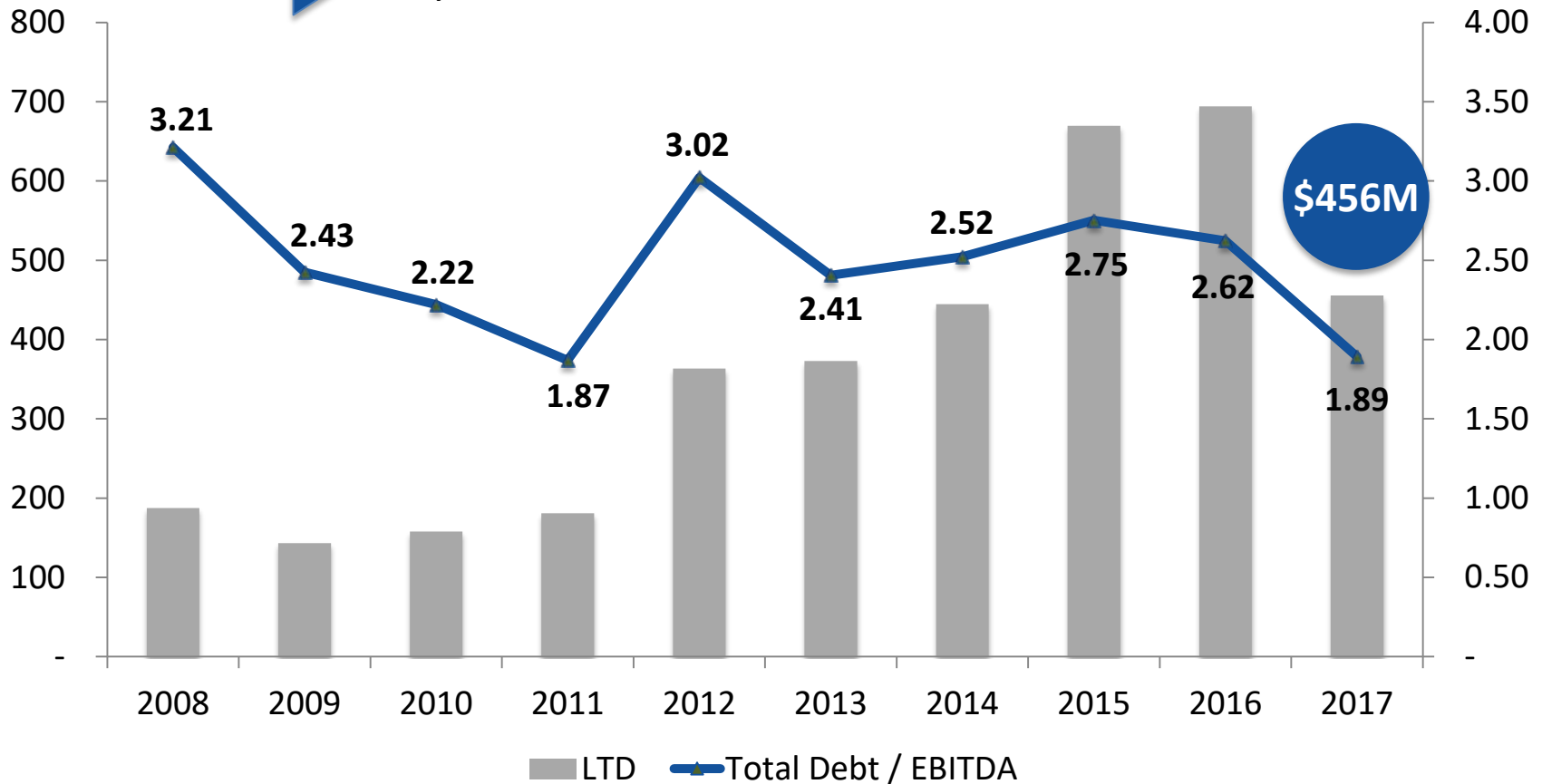
2018 will mark the 14th consecutive year of dividend increase



Maintaining a Solid Financial Position



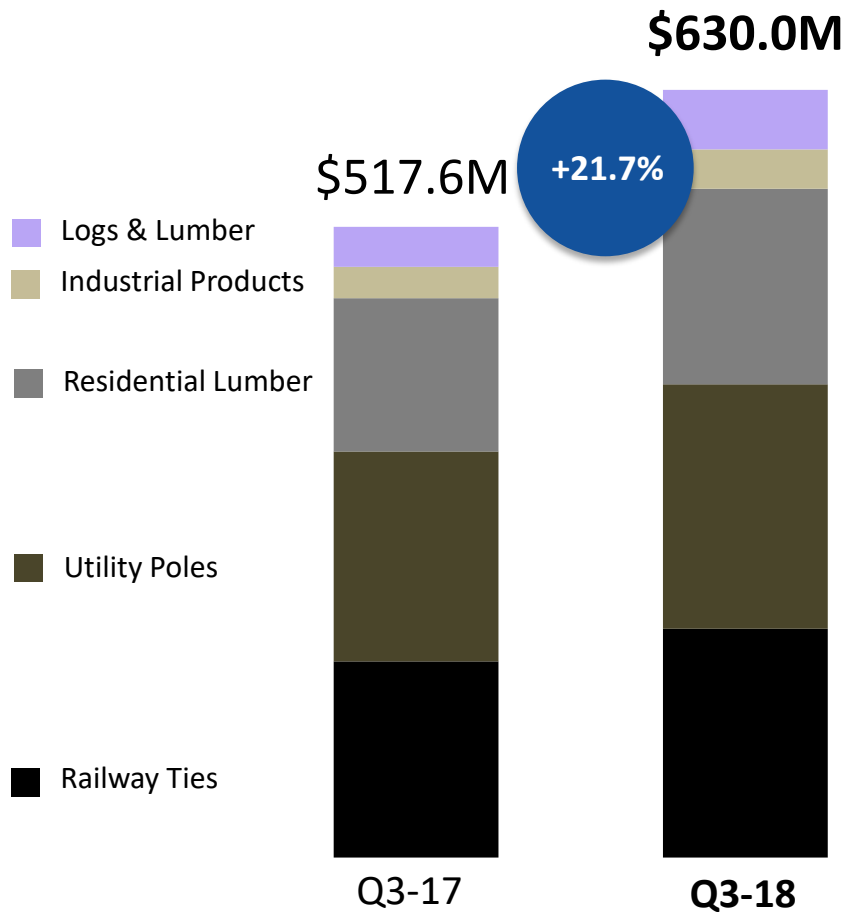
\$354.5 million available on the Company's syndicated credit facilities as at December 31, 2017





Q3 2018 Results

Q3-18 – Sales Increased in All Product Categories



SALES VARIANCE

Q3-17 Sales (M)	\$517.6
Acquisitions	19.9
Currency variations	12.9
Organic growth	79.6
Q3-18 Sales (M)	\$630.0

Q3-18 – Sales Variance

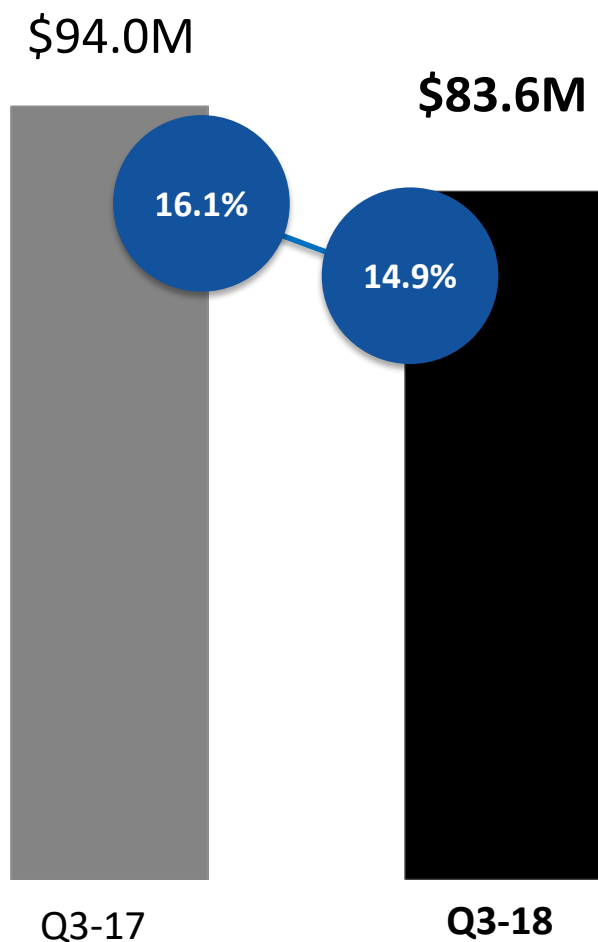


► Organic growth of 15.4% on a consolidated basis

(in millions of dollars)	Railway Ties	Utility Poles	Residential Lumber	Industrial Products	Logs & Lumber	Consolidated Sales
2017 Sales	160.8	172.5	125.8	25.6	32.9	517.6
Acquisitions	-	0.1	15.2	4.3	0.3	19.9
FX impact	5.1	5.1	1.5	0.7	0.5	12.9
Organic growth	21.8	22.9	18.0	1.8	15.1	79.6
2018 Sales	187.7	200.6	160.5	32.4	48.8	630.0
Organic growth %	13.5%	13.3%	14.3%	7.0%	45.9%	15.4%

*Numbers may not add exactly due to rounding

Q3-18 – Gross Profit Remains Under Pressure



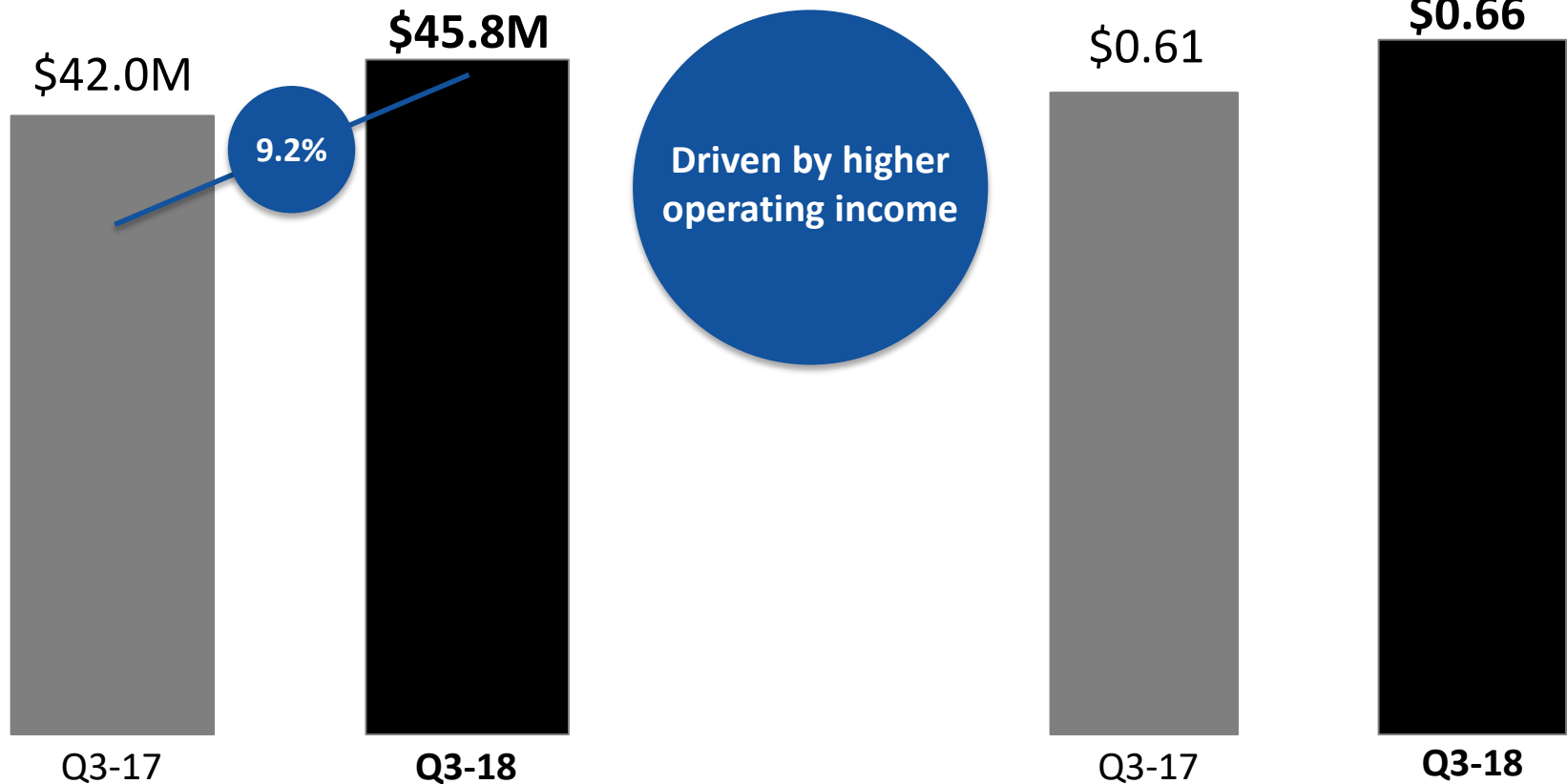
- ① Increase in untreated railway tie costs and certain untreated species of poles
- ② Higher lumber costs, which are a pass through to customers, have contributed to increased cost of sales and have put downward pressure on margins as a percentage of sales
- ③ Foreign currency translation

Q3-18 – Increased Net Income & EPS



Net income

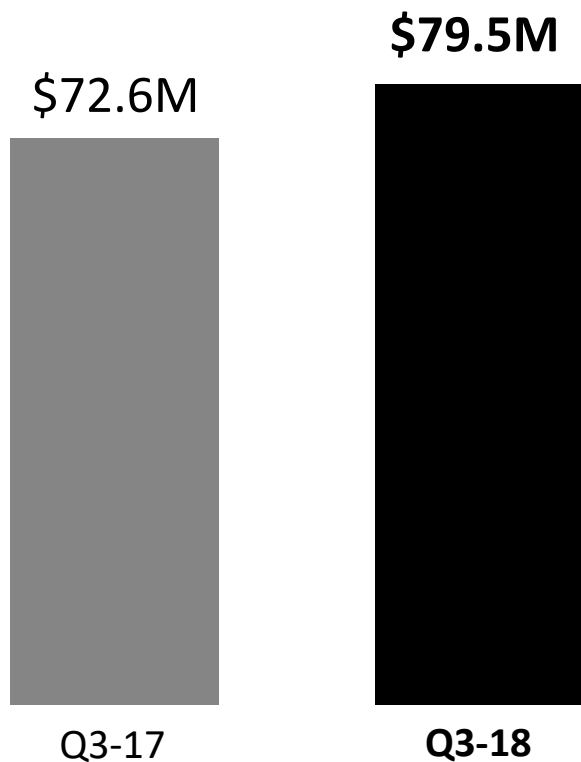
EPS



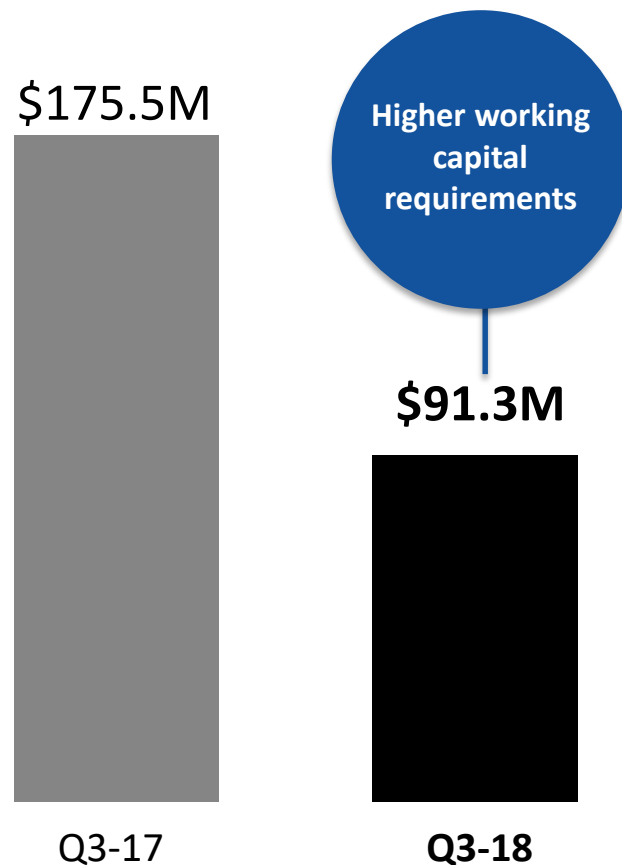
Managing Cash Flow for Seasonality



Cash Flow before certain items⁽¹⁾



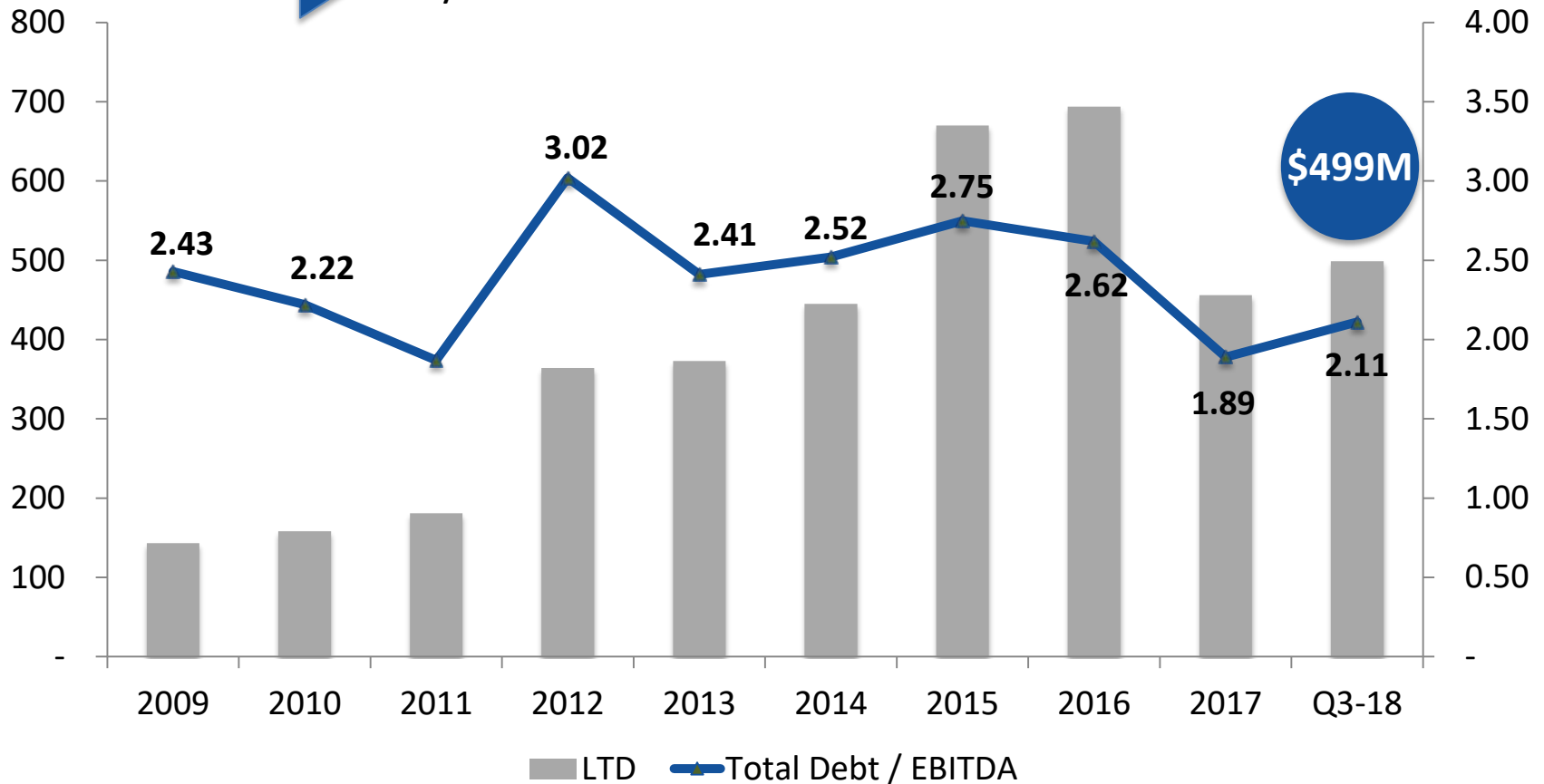
Cash Flow from Operating Activities



Maintaining a Solid Financial Position



\$266.1 million available on the Company's syndicated credit facilities



Outlook



▶ Based on current market conditions and stable currencies

	2018 vs 2017	2019 vs 2018
Consolidated	<ul style="list-style-type: none">• Higher sales• The progression of operating margins in Q4-18 will continue to be impacted by higher untreated railway tie costs until sales prices can be adjusted	<ul style="list-style-type: none">• Higher sales• Operating margins expected to improve
Railway Ties	<ul style="list-style-type: none">• In Q4-18, pricing will continue to improve but related margin gains will be partially offset by rapidly increasing costs of untreated railway ties due to the tightening of supply	<ul style="list-style-type: none">• Pricing adjustments will have a positive effect on sales and margins
Utility Poles	<ul style="list-style-type: none">• In Q4-18, sales will benefit from pricing adjustments and strong demand	<ul style="list-style-type: none">• Strong demand for replacement programs• Increased project-based sales• Sales and margins expected to improve
Residential Lumber	<ul style="list-style-type: none">• Increased sales	<ul style="list-style-type: none">• Continued strong demand
Logs & Lumber	<ul style="list-style-type: none">• Increased sales	<ul style="list-style-type: none">• Since this business does not generate any margin, sales growth will further reduce overall margins



Appendix

Income Statement - 5-Year Financial Summary



	2017	2016	2015	2014	2013
Sales	1,886.1	1838.4	1559.3	1,249.5	1,011.3
EBITDA ⁽¹⁾	240.6	264.8	243.4	176.3	155.0
<i>EBITDA %⁽¹⁾</i>	<i>12.8%</i>	<i>14.4%</i>	<i>15.6%</i>	<i>14.1%</i>	<i>15.3%</i>
Operating income	207.4	233.2	220.1	155.7	138.7
<i>Operating %</i>	<i>11.0%</i>	<i>12.7%</i>	<i>14.1%</i>	<i>12.5%</i>	<i>13.7%</i>
Net income	167.9	153.9	141.4	103.8	92.5
EPS - diluted	2.42	2.22	2.04	1.50	1.34

Financial Position - 5-Year Financial Summary



	2017	2016	2015	2014	2013
Working capital	779.4	928.0	854.4	615.1	517.0
Total assets	1,786.0	1960.9	1,778.9	1,289.0	1,071.9
Total debt	455.6	694.0	669.9	444.6	372.9
Shareholders' equity	1,115.5	1,026.4	913.5	692.3	572.2
Total debt to capitalization	0.29:1	0.40:1	0.42:1	0.39:1	0.39:1
Total debt to trailing 12-month EBITDA	1.89	2.62	2.75	2.52	2.41

THANK YOU



www.stella-jones.com

