



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS FIRST QUARTER 2020 RESULTS

Annual and Special Meeting of Shareholders to be held later this morning

- Sales increased 14% to a first quarter record of \$503 million
- Gross profit grew by 19% from last year
- EBITDA remained stable at \$63 million, negatively impacted by a \$7 million mark-to-market loss on diesel derivative financial instruments
- Updated 2020 outlook to reflect the uncertain impact of the COVID-19 pandemic

Montreal, Quebec – May 7, 2020 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its first quarter ended March 31, 2020.

“We had a solid start to the year with sales up a robust 14%. Sales growth for our pressure-treated wood products was supported by stronger demand for utility poles and residential lumber, and improved pricing for utility poles and railway ties. While higher sales led to a 19% increase in gross profit, EBITDA was unfavourably impacted by the mark-to-market variation in diesel derivative commodity contracts. As a result, EBITDA remained stable compared to the same period last year,” stated Éric Vachon, President and CEO of Stella-Jones.

“While Stella-Jones’ operations and products are considered critical to the integrity of the supply chains for North American utilities, railroads and the construction industry, we anticipate headwinds from the COVID-19 pandemic and have therefore updated our 2020 outlook. We remain focused on managing our business prudently while applying rigorous hygiene practices and physical distancing policies throughout the organization. We are confident that our resilient business model and seasoned management team, combined with a solid balance sheet and ample financial flexibility position us well to weather the current crisis and continue to drive growth,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	Q1-20	Q1-19
Sales	503	441
Gross Profit ⁽¹⁾	83	70
EBITDA ⁽¹⁾	63	64
EBITDA margin (%) ⁽¹⁾	12.5%	14.5%
Operating income ⁽¹⁾	45	46
Net income for the period	28	29
Per share – basic and diluted (\$)	0.41	0.43
Weighted average shares outstanding (basic, in ‘000s)	67,469	69,136

(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.

FIRST QUARTER RESULTS

Sales for the first quarter reached a record \$503 million, up \$62 million, or 14%, versus sales of \$441 million last year. Pressure-treated wood sales rose by \$59 million while sales for logs and lumber increased by \$3 million. The increase in pressure-treated wood sales, excluding the positive impact of the currency conversion of \$3 million, was \$56 million, or 13%, and was driven by higher demand and improved sales prices for utility poles, increased volumes for residential lumber and industrial products and higher sales prices for railway ties.

Pressure-treated wood products:

- **Utility poles (40% of Q1-20 sales):** Utility pole sales rose to \$202 million, up 18% from sales of \$171 million in the corresponding period last year. Excluding the currency conversion effect, utility pole sales increased by \$29 million, primarily driven by continued growth in replacement demand and improved pricing.
- **Railway ties (34% of Q1-20 sales):** Railway tie sales were \$172 million, an increase of 6% compared to sales of \$162 million in the same period last year. Excluding the currency conversion, railway tie sales increased \$9 million, mainly due to higher sales prices. Volume remained stable as higher shipments to Class 1 customers were offset by lower volume to non-Class 1 customers, largely related to the timing of projects.
- **Residential lumber (14% of Q1-20 sales):** Sales in the residential lumber category totalled \$71 million, up 25% from sales of \$57 million last year. This increase is primarily attributable to increased demand, both in Canada and the U.S.
- **Industrial products (6% of Q1-20 sales):** Industrial product sales increased to \$29 million, up 16% compared to sales of \$25 million in the first quarter last year, primarily as a result of stronger railway bridge sales.

Logs and lumber:

- **Logs and lumber (6% of Q1-20 sales):** Sales in the logs and lumber product category were \$29 million, compared with \$26 million last year. Sales increased mainly due to higher lumber market prices in North America for most of the first quarter compared to the same period last year, while volumes remained relatively unchanged.

Led by strong sales growth, gross profit increased 19% to \$83 million, compared to gross profit of \$70 million in the first quarter last year. Despite the improvement in gross profit, operating income and EBITDA remained relatively unchanged compared to the same period last year at \$45 million and \$63 million, respectively, given a \$7 million mark-to-market loss recorded in the quarter for diesel derivative commodity contracts. Adjusting for the mark-to-market impact of diesel derivative contracts, EBITDA for the three-month periods ending March 31, 2020 and 2019 were \$70 million and \$60 million, representing EBITDA margins of 13.9% and 13.6%, respectively.

Net income was \$28 million, or \$0.41 per diluted share, versus net income of \$29 million, or \$0.43 per share, last year.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operations, before the effect of working capital changes and interest and taxes paid, of \$69 million in the first quarter of 2020. Combined with additional borrowings of \$108 million under its syndicated credit facilities, the Company used its liquidity to support seasonally higher working capital

requirements and continued to invest in capital expenditures. As at March 31, 2020, the Company's long-term debt stood at \$766 million and the long-term debt to trailing 12-month EBITDA was seasonally higher at 2.5x.

QUARTERLY DIVIDEND

On May 6, 2020, the Board of Directors declared a quarterly dividend of \$0.15 per common share payable on June 26, 2020 to shareholders of record at the close of business on June 5, 2020. This dividend is designated to be an eligible dividend.

UPDATED 2020 OUTLOOK

Management believes that the resiliency of the Company's utility pole, railway tie and residential lumber product categories as well as its solid balance sheet and liquidity, places it in a favourable position to navigate through the current challenging environment.

Given, however, the uncertain impact of the COVID-19 pandemic and the weaker economic conditions in North America on the demand for the Company's core product categories, the Company has updated its 2020 outlook. It now expects EBITDA for 2020 to be in the range of \$300 to \$325 million, down \$20 million from the previously disclosed range and EBITDA margin to be lower versus 2019. The Company's guidance is revised to reflect either no improvement or a slight decline in sales volume for utility pole, railway tie and industrial product categories and weaker demand for residential lumber compared to 2019. Please refer to the Company's Management's Discussion and Analysis for details regarding assumptions.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 7, 2020, at 1:30 p.m. Eastern Daylight 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 7383225. This recording will be available on Thursday, May 7, 2020 as of 4:30 p.m Eastern Daylight Time until 11:59 p.m Eastern Daylight Time on Thursday, May 14, 2020.

NON-IFRS FINANCIAL MEASURES

EBITDA (operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets), gross profit, operating income and EBITDA margin 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 understand the Company's operating results, financial condition and cash flows as they provide an additional measure about its performance. Please refer to the non-IFRS financial measures described 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 electrical utilities and telecommunication companies with utility poles, and the continent's railroad operators with railway ties and timbers. 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.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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, general economic and business conditions (including the impact of the global outbreak of the novel coronavirus), evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, changes in foreign currency rates, and the ability of the Company to raise capital. As a result, readers are advised that actual results may differ from expected results. Unless required to do so under applicable securities legislation, the Company does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

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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 Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 940-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com
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