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STELLA-JONES REPORTS 2019 SECOND QUARTER RESULTS

- **Sales were stable at $661.8 million, driven by healthy demand for utility poles**
- **EBITDA up 18% to $94.2 million, supported by increased gross margins as well as by the adoption of IFRS 16, *Leases***
- **Net income and diluted EPS increased to $52.3 million and $0.76 per share**
- **General outlook of higher overall year-over-year sales and margins confirmed for 2019**

Montreal, Quebec – August 7, 2019 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its second quarter ended June 30, 2019.

"We are pleased with our second quarter results given the short-term challenges experienced in certain markets. Sales were stable as higher sales prices and healthy demand for utility poles, combined with the positive currency conversion effect, were offset by lower volume and pricing in logs and lumber, temporary shipment delays in railway ties and wet weather conditions in residential lumber. Notwithstanding this operating environment, we delivered increased profitability driven by improved pricing and better operational efficiencies in the U.S. Southeast," said Brian McManus, President and Chief Executive Officer.

"We continued to follow our strategy of continental expansion by completing a tuck-in acquisition in Ontario in April and finalizing our plant expansion in Cameron, Wisconsin. For 2019, we expect higher year-over-year sales and margin improvement over last year. Our strategy remains intact as we will continue to focus on optimizing our operations across the organization while seeking acquisitions to further expand our presence in our core markets," stated Eric Vachon, Senior Vice-President and CFO.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q2-19**	**Q2-18(2)**	**YTD Q2-19**	**YTD Q2-18(2)**
Sales	661.8	662.3	1,102.6	1,061.1
EBITDA(1)	94.2	80.1	158.0	124.1
EBITDA margin (%)(1)	14.2%	12.1%	14.3%	11.7%
Operating income(1)	76.7	71.0	122.4	106.5
Net income for the period	52.3	48.1	81.7	71.2
Per share – basic and diluted ($)	0.76	0.69	1.18	1.03
Weighted average shares outstanding (basic, in '000s)	69,131	69,347	69,134	69,352

(1) 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.
(2) Results for fiscal 2018 were not restated as per IFRS 16.

SECOND QUARTER RESULTS

On January 1, 2019, the Company retrospectively adopted IFRS 16, Leases, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. For the three-month period ended June 30, 2019, instead of lease expenses, $8.1 million in right-of-use asset depreciation and $1.0 million in financing expenses were recorded in the consolidated statement of income. For the six-month period ended June 30, 2019, the adoption of IFRS 16 added $15.9 million in right-of-use asset depreciation and $2.0 million in financing expenses. Please refer to the impact of new accounting pronouncements and interpretation section of the quarterly Management's Discussion and Analysis for further details.

Sales reached $661.8 million, stable, versus sales of $662.3 million for the corresponding period last year. The currency conversion effect had a positive impact of $17.7 million. Excluding the currency conversion effect, sales decreased approximately $18.2 million, or 2.7%, primarily due to lower volume and pricing in logs and lumber, temporary delayed shipments in railway ties and wet weather conditions in residential lumber. This was offset by higher selling prices and healthy demand for utility poles as detailed below.

- **Utility poles (31.2% of Q2-19 sales)**: Sales reached $206.3 million, up 15.0% from sales of $179.4 million last year. The currency conversion effect had a positive impact of $6.6 million. Excluding the currency conversion effect, utility pole sales increased approximately $20.3 million, or 11.3%, primarily driven by increased sales prices coupled with continued volume increases in the U.S. Southeast and overall healthy demand in the United States.

- **Railway ties (29.4% of Q2-19 sales)**: Sales totalled $194.7 million, down 3.2% from sales of $201.2 million last year. The currency conversion effect had a positive impact of $6.7 million. Excluding the currency conversion effect, railway tie sales decreased approximately $13.2 million, or 6.6%. This variance is mainly explained by delayed shipments due to low railcar availability and longer treating cycle times which has pushed the delivery of certain orders to the second half of 2019. The longer treating cycles are a result of the tight supply market for untreated railway ties which requires the Company to treat railway ties that are not air-seasoned.

- **Residential lumber (29.4% of Q2-19 sales)**: Sales totalled $194.8 million, down 4.3% from sales of $203.5 million last year. The currency conversion effect had a positive impact of $2.5 million. Excluding the currency conversion effect, residential lumber sales decreased approximately $11.2 million, or 5.5%. This variance is primarily explained by lower demand due to wet weather conditions in Eastern Canada and to a lesser extent, by lower pricing.

- **Industrial products (5.9% of Q2-19 sales)**: Sales reached $38.8 million, compared with $32.9 million last year. The currency conversion effect had a positive impact of $1.4 million. Excluding the currency conversion effect, sales increased $4.5 million, or 13.8%, primarily as a result of stronger rail-related product sales.

- **Logs and lumber (4.1% of Q2-19 sales)**: Sales totalled $27.1 million, compared with $45.3 million last year. Excluding the currency conversion effect, sales for this product category decreased by $18.6 million. This variance is a result of reduced selling prices driven by lower lumber market costs, a decrease in lumber transaction volumes as well as lower log sales due to the timing of harvesting activities.

Operating income was $76.7 million, or 11.6% of sales, compared with $71.0 million, or 10.7% of sales, in the second quarter of the previous year. The increase versus last year is explained by improved pricing and better operational efficiencies in the U.S. Southeast. In addition, lower lumber costs, which are passed through in a timely manner to customers via lower selling prices, have contributed to decreased cost of sales but have also driven margins up as a percentage of sales. These factors were partially offset by the effect of currency translation.

Net income for the second quarter of 2019 reached $52.3 million, or $0.76 per diluted share, versus net income of $48.1 million, or $0.69 per diluted share, in the corresponding period last year.

SIX-MONTH RESULTS

For the first six months of 2019, sales amounted to $1.10 billion, versus $1.06 billion for the corresponding period last year. Acquisitions contributed sales of $11.5 million, while the currency conversion effect had a positive impact of $36.4 million. Excluding these factors, sales decreased approximately $6.4 million, or 0.6%.

Operating income reached $122.4 million, or 11.1% of sales, compared with $106.5 million, or 10.0% of sales last year. Net income totalled $81.7 million, or $1.18 per diluted share, versus $71.2 million, or $1.03 per diluted share last year.

ACQUISITION

On April 1, 2019, the Company completed the acquisition of substantially all of the assets of Shelburne Wood Protection Ltd. ("SWP"), located in Shelburne, Ontario. The SWP plant is specialized in the treatment of residential lumber. The total consideration for the acquisition was approximately $9.2 million of which $8.5 million was financed through the Company's syndicated credit facilities and $0.7 million was recorded as a balance of purchase price. The balance of purchase price bears no interest, will be paid to the seller in two equal amounts on the first and second anniversary of the transaction and was recorded at fair value using an effective interest rate of 3.31%. The SWP acquisition has been accounted for as an acquisition of a group of assets.

CEO TO STEP DOWN

On July 15, 2019, the Company announced that Brian McManus has made the decision to step down as President and CEO, effective October 11, 2019. Until such date, Mr. McManus will work closely with management and the Board to ensure a smooth transition. Upon Mr. McManus' departure, Eric Vachon, Senior Vice-President and CFO, will be serving as interim CEO. Mr. Vachon is a twelve-year veteran of the Company, whose prior roles have included Director, Treasury and Financial Reporting, Vice President Finance, U.S. Operations and Vice President and Treasurer since joining Stella-Jones in 2007. Mr. Vachon will retain his CFO responsibilities during the interim period. A special committee of the Board of Directors has been formed to conduct a search for the Company's next CEO and will be considering both internal and external candidates.

AMENDED CREDIT AGREEMENT

On May 3, 2019, the Company amended and restated the fifth amended and restated credit agreement dated as of February 26, 2016, as amended on May 18, 2016, on March 15, 2018 and on January 14, 2019, pursuant to a sixth amended and restated credit agreement (the "Sixth ARCA"). Under the terms of the Sixth ARCA, the following syndicated credit facilities are made available to the Company as well as Stella-Jones Corporation and Stella-Jones U.S. Holding Corporation (collectively, with the Company, the "Borrowers"), both wholly-owned subsidiaries of the Company, by a syndicate of lenders: (i) an unsecured revolving facility in the amount of US$325.0 million made available to the Borrowers until February 27, 2024, (ii) an unsecured non-revolving term facility in the amount of US$50.0 million made available to Stella-Jones Corporation until February 26, 2021 and (iii) an unsecured non-revolving term facility in the amount of US$50.0 million made available to Stella-Jones Corporation until February 28, 2022. Under the Sixth ARCA, financing is provided up to $556.2 million (US$425.0 million). For additional details please refer to the Management's Discussion and Analysis for the quarter.

SOLID FINANCIAL POSITION

As at June 30, 2019, the Company's long-term debt, including the current portion, stood at $619.7 million compared with $513.5 million as at December 31, 2018. The increase mainly reflects higher working capital requirements, higher capital expenditures and financing required for the acquisition of SWP, partially offset by the effect of local currency translation on U.S. dollar denominated long-term debt.

QUARTERLY DIVIDEND

On August 6, 2019, the Board of Directors declared a quarterly dividend of $0.14 per common share, payable on September 20, 2019 to shareholders of record at the close of business on September 2, 2019. This dividend is designated to be an eligible dividend.

NORMAL COURSE ISSUER BID

In the three-month period ended June 30, 2019, as part of its Normal Course Issuer Bid, the Company did not repurchase any common shares for cancellation. Since the launch of the Normal Course Issuer Bid on December 20, 2018, the Company repurchased 251,000 common shares for cancellation in consideration of $9.8 million.

OUTLOOK

The general outlook remains unchanged from last quarter. Management expects higher year-over-year sales, based on current market conditions, the current level of lumber prices and assuming stable currencies. This increase is driven by stronger pricing for railway ties and utility poles as well as increased market reach for the utility pole product category. Management also expects improved year-over-year margins on a consolidated basis. Higher margins will be primarily driven by increased pricing and volume for railway ties coupled with improved product mix and demand for utility poles. Furthermore, it is important to note that the 2019 EBITDA will be positively impacted by the adoption of IFRS 16, *Leases*. For additional details per product category, please refer to the Management's Discussion and Analysis for the quarter.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on August 7, 2019, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 5153779. This recording will be available on Wednesday, August 7, 2019 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Wednesday, August 14, 2019.

NON-IFRS FINANCIAL MEASURES

EBITDA (operating income before depreciation of property, plant and equipment and amortization of intangible assets), operating income and operating margins 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 results of operations as it provides an additional measure of its performance. Please refer to the non-IFRS financial measures section in the Management's Discussion and Analysis.

ABOUT STELLA-JONES

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.

Note to readers: Condensed interim unaudited consolidated financial statements for the second quarter ended June 30, 2019 are available on Stella-Jones' website at www.stella-jones.com

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