



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS RECORD THIRD QUARTER 2020 FINANCIAL RESULTS

- **Net income rose to \$79 million or \$1.17 per share**
- **EBITDA increased 38% to a new high of \$132 million, or a margin of 17.8%**
- **Annual 2020 EBITDA outlook increased to reflect strong quarterly performance**
- **2019 Environmental Social Governance Report published by Company**

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

“I am extremely proud of the diligent work ethic and unwavering commitment that our employees have displayed during these rapidly changing and extremely challenging times. Supported by their contribution and the resiliency of our business, we delivered another record performance this quarter, with growth in sales, profitability and cash from operations. Benefiting from the continued strong demand across most of our product categories and the exceptional rise in market lumber prices, we realized sales growth of 18% and increased EBITDA by 38% to a quarterly best of \$132 million. This significant increase in profitability translated into cash from operations of \$148 million which was used to invest in our network, reduce our leverage and return cash to shareholders in the form of dividends and share repurchases. We ended the quarter in a very strong financial position with a net debt-to-EBITDA ratio of 1.4x and over \$300 million in available liquidity,” stated Éric Vachon, President and CEO of Stella-Jones.

“Following stronger than expected results this quarter, we have increased our annual 2020 EBITDA guidance. With ample financial flexibility and sustainable profitability, we are well positioned to continue to drive growth for our shareholders,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	Q3-20	Q3-19	YTD Q3-20	YTD Q3-19
Sales ⁽¹⁾	742	631	2,018	1,744
Gross Profit ⁽²⁾	147	110	361	288
EBITDA ⁽²⁾	132	96	315	254
EBITDA margin (%) ⁽²⁾	17.8%	15.2%	15.6%	14.6%
Operating income ⁽²⁾	113	78	259	201
Net income for the period	79	54	176	135
Per share – basic and diluted (\$)	1.17	0.78	2.60	1.96
Weighted average shares outstanding (basic, in ‘000s)	67,437	68,901	67,462	69,057

(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.

THIRD QUARTER RESULTS

Sales for the third quarter of 2020 reached \$742 million, up \$111 million, or 18%, versus sales of \$631 million for the corresponding period last year. Excluding the positive impact of the currency conversion of \$5 million, pressure-treated wood sales rose \$85 million, or 14%, primarily driven by higher pricing and demand for residential lumber and utility poles. Logs and lumber sales increased \$21 million, driven by the significant rise in the market price of lumber.

Pressure-treated wood products:

- **Utility poles (34% of Q3-20 sales):** Utility pole sales rose to \$250 million, up 16% from sales of \$216 million in the corresponding period last year. Excluding the currency conversion effect, utility pole sales increased by \$32 million driven by more project-related volumes, as well as higher pricing. The pricing improvement stems from upward price adjustments in response to raw material cost increases and better product mix, including the impact of greater fire-resistant wrapped pole sales volumes.
- **Railway ties (25% of Q3-20 sales):** Railway ties sales were \$189 million, a decrease of 2% compared to sales of \$193 million in the same period last year. Excluding the currency conversion effect, railway ties sales decreased \$6 million, largely due to lower volumes for Class 1 customers given the acceleration of the maintenance program for certain Class 1 customers in the second quarter. The decrease in Class 1 volumes was partially offset by continued strong non-Class 1 demand, supported by a solid level of untreated tie inventory. Overall, pricing remained relatively unchanged compared to the same period last year.
- **Residential lumber (30% of Q3-20 sales):** Sales in the residential lumber category rose to \$220 million, up 39% from sales of \$158 million in the corresponding period last year. The significant increase in sales was driven by the exceptional rise in the market price of lumber and higher volumes, which continued to be favourably impacted by strong home improvement demand during the Covid-19 pandemic.
- **Industrial products (5% of Q3-20 sales):** Industrial product sales were \$34 million, down 6% compared to sales of \$36 million in the third quarter last year, primarily due to the timing of shipments of products for rail-related bridge projects.

Logs and lumber:

- **Logs and lumber (6% of Q3-20 sales):** Sales in the logs and lumber product category were \$49 million, up 75% compared to \$28 million in the corresponding period last year, primarily attributable to the sharp increase in the market price of lumber during the quarter.

Driven by the strong sales growth in residential lumber and utility poles, gross profit and operating income increased 34% and 45% to \$147 million and \$113 million, respectively, compared to the third quarter last year. Similarly, EBITDA increased 38% to a record high of \$132 million, or a margin of 17.8%, up from \$96 million, or a margin of 15.2% last year. This increase was primarily driven by the sharp rise in the market prices of lumber throughout the quarter, stronger residential lumber demand, as well as improved pricing, product mix and volumes for utility poles.

Net income was \$79 million, or \$1.17 per diluted share, versus net income of \$54 million, or \$0.78 per share, last year.

NINE-MONTH RESULTS

Sales amounted to \$2,018 million, versus \$1,744 million for the corresponding period last year. Excluding the positive impact of the currency conversion of \$23 million, pressure-treated wood sales increased by \$231 million, or 14%, and logs and lumber sales grew by \$20 million, or 25%. The year-over-year sales growth in pressure-treated wood was supported by strong demand and improved pricing in the three core product categories, particularly for residential lumber, while the logs and lumber increase in sales was largely due to the robust lumber market in the third quarter.

The improvement in sales led to an increase in gross profit, which grew 25% to \$361 million, compared to the prior year period. Operating income was \$259 million, or 12.8% of sales, compared with \$201 million, or 11.5% of sales last year. EBITDA rose to \$315 million, up 24%, compared to \$254 million reported in the prior year period, reflecting an EBITDA margin of 15.6%. Net income totaled \$176 million, or \$2.60 per diluted share, versus \$135 million, or \$1.96 per diluted share last year.

STRONG LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operations of \$148 million in the third quarter of 2020. The Company deployed its liquidity to reduce debt, repurchase shares, pay dividends and invest in property, plant and equipment, as well as in the implementation of a new ERP system. As at September 30, 2020, the Company's long-term debt stood at \$520 million and the net debt to trailing 12-month EBITDA decreased to 1.4x.

NORMAL COURSE ISSUER BID (“NCIB”)

On August 4, 2020, the Toronto Stock Exchange accepted Stella-Jones' Notice of Intention to Make a Normal Course Issuer Bid (“Notice”). Pursuant to the Notice, Stella-Jones may, during the twelve-month period commencing August 10, 2020 and ending August 9, 2021, purchase for cancellation, up to 2,500,000 Common Shares.

In the three-month period ended September 30, 2020, the Company repurchased 334,653 common shares for total consideration of \$15 million.

QUARTERLY DIVIDEND

On November 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 December 17, 2020 to shareholders of record at the close of business on December 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 June 30, 2020 with respect to annual EBITDA for 2020 is revised to reflect the stronger than expected third quarter sales growth in the residential lumber and utility poles product categories. The Company forecasts EBITDA for 2020 to be in the range of \$365 million to \$375 million and EBITDA margin to be higher compared to 2019.

While the impact of the on-going COVID-19 pandemic on the demand for the Company's products remains uncertain, based on the Company's current expectations and assuming stable currencies, management is forecasting healthy sales for 2021. Utility poles sales are expected to increase in the mid to high-single digits, compared to 2020, while railway ties and industrial product sales are projected to be relatively comparable to those generated in 2020. The demand for new construction and outdoor renovation projects is expected to be strong in 2021, which should continue to benefit sales in the Company's residential lumber product category.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT

On November 4th, the Company published its 2019 ESG report. It can be found on the Stella-Jones website at www.stella-jones.com/en-CA/investor-relations/environmental-social-governance.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on November 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 9923219. This recording will be available on Thursday, November 5, 2020 as of 1:00 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Thursday, November 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 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 third quarter ended September 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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