Source: **Stella-Jones Inc.**

Contacts: **Éric Vachon, CPA, CA**
President and Chief Executive Officer
Stella-Jones
Tel.: (514) 940-3903
evachon@stella-jones.com

Pierre Boucher, CPA, CMA
Jennifer McCaughey, CFA
MaisonBrison Communications
Tel.: (514) 731-0000
pierre@maisonbrison.com
jennifer@maisonbrison.com

STELLA-JONES REPORTS 2019 THIRD QUARTER RESULTS

- **EBITDA up 22% to $96.1 million, driven by increased gross margins as well as by the adoption of IFRS 16, *Leases***
- **Net income and diluted EPS increased to $53.7 million and $0.78 per share**
- **Solid operating cash flow used to reduce debt by $63.7 million and to repurchase shares totalling $30.0 million**
- **Sales reached $626.6 million, down $3.4 million compared to 2018, impacted primarily by lower sales in the logs and lumber product category**

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

"We are pleased with our third quarter results, which saw sales in our utility pole, railway tie and industrial product categories increase due to a combination of higher pricing and increased volume. Third quarter sales increased year-over-year when adjusting for the impact of lower lumber costs, which are primarily a pass-through to customers. Our sales were negatively impacted by $20.2 million in the logs and lumber product category due to these lower lumber costs and sales in the residential lumber product category also declined for this reason, but were partially offset by higher volumes. Profitability increased, driven by improved pricing, lower lumber costs, a positive product mix and improved operational efficiencies," stated Éric Vachon, President and CEO of Stella-Jones.

"In the quarter, we used our solid cash flow mainly to reduce our leverage by $63.7 million and to repurchase shares totalling $30.0 million. As expected, excluding the logs and lumber product category, we plan on concluding fiscal 2019 with higher year-over-year sales and margins. For 2020, we expect continued overall growth in sales and profitability driven by our three core product categories," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q3-19**	**Q3-18(2)**	**YTD Q3-19**	**YTD Q3-18(2)**
Sales	626.6	630.0	1,729.2	1,691.1
EBITDA(1)	96.1	78.5	254.1	202.6
EBITDA margin (%)(1)	15.3%	12.5%	14.7%	12.0%
Operating income(1)	78.6	67.9	200.9	174.5
Net income for the period	53.7	45.8	135.4	117.0
Per share – basic and diluted ($)	0.78	0.66	1.96	1.69
Weighted average shares outstanding (basic, in '000s)	68,901	69,357	69,057	69,350

(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.

THIRD 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 September 30, 2019, instead of lease expenses, $8.4 million in right-of-use asset depreciation and $1.1 million in financing expenses were recorded in the consolidated statement of income. For the nine-month period ended September 30, 2019, the adoption of IFRS 16 added $24.3 million in right-of-use asset depreciation and $3.1 million in financing expenses. Please refer to the impact of new accounting pronouncements and interpretation section of the Company's quarterly Management's Discussion and Analysis for further details.

Sales reached $626.6 million, down $3.4 million, versus sales of $630.0 million for the corresponding period last year. The currency conversion effect had a positive impact of $2.8 million. Excluding this factor, sales decreased approximately $6.2 million, or 1.0%, primarily due to the logs and lumber product category as detailed below.

- **Utility poles (33.7% of Q3-19 sales)**: Sales reached $211.5 million, up 5.4% from sales of $200.6 million last year. The currency conversion effect had a positive impact of $1.3 million. Excluding the currency conversion effect, utility pole sales increased approximately $9.6 million, or 4.8%, primarily driven by increased sales prices coupled with healthy replacement demand.

- **Railway ties (30.4% of Q3-19 sales)**: Sales amounted to $190.7 million, up 1.6% from sales of $187.7 million last year. The currency conversion effect had a positive impact of $0.7 million. Excluding the currency conversion effect, railway tie sales increased approximately $2.3 million, or 1.2%. This variance is explained by higher selling prices, partially offset by longer treating cycle times. While demand for railway ties remains strong, the tight supply market for untreated railway ties requires the Company to treat railway ties that are not air-seasoned which require longer cycle times. In addition, the Company has manufactured finished products for certain customers for which delivery will be taken in future months. As a result, some third quarter sales have been pushed out to the next few quarters.

- **Residential lumber (25.2% of Q3-19 sales)**: Sales totalled $158.2 million, down 1.4% from sales of $160.5 million last year. The currency conversion effect had a positive impact of $0.5 million. Excluding the currency conversion effect, residential lumber sales decreased approximately $2.8 million, or 1.7%. This variance is primarily explained by lower lumber costs as compared to the same period last year, partially offset by higher volumes.

- **Industrial products (6.0% of Q3-19 sales)**: Sales reached $37.6 million, compared with $32.4 million last year. The currency conversion effect had a positive impact of $0.3 million. Excluding the currency conversion effect, sales increased $4.9 million, or 15.1%, primarily as a result of stronger rail-related and piling product sales.

- **Logs and lumber (4.6% of Q3-19 sales)**: Sales totalled $28.6 million, compared with $48.8 million last year. Excluding the currency conversion effect, sales for this product category decreased by $20.2 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 $78.6 million, or 12.6% of sales, compared with $67.9 million, or 10.8% of sales, last year. The increase versus last year is explained by improved pricing and better operational efficiencies. 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 higher volume for utility poles, higher production costs for railway ties given the longer treatment cycles and the effect of currency translation. Net income reached $53.7 million, or $0.78 per diluted share, versus net income of $45.8 million, or $0.66 per diluted share, last year.

NINE-MONTH RESULTS

Sales amounted to $1.73 billion, versus $1.69 billion last year. Acquisitions contributed sales of $11.5 million, while the currency conversion effect had a positive impact of $39.3 million. Excluding these factors, sales decreased approximately $12.8 million, or 0.8%.

Operating income reached $200.9 million, or 11.6% of sales, compared with $174.5 million, or 10.3% of sales last year. Net income totalled $135.4 million, or $1.96 per diluted share, versus $117.0 million, or $1.69 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.

APPOINTMENT OF NEW CEO

On September 12, 2019, the Company announced the appointment of Éric Vachon as its new President and Chief Executive Officer effective October 11, 2019. On the same date, Mr. Vachon joined the Company’s Board of Directors. The Company has initiated steps towards filling a senior financial position.

SOLID FINANCIAL POSITION

As at September 30, 2019, the Company’s long-term debt, including the current portion, stood at $562.8 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 November 6, 2019, the Board of Directors declared a quarterly dividend of $0.14 per common share, payable on December 19, 2019 to shareholders of record at the close of business on December 2, 2019. This dividend is designated to be an eligible dividend.

NORMAL COURSE ISSUER BID

In the three-month period ended September 30, 2019, as part of its Normal Course Issuer Bid, the Company repurchased 766,071 common shares for cancellation in consideration of $30.0 million. Since the launch of the Normal Course Issuer Bid on December 20, 2018, the Company repurchased 1,017,881 common shares for cancellation in consideration of $39.8 million.

OUTLOOK

For 2019, excluding sales from the logs and lumber product category, Management expects higher year-over-year overall sales, based on current market conditions, the current level of lumber prices and 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 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. For additional details per product category, please refer to the Company’s Management’s Discussion and Analysis for the quarter.

For 2020, based on current market conditions and assuming stable currencies, Management expects higher year-over-year overall sales for Stella-Jones driven by stronger pricing and increased market reach in the utility pole, railway tie and residential lumber product categories. As a result, operating margins, in absolute dollars are expected to improve over 2019. Operating margins as a percentage of sales are also expected to increase primarily driven by pricing improvements and operational efficiencies.

Going forward we will continue to follow our strategy of optimizing our operations, seeking acquisitions to further expand our presence in our core markets, while using a prudent capital allocation approach.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on November 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 1559479. This recording will be available on Thursday, November 7, 2019 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Thursday, November 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.

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, the ability of the Company to raise the capital required for acquisitions, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

- 30 -

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

HEAD OFFICE 3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	**EXCHANGE LISTINGS** The Toronto Stock Exchange Stock Symbol: SJ **TRANSFER AGENT AND REGISTRAR** Computershare Investor Services Inc.	**INVESTOR RELATIONS** Éric Vachon President and Chief Executive Officer Tel.: (514) 940-3903 Fax: (514) 934-5327 evachon@stella-jones.com