

TSX: SJ (as of November 1, 2018)

Price: \$42.93

High: \$51.79

Low: \$41.86

(52 weeks ended November 1, 2018)

Number of Shares Outstanding:  
69,364,204



## Investor Fact Sheet

Third quarter ended September 30, 2018

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

### A Word from the President

Third quarter results demonstrated strong sales growth and continued improvement in operating margins on a sequential basis. Sales increased in all product categories driven by sales prices, market demand and acquisitions. While margins are up when compared to previous 2018 quarters, the pace of improvement was mitigated by the timing of customer price adjustments for higher untreated railway tie costs.

Looking forward, we are encouraged by the improving market conditions in the railway tie product category and the rising demand for utility poles. Given current market conditions and the recent decrease in residential lumber prices, we are on track to improve our operating margins in 2019. As always, we will continue to remain focused on optimizing our operations across the organization while diligently seeking market opportunities in all product categories.

**Brian McManus**  
President and CEO  
November 2, 2018

### Third Quarter Highlights

- Sales increased over 20% to \$630.0 million, driven by all product categories
- Operating margins continue to trend upward from previous 2018 quarters
- Net income and diluted EPS increased to \$45.8 million and \$0.66 per share
- Solid financial position maintained with a total debt to EBITDA ratio of 2.1x

### Financial Highlights

(in millions of Canadian dollars, except per share data)

	Quarters ended Sept. 30, (unaudited)		Nine months ended Sept. 30, (unaudited)	
	2018	2017	2018	2017
Sales	630.0	517.6	1,691.1	1,508.8
EBITDA <sup>1</sup>	76.7	71.3	199.7	203.5
EBITDA margin <sup>1</sup>	12.2%	13.8%	11.8%	13.5%
Operating income <sup>1</sup>	67.9	63.1	174.5	178.4
Net income for the period	45.8	42.0	117.0	116.8
Per share – basic and diluted (\$)	0.66	0.61	1.69	1.68
Weighted average shares out. (basic, in '000s)	69,357	69,330	69,350	69,319

<sup>1</sup> This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Refer to the Company's Management's Discussion and Analysis for further details.

### Recent Events

On September 25, 2018, Stella-Jones announced the appointment of Katherine A. Lehman as the new Chair of the Board, the establishment of a Governance and Nomination Committee and the implementation of additional governance initiatives.

On August 14, 2018, Stella Jones International S.A. sold its remaining share ownership in Stella-Jones Inc. through a bought deal public offering of 8,445,911 common shares and a concurrent private placement of an aggregate of 13,126,925 common shares.

## 5-Year Financial Review

(in millions of Canadian dollars, except per share data)	Trail. 12 months	2017	2016	2015	2014
Sales	<b>2,068.5</b>	1,886.1	1,838.4	1,559.3	1,249.5
EBITDA <sup>1</sup>	<b>236.8</b>	240.6	264.8	243.4	176.3
EBITDA margin <sup>1</sup>	<b>11.4%</b>	12.8%	14.4%	15.6%	14.1%
Operating income <sup>1</sup>	<b>203.5</b>	207.4	233.2	220.1	155.7
Operating margin <sup>1</sup>	<b>9.8%</b>	11.0%	12.7%	14.1%	12.5%
Net income for the period	<b>168.1</b>	167.9	153.9	141.4	103.8
Per common share – diluted (\$)	<b>2.42</b>	2.42	2.22	2.04	1.50

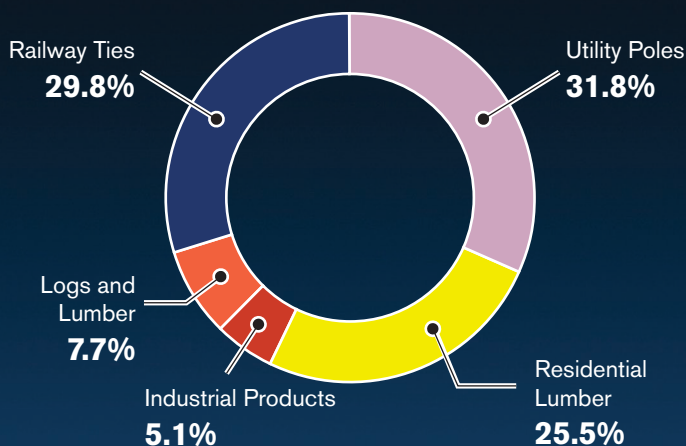
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## Outlook

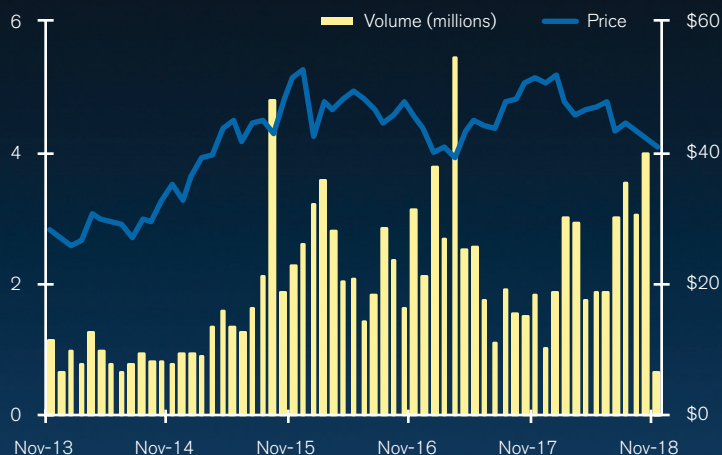
For 2018, based on current market conditions and assuming stable currencies, Management expects higher year-over-year overall sales for Stella-Jones driven by pricing as well as increased market reach for the residential lumber and the utility pole product categories. Operating margins are improving thus far in the second half of 2018 when compared to the first half of the year. However, the progression of operating margins in the fourth quarter of 2018 will continue to be impacted by higher untreated railway tie costs until sales prices can be adjusted. The Company plans on spending up to \$45.0 million on property, plant and equipment in 2018, driven by capacity enhancement projects and its overall effective tax rate is expected to be approximately 27.0%.

For 2019, based on current market conditions and assuming stable currencies, Management expects higher year-over-year overall sales for Stella-Jones, driven by stronger pricing in some product categories as well as increased market reach for utility poles and residential lumber. Operating margins are expected to improve over 2018, primarily driven by increased pricing for railway ties and higher volume and improved product mix for utility poles. For details per product category please refer to the Management's Discussion and Analysis for the quarter.

## Product Categories (in % of Q3 sales)



## Stock Performance



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### ANALYST COVERAGE

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Benoit Poirier	Desjardins Securities
Brian Pow	Acumen Capital Finance Partners Limited
Walter Spracklin	RBC Capital Markets
Michael Tupholme	TD Securities