



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS RECORD SECOND QUARTER 2020 RESULTS

- **EBITDA increased 28% to a record \$120 million**
- **Net income rose to \$69 million or \$1.02 per share**
- **Net debt to trailing 12-month EBITDA decreased to 1.9x**
- **Updated 2020 outlook to reflect strong quarterly performance**
- **Announced a Normal Course Issuer Bid**

Montreal, Quebec – August 5, 2020 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its second quarter ended June 30, 2020.

“We are pleased with our financial performance, as each of our three core product categories continued to deliver improved results. Bolstered by exceptional demand for residential lumber, we realized double-digit sales growth of 15% and increased EBITDA by 28% to \$120 million this quarter, surpassing the \$100 million mark for the first time in a single quarter. We generated \$146 million of cash from operations and reduced our leverage, further improving our financial strength and flexibility. Based on our strong quarterly performance and resilient business model, we have increased our annual 2020 EBITDA guidance and announced our intention to repurchase up to 3,000,000 of the Company’s outstanding shares, under a Normal Course Issuer Bid,” stated Éric Vachon, President and CEO of Stella-Jones.

“Critical to the integrity of the supply chain for utilities, railroads and the construction industry, Stella-Jones has continued to operate all of its North American facilities and support its customers during the varying stages of restrictions and re-openings implemented by authorities to address the COVID-19 pandemic. The Company continues to reinforce measures implemented to mitigate health risks to its employees, business partners and communities where it operates. I wish to thank each and every one of our 2,300 employees across North America for doing their part to successfully operate our business during these challenging times and contribute to a record performance this quarter,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	Q2-20	Q2-19	YTD Q2-20	YTD Q2-19
Sales ⁽¹⁾	768	667	1,276	1,113
Gross Profit ⁽²⁾	131	108	214	178
EBITDA ⁽²⁾	120	94	183	158
EBITDA margin (%) ⁽²⁾	15.6%	14.1%	14.3%	14.2%
Operating income ⁽²⁾	101	77	146	123
Net income for the period	69	52	97	81
Per share – basic and diluted (\$)	1.02	0.76	1.43	1.18
Weighted average shares outstanding (basic, in ‘000s)	67,479	69,131	67,474	69,134

(1) Prior period figures have been adjusted to conform to the current period presentation.

(2) 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.

SECOND QUARTER RESULTS

Sales for the second quarter reached \$768 million, up \$101 million, or 15%, versus sales of \$667 million for the corresponding period last year. Excluding the positive impact of the currency conversion of \$15 million, pressure-treated wood sales rose \$90 million, or 14%, driven by an over 30% increase in residential lumber demand, higher volumes for railway ties and improved sales prices for utility poles.

Pressure-treated wood products:

- **Utility poles (30% of Q2-20 sales):** Utility pole sales rose to \$230 million, up 9% from sales of \$211 million in the corresponding period last year. Excluding the currency conversion effect, utility pole sales increased by \$13 million, primarily driven by upward price adjustments in response to raw material cost increases.
- **Railway ties (29% of Q2-20 sales):** Railway tie sales were \$225 million, an increase of 13% compared to sales of \$199 million in the same period last year. Excluding the currency conversion effect, railway tie sales increased \$20 million, mainly due to the acceleration of the 2020 maintenance program for certain Class 1 customers and solid demand from non-Class 1 customers, which was supported by a healthy level of untreated ties inventory.
- **Residential lumber (34% of Q2-20 sales):** Sales in the residential lumber category were greater than expected, rising to \$257 million, up 32% from sales of \$195 million in the corresponding period last year. The significant increase in sales is due to higher volumes, largely stemming from strong home improvement activity in the context of the COVID-19 pandemic.
- **Industrial products (4% of Q2-20 sales):** Industrial product sales were \$33 million, down 6% compared to sales of \$35 million in the second quarter last year, primarily as a result of lower piling project activities.

Logs and lumber:

- **Logs and lumber (3% of Q2-20 sales):** Sales in the logs and lumber product category were \$23 million, down 15% compared to \$27 million in the corresponding period last year. Sales declined given the limited market supply availability and resulting decrease in lumber trading activity.

Driven by the strong sales growth across the three core product categories, gross profit and operating income increased 21% and 31% to \$131 million and \$101 million, respectively, compared to the second quarter last year. EBITDA grew to \$120 million, up 28%, compared to \$94 million reported in the prior year period, reflecting an EBITDA margin of 15.6%. This increase is largely attributable to stronger pressure-treated wood demand and pricing improvements to offset higher costs.

Net income was \$69 million, or \$1.02 per diluted share, versus net income of \$52 million, or \$0.76 per share, last year.

SIX-MONTH RESULTS

Sales amounted to \$1.28 billion, versus \$1.11 billion for the corresponding period last year. Excluding the positive impact of the currency conversion of \$18 million, pressure-treated wood sales increased by \$146 million, or 14%. The improvement in sales led to an increase in gross profit, which grew 20% to \$214 million, compared to the prior year period

Operating income was \$146 million, or 11.4% of sales, compared with \$123 million, or 11.1% of sales last year. EBITDA rose to \$183 million, up 16%, compared to \$158 million reported in the prior year period, reflecting an EBITDA margin of 14.3%. Net income totalled \$97 million, or \$1.43 per diluted share, versus \$81 million, or \$1.18 per diluted share last year.

STRONG LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operations of \$146 million in the second quarter of 2020. The Company deployed its liquidity to reduce debt, pay dividends and invest in property, plant and equipment. As at June 30, 2020, the Company's long-term debt stood at \$636 million and the net debt to trailing 12-month EBITDA decreased to 1.9x.

As a result of the continued strength of the Company's balance sheet and resiliency of its business model, the Board of Directors has authorized the repurchase of up to 2,500,000 of the Company's Common Shares, representing approximately 3.7% of its outstanding Common Shares, under a Normal Course Issuer Bid.

QUARTERLY DIVIDEND

On August 4, 2020, the Board of Directors declared a quarterly dividend of \$0.15 per share on the outstanding common shares of the Company, payable on September 18, 2020 to shareholders of record at the close of business on September 1, 2020. This dividend is designated to be an eligible dividend.

UPDATED OUTLOOK

The financial outlook provided in the Company's Management's Discussion and Analysis for the quarter ended March 31, 2020 with respect to annual EBITDA for 2020 is revised to reflect the strong quarterly performance, bolstered by the robust demand for residential lumber. The Company now expects EBITDA for 2020 to be in the range of \$320 to \$345 million, up \$20 million from the previously disclosed guidance, and EBITDA margin to be comparable to 2019.

As part of its capital allocation approach, the Company intends to target a net debt-to-EBITDA ratio between 2.0x and 2.5x. While maintaining a healthy financial position, the targeted leverage should allow the Company to return capital to shareholders and take advantage of growth opportunities to further strengthen its position in the Company's core product categories, both organically and through acquisitions, and enhance shareholder value.

Please refer to the Company's Management's Discussion and Analysis for further details.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on August 5, 2020, at 10:00 a.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 7173474. This recording will be available on Wednesday, August 5, 2020 as of 1:00 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Wednesday, August 12, 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 coronavirus pandemic), 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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Note to readers: Condensed interim unaudited consolidated financial statements for the second quarter ended June 30, 2020 as well as management's discussion and analysis 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 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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