



Q2 2023

ENDED JUNE 30

TSX: SJ (as at August 8, 2023)

Price: **\$67.05**

High: **\$68.91**

Low: **\$37.85**
(52 weeks ended August 8, 2023)

Number of Shares Outstanding:

57,784,177 (August 8, 2023)

INVESTOR FACT SHEET

SECOND QUARTER HIGHLIGHTS

- Sales of \$972 million, up 7%
- 10% organic sales growth in infrastructure-related businesses
- EBITDA⁽¹⁾ of 175 million, or a margin⁽¹⁾ of 18%, up from 17% in Q2 2022
- Net income of \$100 million, or \$1.72 per share, up 14% from EPS in Q2 2022
- Completed acquisitions and projects to seize growing utility pole demand

Stella-Jones Inc. (TSX: SJ) Stella-Jones is North America's leading producer of pressure-treated wood products. It supplies the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products and manufactures and distributes premium treated residential lumber and accessories. The Company's common shares are listed on the Toronto Stock Exchange.

A WORD FROM MANAGEMENT

Stella-Jones is executing on its three-year growth plan with the achievement of another strong performance in the second quarter, reflecting the upward momentum generated by accelerating demand for our infrastructure-related products. Our second quarter results continued to benefit from higher pricing dynamics for utility poles, railway ties and industrial products, while residential lumber delivered sales in line with expectations.

In the second half of the year, we expect replenished railway tie inventory levels and ongoing capital projects for utility poles to facilitate anticipated volume gains, while our recent acquisitions of Balfour Pole Co. and Baldwin Pole and Pilings' assets will further broaden the Company's presence across North America. Our performance so far this year aligns with our plan to continue to grow our infrastructure-related businesses, increase profitability, as evidenced by the strong EBITDA margin generated in the second quarter, and to return capital and drive value for our shareholders. Managing capital projects, acquisitions and strong organic growth requires the resourcefulness and agility of our team of experts, and I am proud to recognize their invaluable contribution to our business.

Eric Vachon
President and CEO
August 9, 2023

FINANCIAL HIGHLIGHTS

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

	Quarters ended		Six months ended	
	June 30, (Unaudited)	2022	June 30, (Unaudited)	2022
	2023	2022	2023	2022
Sales	972	907	1,682	1,558
Gross profit ⁽¹⁾	200	173	336	273
Gross profit margin ⁽¹⁾	20.6%	19.1%	20.0%	17.5%
EBITDA ⁽¹⁾	175	154	295	242
EBITDA margin ⁽¹⁾	18.0%	17.0%	17.5%	15.5%
Operating income	149	133	244	200
Operating income margin ⁽¹⁾	15.3%	14.7%	14.5%	12.8%
Net income for the period	100	94	160	140
Earnings per share ("EPS") – basic and diluted	1.72	1.51	2.73	2.23
Weighted average shares outstanding (basic, in '000s)	58,292	62,321	58,543	62,794

⁽¹⁾ These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the section "Non-GAAP and other financial measures" in the Company's Management's Discussion and Analysis ("MD&A").

RECENT EVENTS

July 14, 2023 — The Company acquired substantially all of the assets of the wood utility pole manufacturing business of Baldwin Pole and Piling ("Baldwin") for a total consideration of approximately \$64 million (US\$48 million). Baldwin is a Southern Yellow Pine pole treating company with facilities in Bay Minette, Alabama and Wiggins, Mississippi.

August 8, 2023 — The Board of Directors declared a quarterly dividend of \$0.23 per common share payable, on September 25, 2023 to shareholders of record at the close of business on September 5, 2023. This dividend is designated to be an eligible dividend.

5-YEAR FINANCIAL REVIEW

(in millions of Canadian dollars, except per share data and margins)	Trailing 12 months	2022	2021	2020	2019
Sales	3,189	3,065	2,750	2,551	2,189
EBITDA ⁽¹⁾	501	448	400	385	313
EBITDA margin ⁽¹⁾	15.7%	14.6%	14.5%	15.1%	14.3%
Operating income	403	359	326	309	242
Operating income margin ⁽¹⁾	12.6%	11.7%	11.9%	12.1%	11.1%
Net income for the period	261	241	227	210	163
EPS – basic and diluted	4.40	3.93	3.49	3.12	2.37

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in the Company's MD&A.

2023-2025 FINANCIAL OBJECTIVES

The Company held its inaugural Investor Day on May 25, 2023, during which it provided its updated three-year financial objectives, which now extend to 2025. Excluding acquisitions, the Company's 2023-2025 financial objectives are set forth in the following table:

(in millions of dollars, except percentages and ratios)	Updated 2023-2025 Objectives ⁽²⁾
Sales	> \$3,600
EBITDA margin ⁽¹⁾	16%
Return to Shareholders: cumulative	> \$500
Net Debt-to-EBITDA ⁽¹⁾⁽³⁾	2.0x-2.5x

Key Highlights:

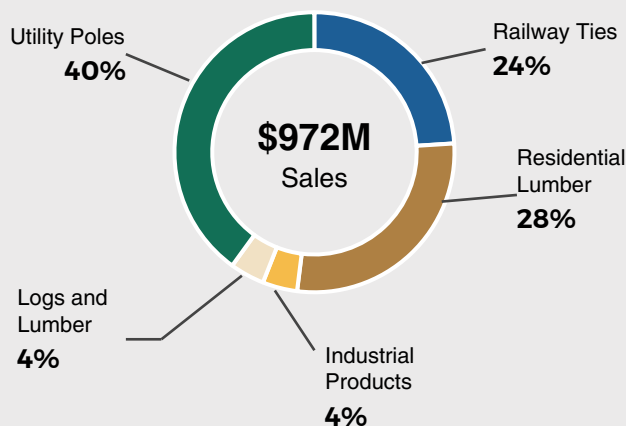
- Projected compound annual growth rate ("CAGR") for sales of 6% for the 2023-2025 period, driven by a 9% CAGR for the Company's infrastructure-related businesses, expected to account for 75%-80% of total sales:
 - Utility poles: 15% sales CAGR, supported by a growth capital expenditure program of \$115 million;
 - Railway ties: low single-digit annual sales growth;
- Residential lumber: annual sales target of \$600-\$650 million, representing less than 20% of total sales;
- Expansion of EBITDA margin⁽¹⁾ to 16% through 2025 driven by improvement in product mix.

⁽¹⁾ Refer to the section "Non-GAAP and other financial measures" in the Company's MD&A.

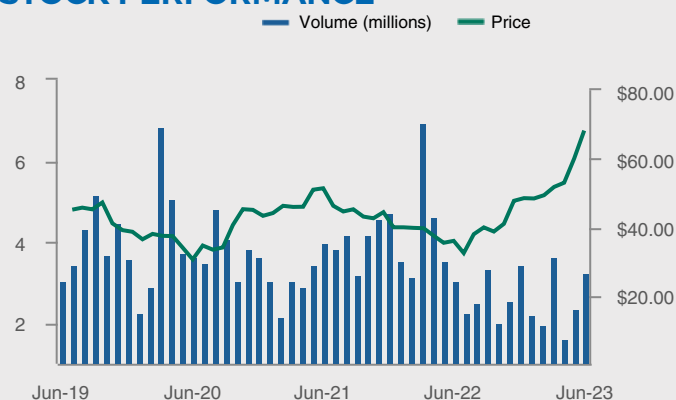
⁽²⁾ Foreign Exchange: assumes Canadian dollar will trade, on average, at approximately C\$1.30 per U.S. dollar, with sales in the U.S. representing approximately 70% of total sales.

⁽³⁾ May temporarily exceed range to finance growth opportunities related to its infrastructure-related businesses.

PRODUCT CATEGORIES (in % of Q2 2023 sales)



STOCK PERFORMANCE



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ANALYST COVERAGE

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Benoit Poirier	Desjardins Securities
Maxim Sytchev	National Bank Financial
To be confirmed	Scotia Capital
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Michael Tupholme	TD Securities