



**INVESTOR
PRESENTATION**

September 2020

**FORWARD
DRIVEN**

CUSTOMER FOCUSED

FORWARD-LOOKING STATEMENTS

This presentation contains certain statements that are forward-looking, including comments with respect to the Company's objectives, strategies, targets and expectations. The reader is cautioned not to place undue reliance on these statements since a number of known and unknown risks and uncertainties may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Such risks include, among others: general economic and business conditions (including the impact of the global outbreak of the novel coronavirus [COVID-19] 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, the ability of the Company to raise capital and factors and assumptions referenced herein and, in the Company's, most recent Annual MD&A and Annual Information Form. Unless required to do so under applicable securities legislation, the Company's management 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.

All figures are in Canadian dollars unless otherwise stated.

NON-IFRS MEASURES

Gross profit, operating income, operating income before depreciation and amortization (herein referred to as earnings before interest, taxes, depreciation and amortization [“EBITDA”]), cash flow from operating activities before changes in non-cash working capital components and interest and income taxes paid, net debt to total capitalization and net debt to EBITDA 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 additional measures of its performance. Please refer to the Company’s MD&A for a reconciliation of net income to EBITDA.

AGENDA

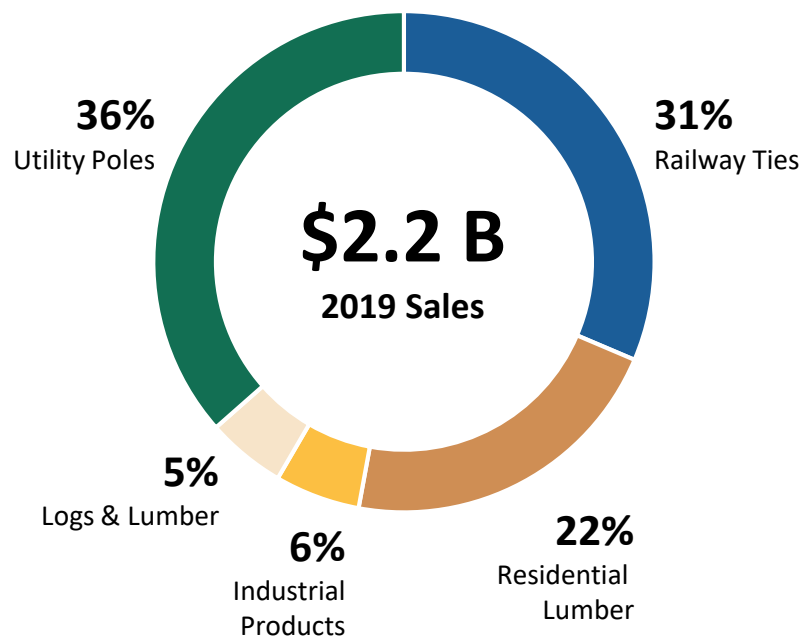
- Overview of Stella-Jones
- Investment Highlights
- Strategy and Future Growth
- Overview by Business Unit
- Financial Trends
- 2019 Results
- Q2-2020 Results
- Appendix



OVERVIEW OF STELLA-JONES

STELLA-JONES AT A GLANCE

A Leading North American Supplier of Pressure Treated Wood Products



2,190⁽¹⁾
Employees

40⁽¹⁾
Wood Treating Facilities
25 U.S. and 15 Canada

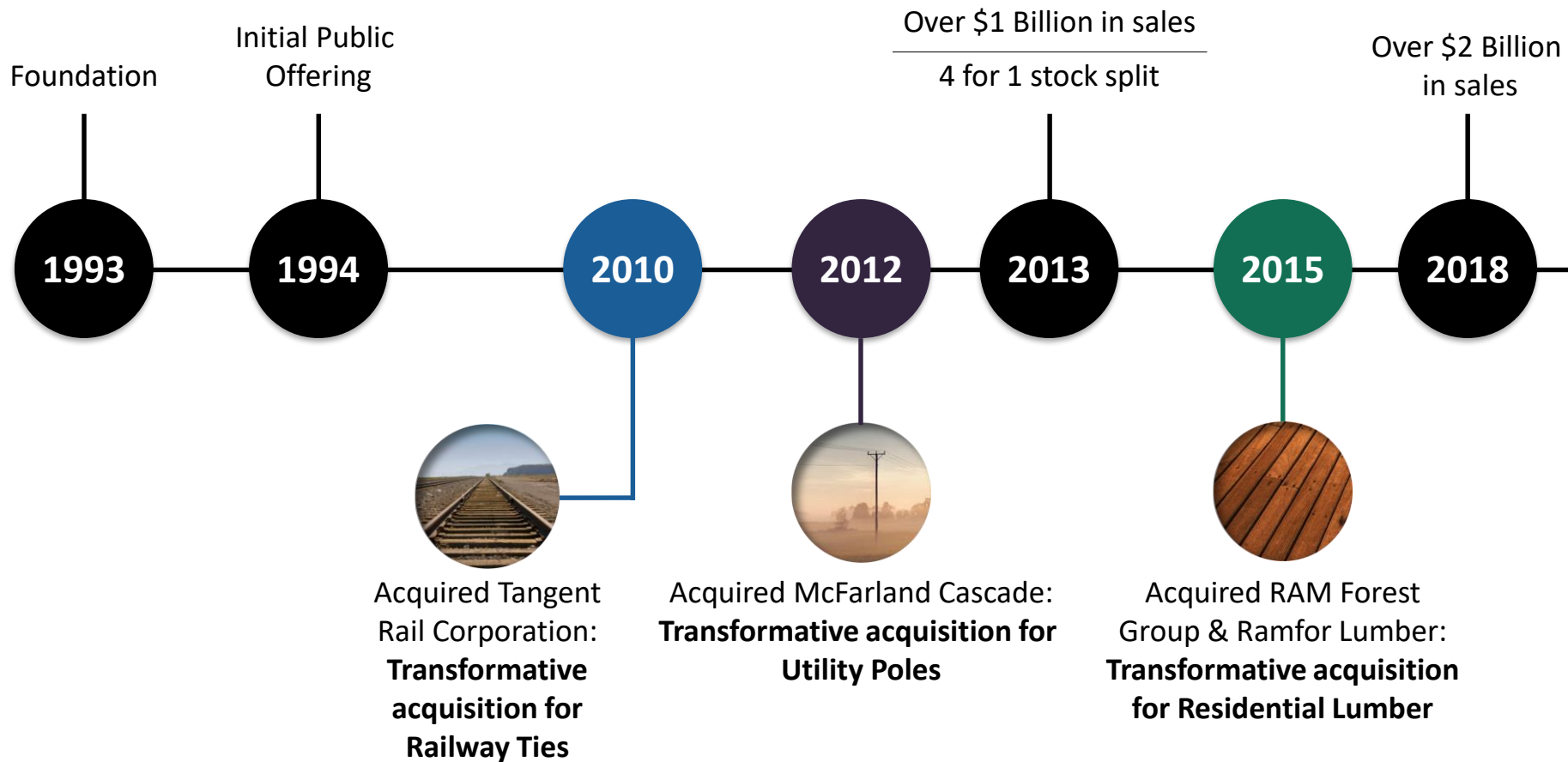
12⁽¹⁾
Pole Peeling
Facilities

70%⁽²⁾
Sales
in the U.S.

\$3.0B⁽³⁾
Market Cap

SJ
TSX

IMPORTANT MILESTONES





INVESTMENT HIGHLIGHTS

INVESTMENT HIGHLIGHTS

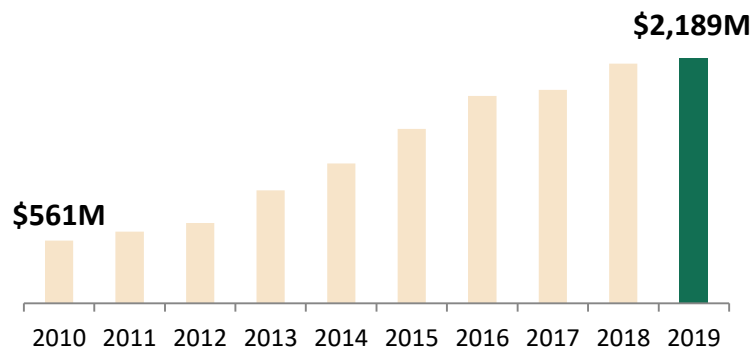
- Resilient business model: portfolio of businesses with steady demand
- Extensive network in North America
- Leadership position in markets served
- Track record of performance
- Experienced and proven management team
- Solid balance sheet
- Proven consolidator with disciplined acquisition strategy

STELLA-JONES' CONTINENTAL NETWORK

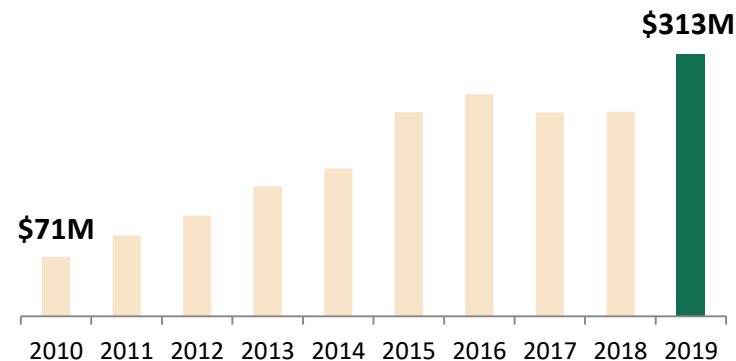


TRACK RECORD OF PERFORMANCE

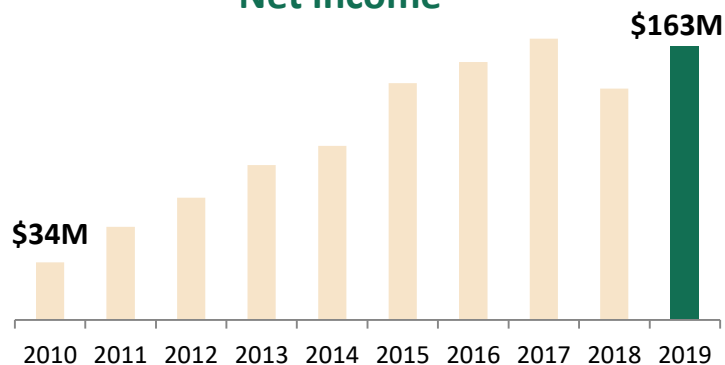
Sales⁽¹⁾



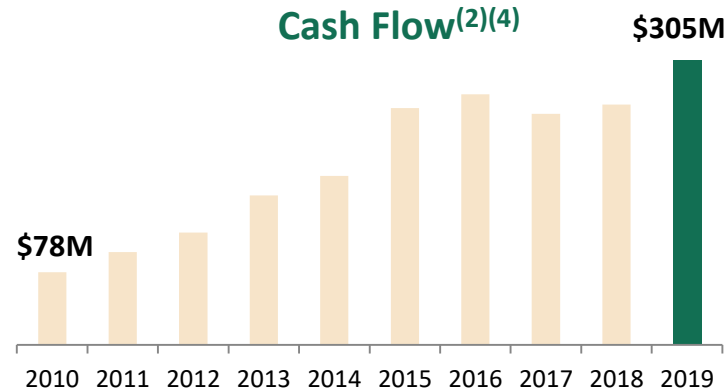
EBITDA⁽²⁾⁽³⁾



Net income



Cash Flow⁽²⁾⁽⁴⁾



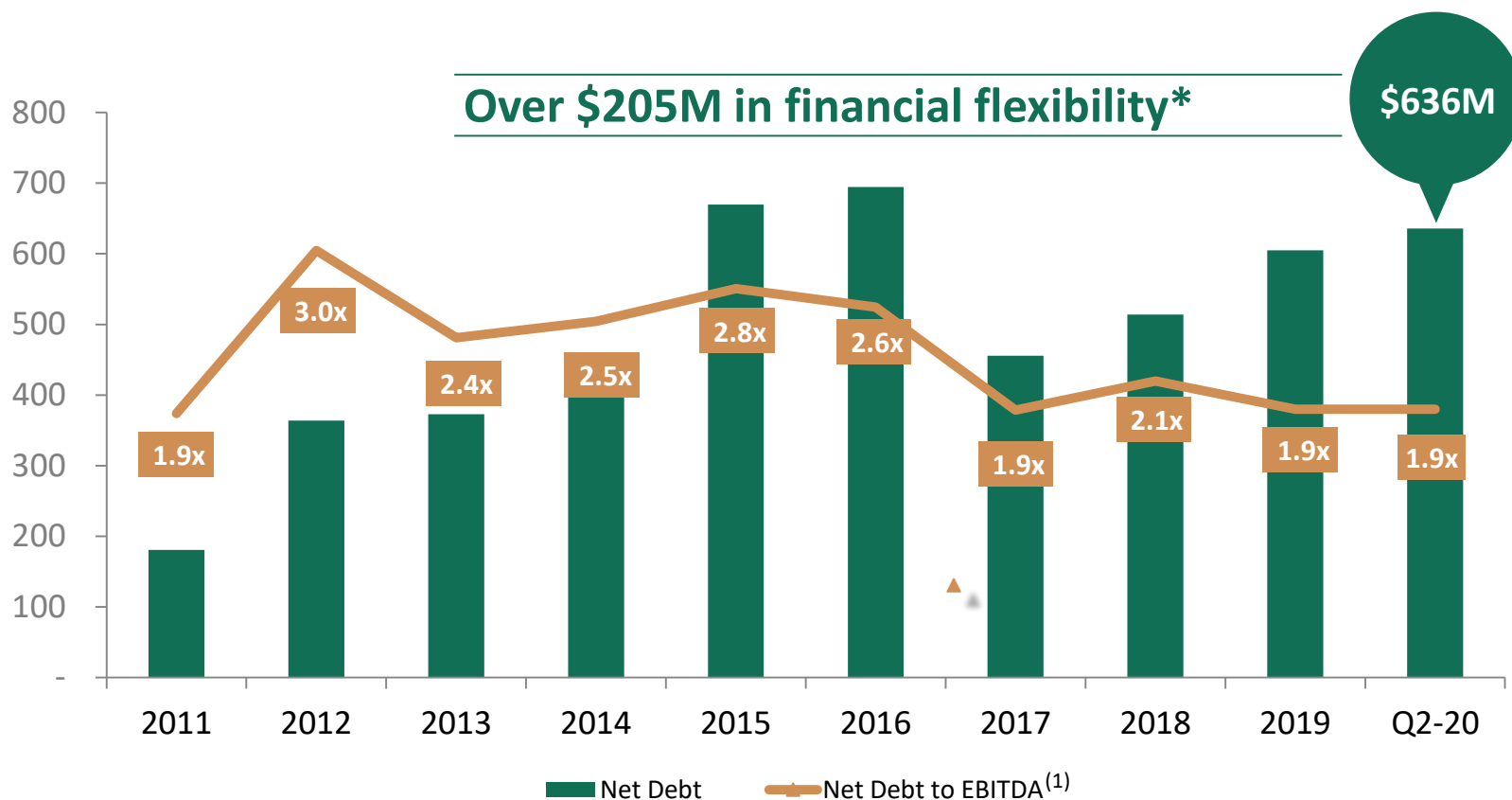
⁽¹⁾ 2016 - 2019 figures were adjusted to reclass some freight revenue from COGS to Sales

⁽²⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

⁽³⁾ 2019 EBITDA was impacted by the adoption of IFRS 16.

⁽⁴⁾ Before changes in non-cash working capital components and interest and income tax paid.

SOLID FINANCIAL POSITION



Targeting a net debt-to-EBITDA ratio between 2.0x and 2.5x

GROWING BY ACQUISITIONS

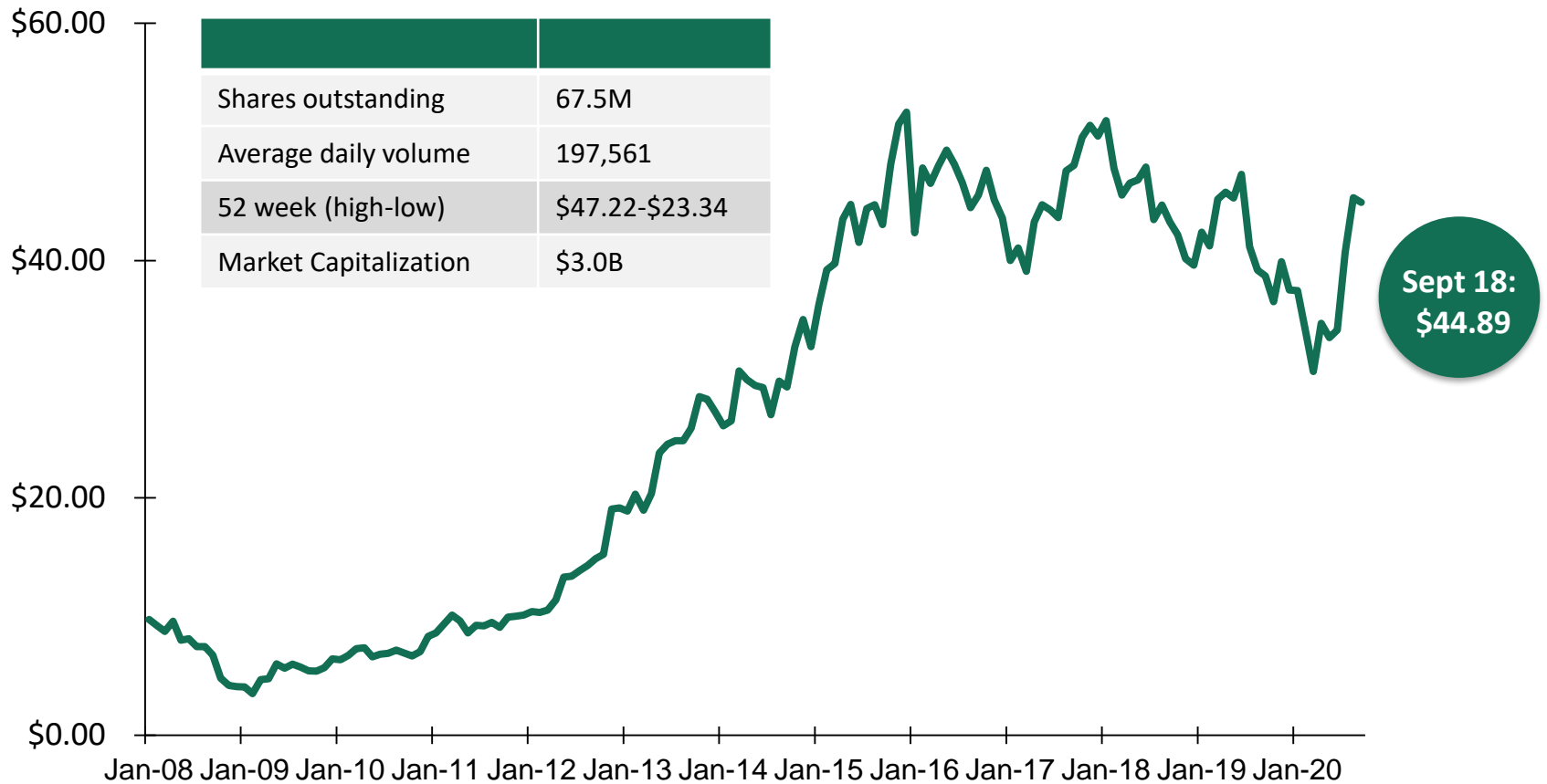
July 2003	Cambium Group Inc. (Canada)
August 2005	Webster Wood Preserving (U.S.)
July 2006	Bell Pole Company (Canada)
February 2007	Wood utility pole business of J.H. Baxter (U.S.)
April 2008	The Burke-Parsons-Bowlby Corporation (U.S.)
April 2010	Tangent Rail Corporation (U.S.)
December 2011	Thompson Industries (U.S.)
November 2012	McFarland Cascade Holdings (U.S.)
November 2013	The Pacific Wood Preserving Companies® (U.S.)
May 2014	Wood treating facilities of Boatright Railroad Products (U.S.)
September 2015	Treated Materials Co., Inc. (U.S.)
October 2015	Ram Forest Group Inc. and Ramfor Lumber Inc. (Canada)
December 2015	United Wood Treating Company, Inc. (U.S.)
June 2016	Lufkin Creosoting Co., Inc. and 440 Investments, LLC [“Kisatchie”] (U.S.)
December 2016	Bois KMS Ltée and Northern Pressure Treated Wood Ltd. (Canada)
December 2017	Wood Products Industries Inc. (Canada)
February 2018	Prairie Forest Products (Canada)
April 2018	Wood Preservers Incorporated (U.S.)
April 2019	Shelburne Wood Protection Ltd. (Canada)



Acquisition Contribution

- Stronger industry player
- Expand North American network
- Broaden product line
- Greater customer service/ flexibility/ emergency response
- Ability to bid on larger projects
- Synergies

STOCK PRICE PERFORMANCE








Source: Yahoo Finance



STRATEGY AND FUTURE GROWTH

STRATEGY AND FUTURE GROWTH BY BUSINESS UNIT

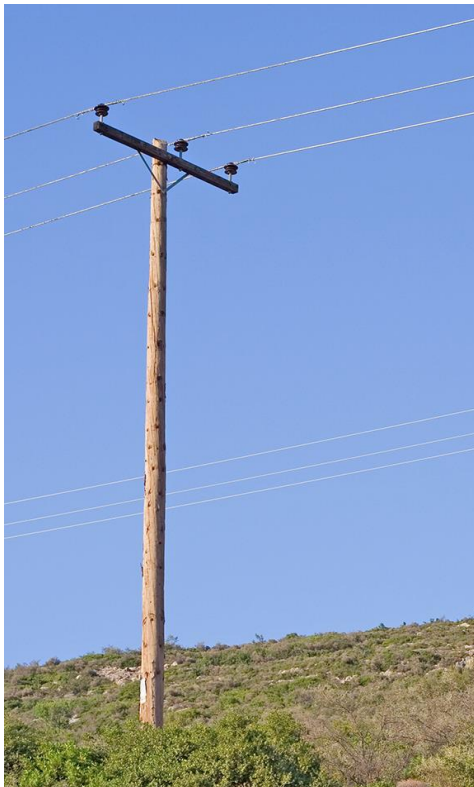
		Market	Growth Drivers	Trends	Growth Strategy
	36% Utility Pole Sales	<ul style="list-style-type: none"> Potential for further consolidation in the North American market 	<ul style="list-style-type: none"> Replacement programs Weather-related events Mid-single digit growth 	<ul style="list-style-type: none"> Growth in replacement demand from increasing average age of poles 	<ul style="list-style-type: none"> Acquisitions Leveraging the upcoming increase in replacement demand
	31% Railway Tie Sales	<ul style="list-style-type: none"> Stable market Market is fairly consolidated 	<ul style="list-style-type: none"> Maintenance requirements Market gains GDP growth 	<ul style="list-style-type: none"> Improved untreated railway ties availability 	<ul style="list-style-type: none"> Acquisitions Increased market reach
	22% Residential Lumber Sales	<ul style="list-style-type: none"> Partially consolidated in Canada 	<ul style="list-style-type: none"> Home renovation Dealer network 	<ul style="list-style-type: none"> Increased market reach in dealer network 	<ul style="list-style-type: none"> Expanding the dealer network
	6% Industrial Product Sales	<ul style="list-style-type: none"> Niche business driven primarily by bridge timbers, road crossings, pilings and special projects 			
	5% Logs and Lumber Sales	<ul style="list-style-type: none"> Business used to optimize costs 			



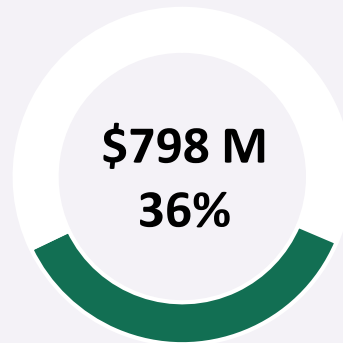
OVERVIEW BY BUSINESS UNIT

UTILITY POLES – OVERVIEW

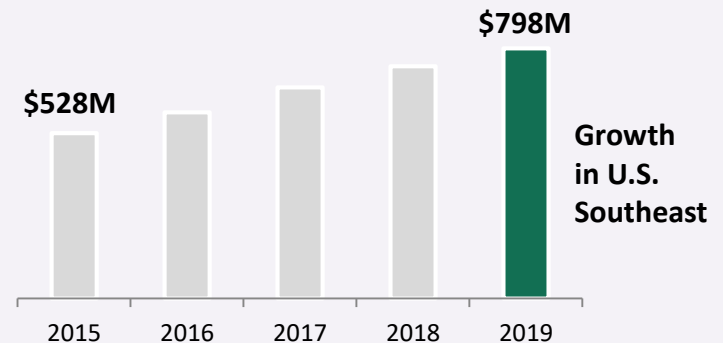
Leading North American supplier of wood utility poles, providing over one million poles per year to replace, upgrade and develop new electrical utility and telecommunications lines across Canada and the United States



2019 Sales



5-Year Sales



Note: 2016 - 2019 figures were adjusted to reclass some freight revenue from COGS to sales.

20 Facilities

- 7 in Canada
- 13 in U.S.

Transformative Acquisition

- McFarland (2012)

UTILITY POLES – OFFERING



Competitive Advantages

An extensive distribution network, continuous supply, emergency response and fire-retardant wrap

Customers

- Electrical utility companies
- Telecommunication companies

Contracts

- Majority of business under multi-year agreements
- Varying 3 to 7 years (evergreen features)

Services

- Incising
- Radial Drilling
- Through Boring
- Framing
- Laminated Wood Pole Design

Wood Species

- Western Red Cedar
- Douglas Fir
- Red Pine
- Southern Yellow Pine

Preservatives

- Chromated Copper Arsenate
- Creosote
- Copper Naphthenate
- Dichloro-octyl-isothiazolinone (DCOI)
- Pentachlorophenol (Penta)

UTILITY POLES – MARKET CONDITIONS

Growth in replacement demand from increasing average age of poles



Market Size

- There are about 150MM poles in North America, of which 105MM are wood
- Wood offers the best value over alternative materials such as steel, composites and concrete



Marketplace

- Potential for further consolidation in the North American market



Growth Drivers

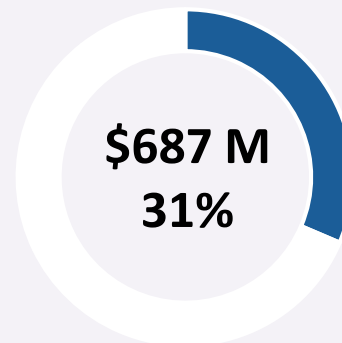
- Replacement programs (life span of poles is typically 65 years)
- Weather related events
- Mid-single digit growth

RAILWAY TIES – OVERVIEW

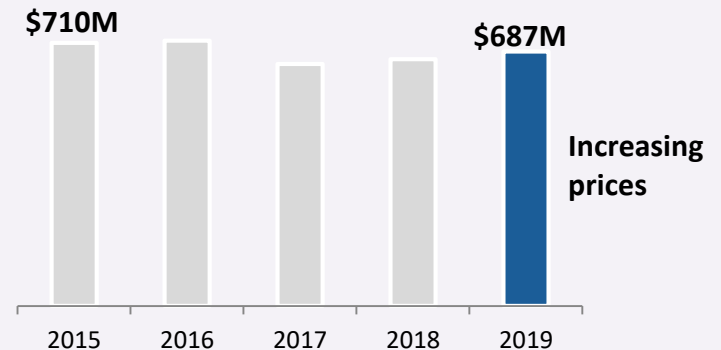
Industry leader in the production of quality pressure treated railroad ties and timbers, supplying over 10 million crossties per year



2019 Sales



5-Year Sales



Note: 2016 - 2019 figures were adjusted to reclass some freight revenue from COGS to sales.

12 Facilities

- 2 in Canada
- 10 in U.S.

+1,200 Suppliers

- Hardwood sawmills

Transformative Acquisition

- Tangent Rail (2010)

RAILWAY TIES – OFFERING



Competitive Advantages

An extensive distribution network, continuous supply and short delivery times

Customers

- ~65% Class 1 railroads
- ~35% short and regional rail lines & contractors

Contracts

- Long-term contracts of up to 5 years with Class 1 railroads
- Short and regional rail lines and contractor orders are obtained primarily through spot market bids

Services

- Pre-Plating
- Pre-boring
- Crossing panels
- End-plating

Wood Species

- Mixed Hardwood
- Oak

Preservatives

- Creosote
- Borate
- Copper Naphthenate

RAILWAY TIES – MARKET CONDITIONS

Improved untreated railway tie inventory availability



Market Size

- ~18 million railway tie purchases on an annualized basis in North America
- 90% of ties sold in North America are for maintenance and over 90% are wood



Marketplace

- Stable market
- Market is fairly consolidated

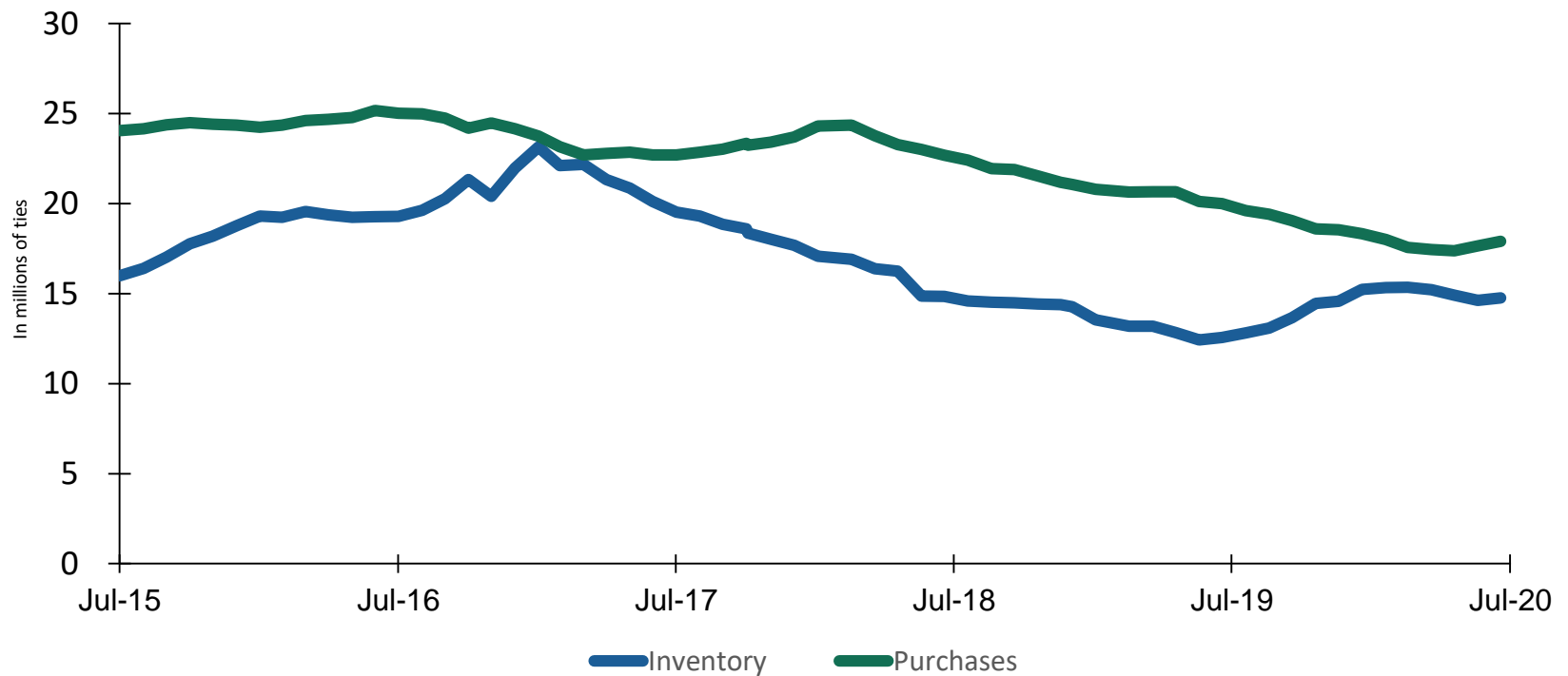


Growth Drivers

- Maintenance requirements
- Market reach gains
- Acquisitions
- GDP growth

ANNUALIZED RAILWAY TIE – PURCHASES & INVENTORY

Industry inventory levels remained stable in the first half of 2020 to 14.8 million



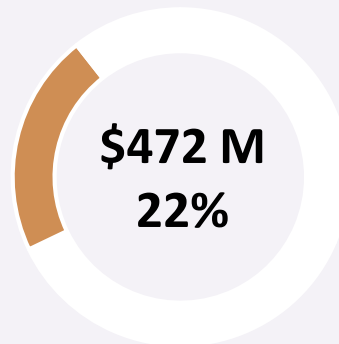
Source: Railway Tie Association (RTA)

RESIDENTIAL LUMBER - OVERVIEW

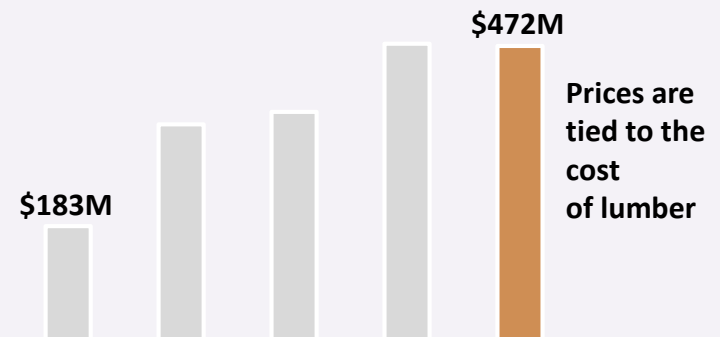
Provides seamless, end-to-end service to key North American retailers, supplying hundreds of millions of board feet of treated residential lumber across Canada and the United States each year



2019 Sales



5-Year Sales



8 Facilities

- 6 in Canada
- 2 in U.S.

Transformative Acquisition

- Ram Forest Group and Ramfor Lumber (2015)

RESIDENTIAL LUMBER - OFFERING



Competitive Advantages

Low transportation costs, continuous supply, short delivery times and dedicated distribution centres

Customers

- ~80% Big box retailer
- Dealer network

Contracts

- Renewed annually

Services

- Lumber
- Distribution of complementary accessories

Wood Species

- Hemlock
- Pine
- Spruce
- Fir

Preservatives

- Micronized Copper Azole (Micropro)
- Alkaline Copper Quaternary (ACQ)
- Copper Azole (CA)

RESIDENTIAL LUMBER – MARKET CONDITIONS

Continued demand for new construction and outdoor renovation projects in the North American residential and commercial markets



Market Size

- Difficult to access
- Limited pure plays



Marketplace

- Partially consolidated in Canada



Growth Drivers

- Home renovation
- Expanding the dealer network

LUMBER COSTS – 5 YEAR EVOLUTION



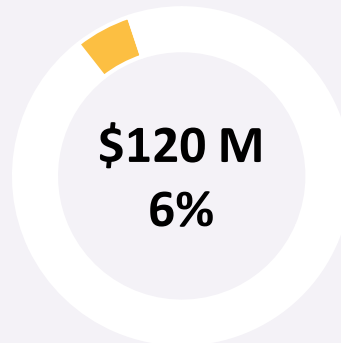
Source: Factset

INDUSTRIAL PRODUCTS – OVERVIEW

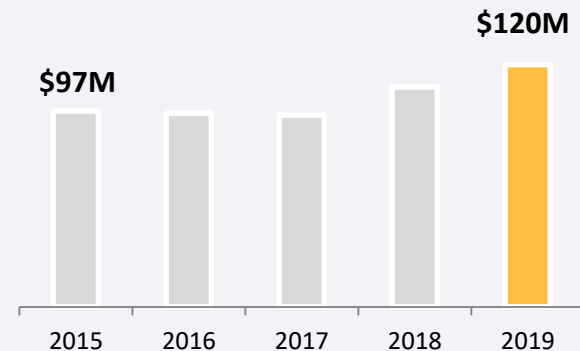
A leading supplier of pressure treated wood products to the marine, industrial and civic sectors for outdoor applications including piling, wharf timbers, bridge timbers, crane mats, railway crossings and laminated poles



2019 Sales



5-Year Sales

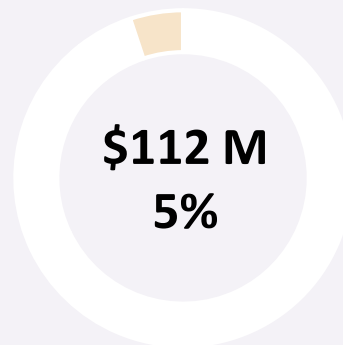


LOGS AND LUMBER – OVERVIEW

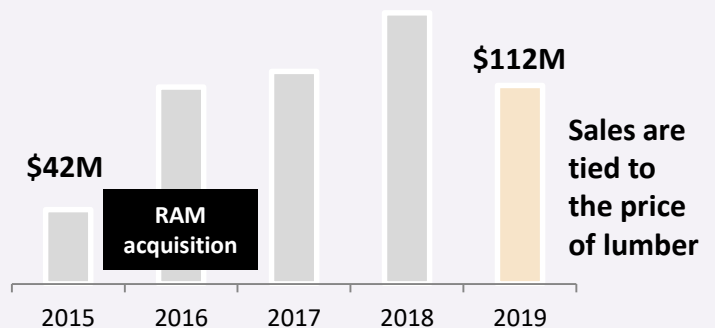
Business used to optimize procurement and does not generate margin



2019 Sales



5-Year Sales



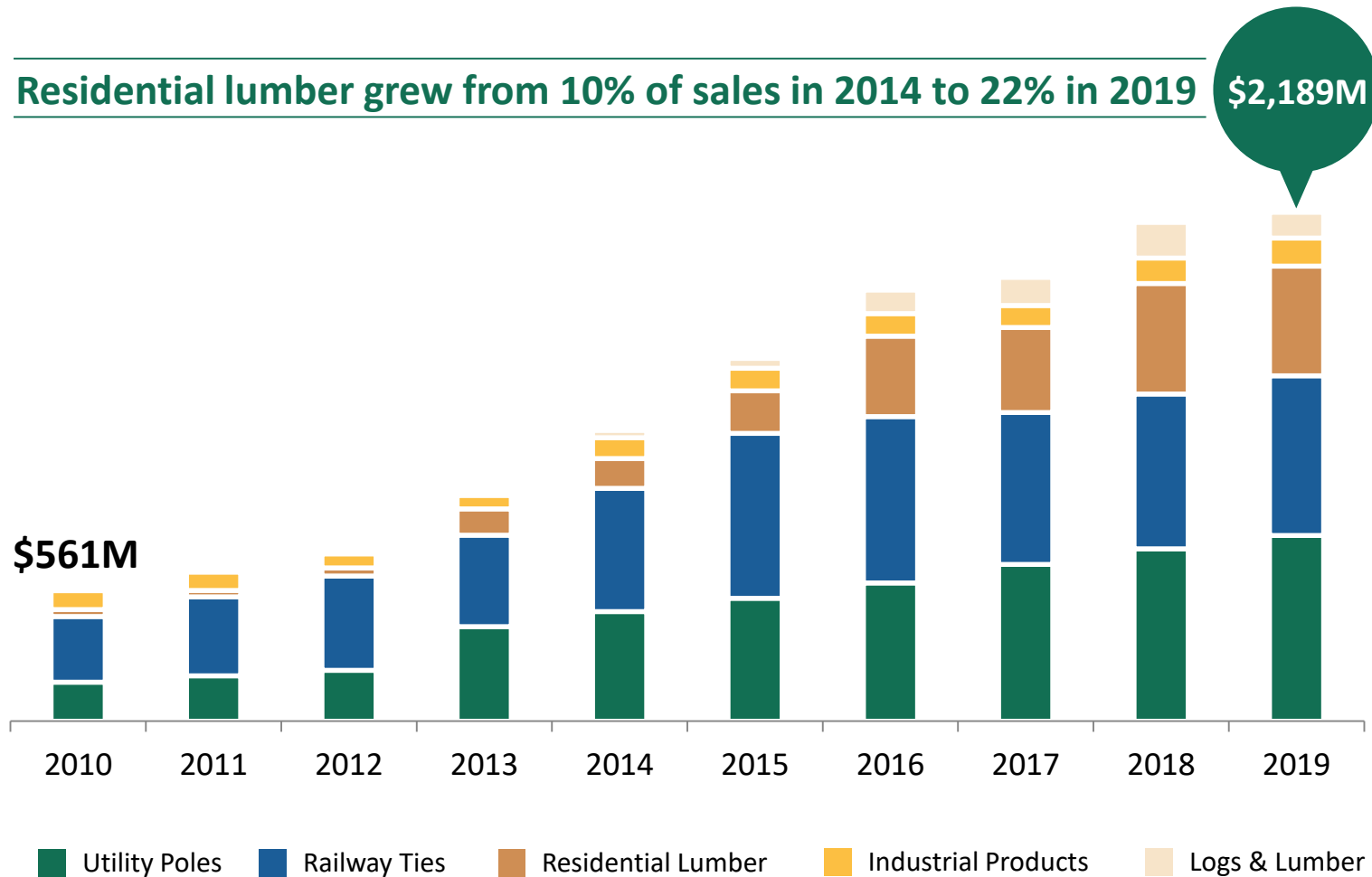
Note: 2018 & 2019 figures were adjusted to reclass some freight revenue from COGS to sales.



FINANCIAL TRENDS

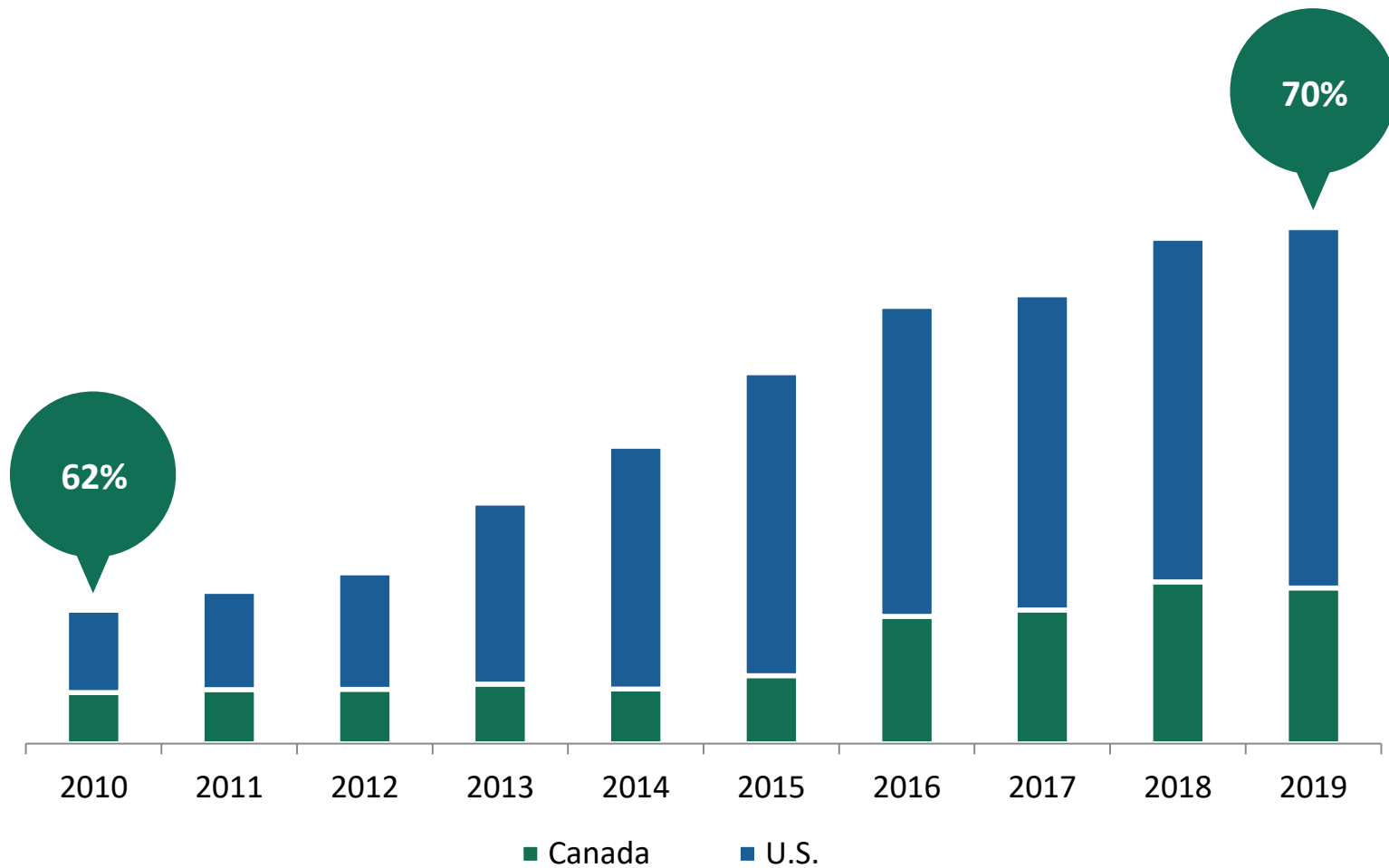
BUILDING A STRONG THIRD PILLAR

Residential lumber grew from 10% of sales in 2014 to 22% in 2019

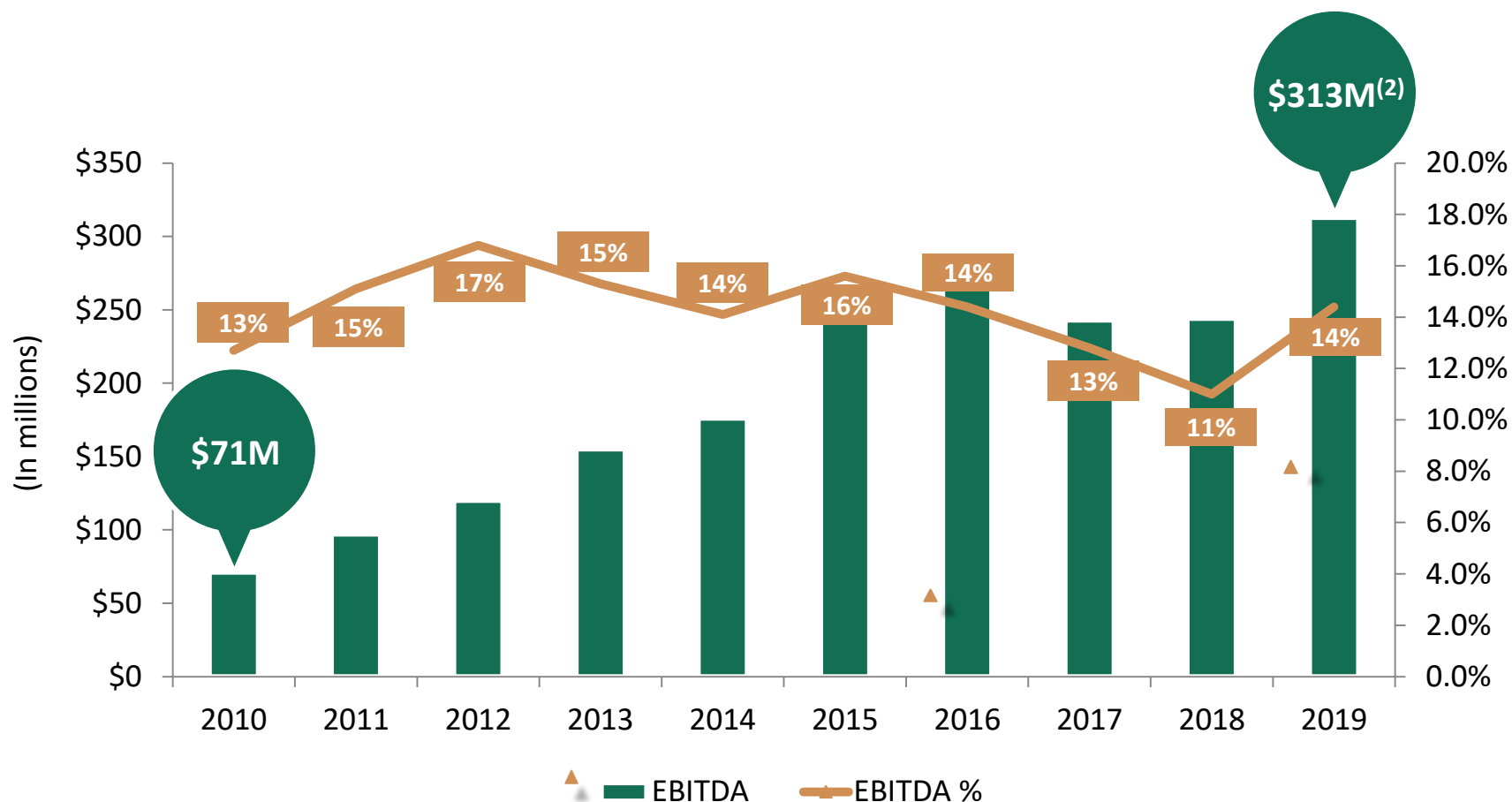


Note: 2016 - 2019 figures were adjusted to reclass some freight revenue from COGS to sales.

GROWING PROPORTION OF U.S. SALES



EBITDA⁽¹⁾

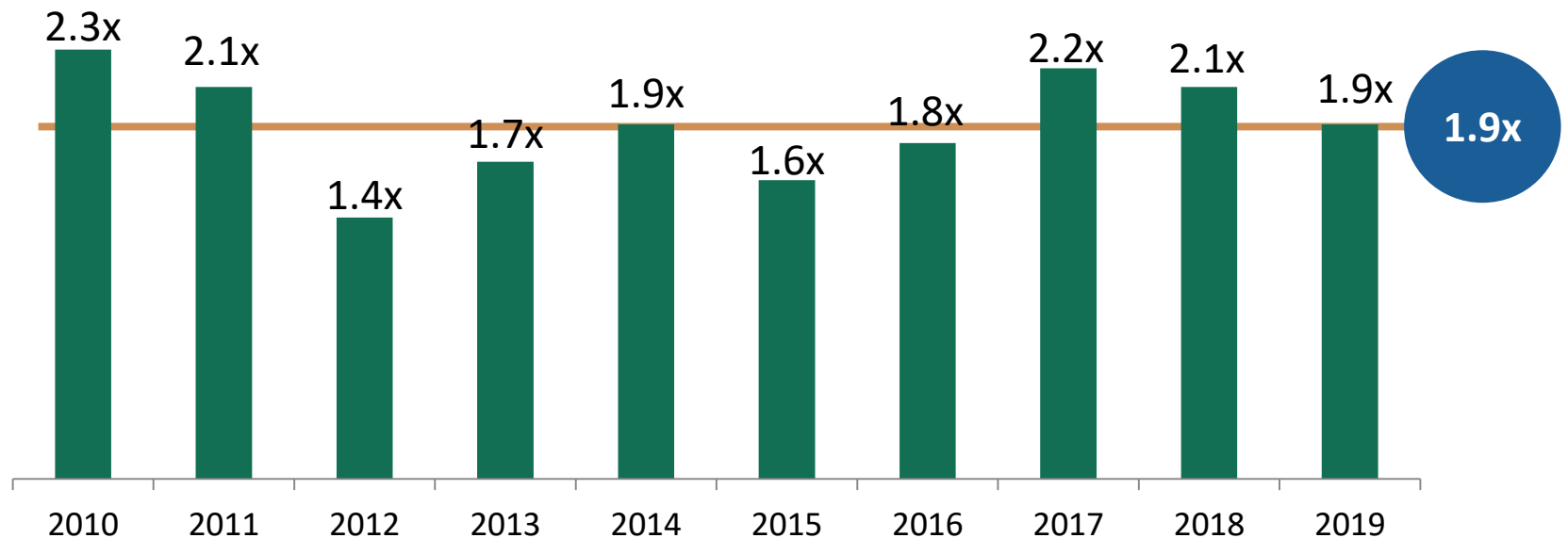


(1) This is a non-IFRS financial measure. Please refer to the Company's MD&A.

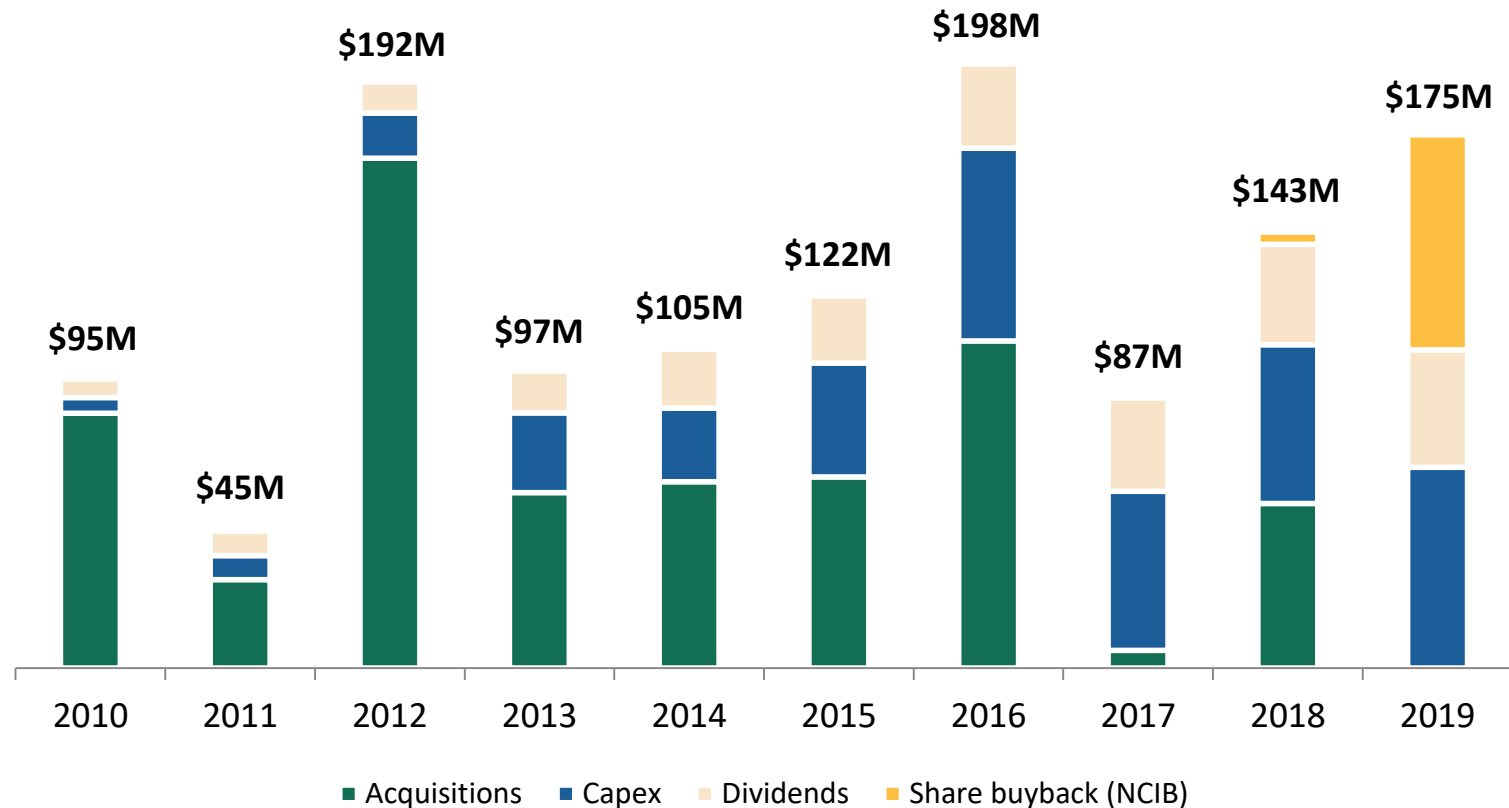
(2) Impacted by the adoption of IFRS 16.

INVENTORY TURNOVER

Because of the long periods required to air-season wood, inventory turnover has historically been relatively low

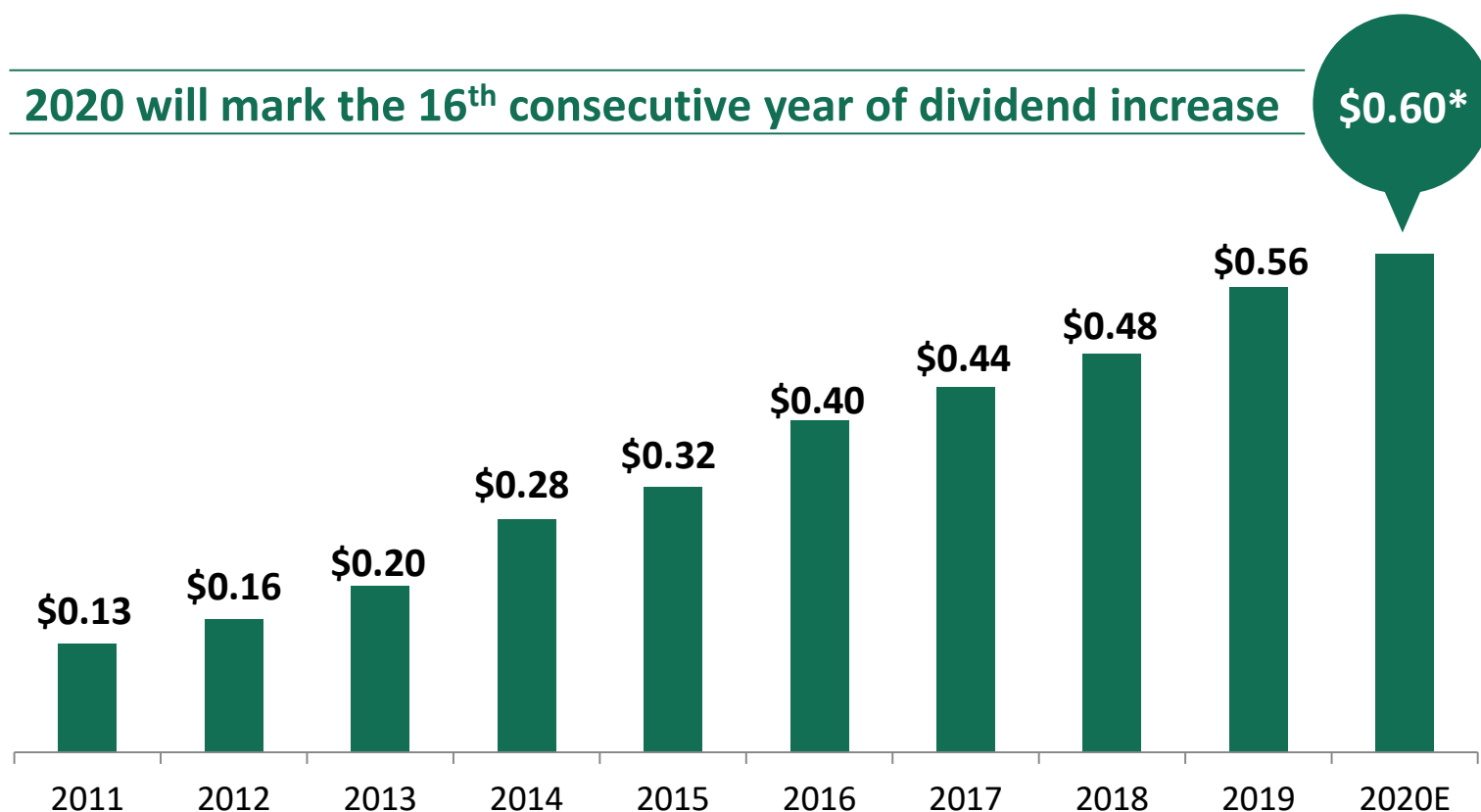


BALANCED CAPITAL ALLOCATION



INCREASING DIVIDENDS

2020 will mark the 16th consecutive year of dividend increase

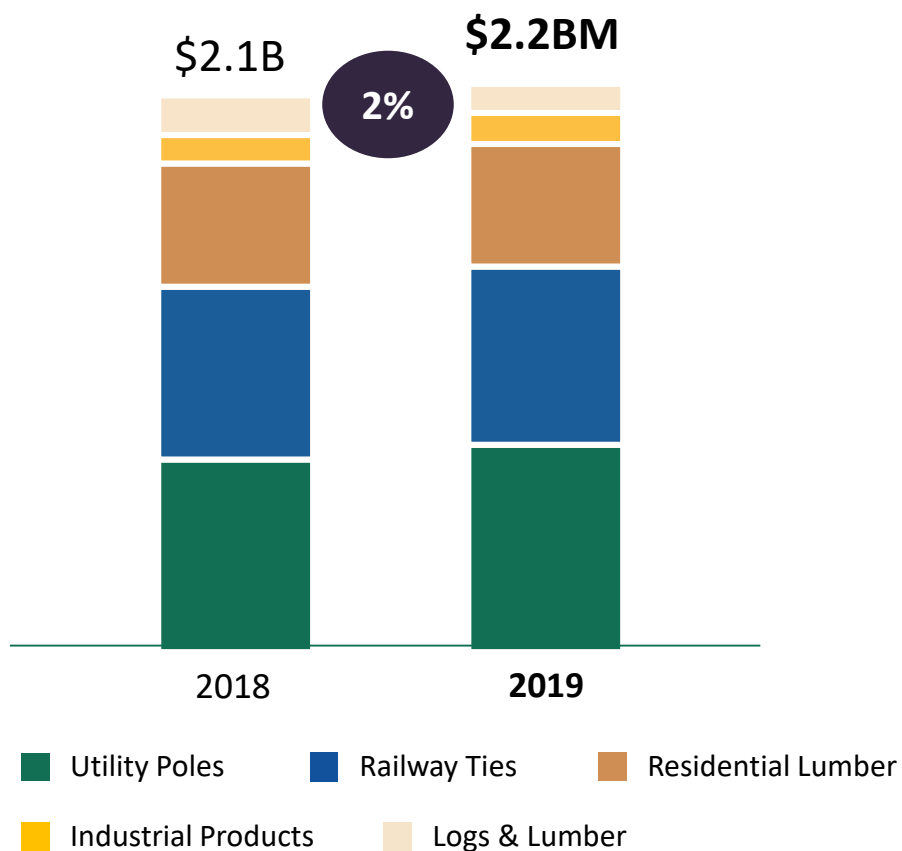


* Projected based on the latest quarterly dividend



2019 RESULTS

2019 – 19th CONSECUTIVE YEAR OF SALES GROWTH



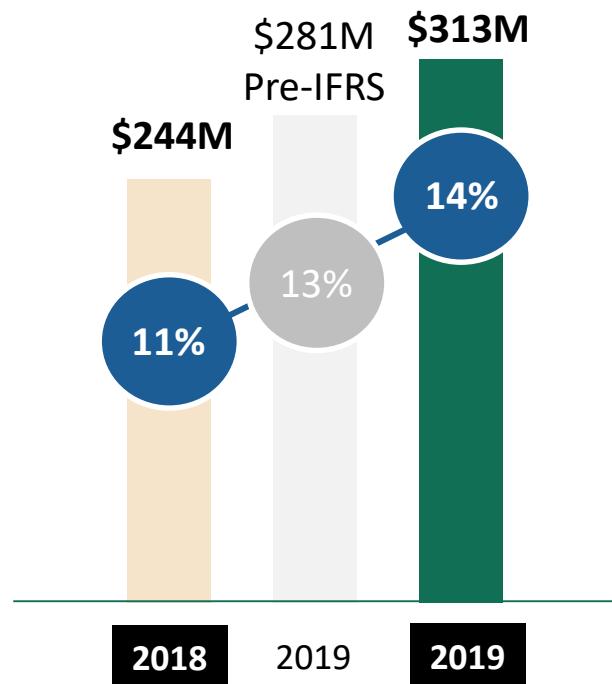
SALES VARIANCE

2018 Sales (M)	\$2,144
Acquisitions	11
Currency variations	42
Organic growth	
Pressure treated wood	34
Logs and lumber	(42)
2019 Sales (M)	\$2,189

Note: 2018 & 2019 figures were adjusted to reclass some freight revenue from COGS to sales.

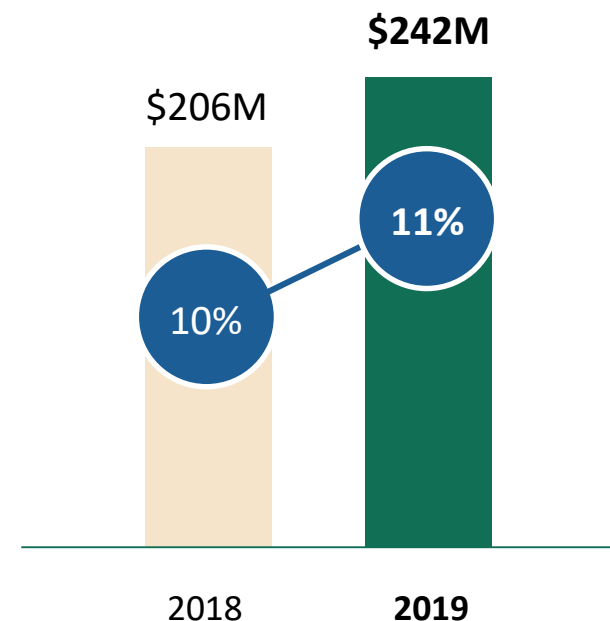
2019 – HIGHER EBITDA⁽¹⁾ AND MARGINS

EBITDA⁽¹⁾



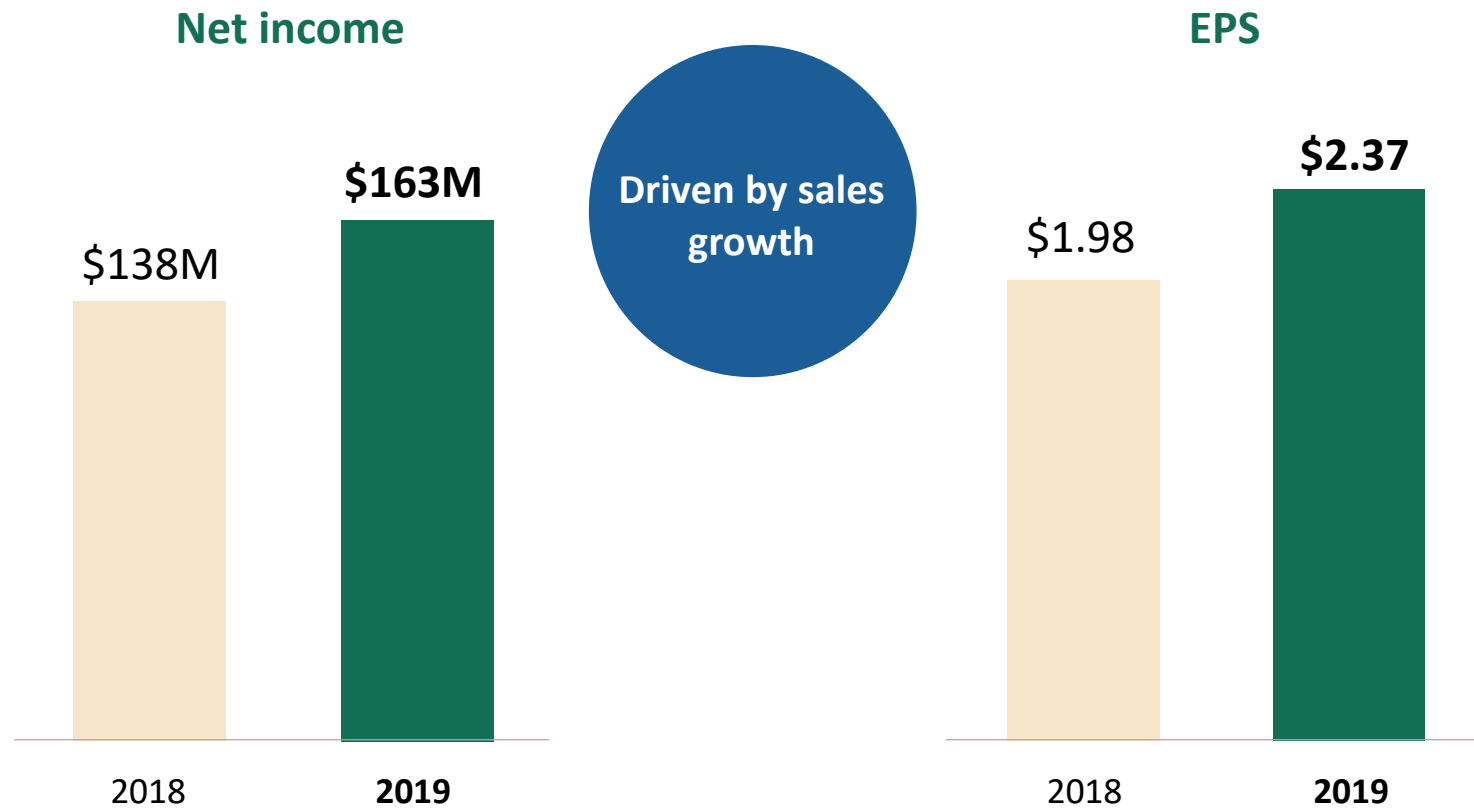
Driven by
improved pricing
and favourable
product mix

Operating Income⁽¹⁾



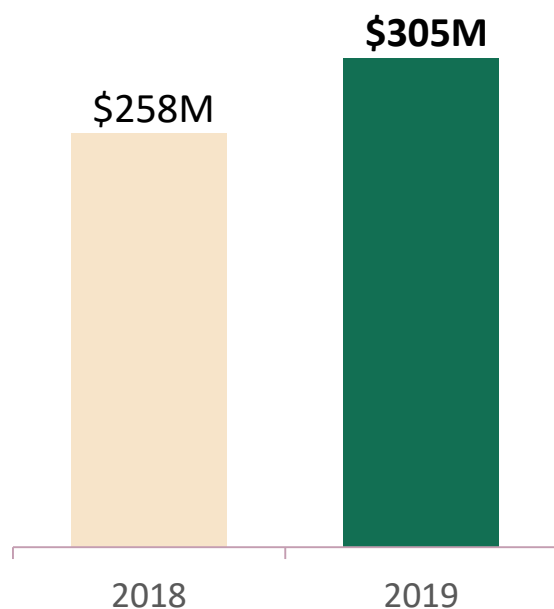
⁽¹⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

2019 – NET INCOME & EPS INCREASED

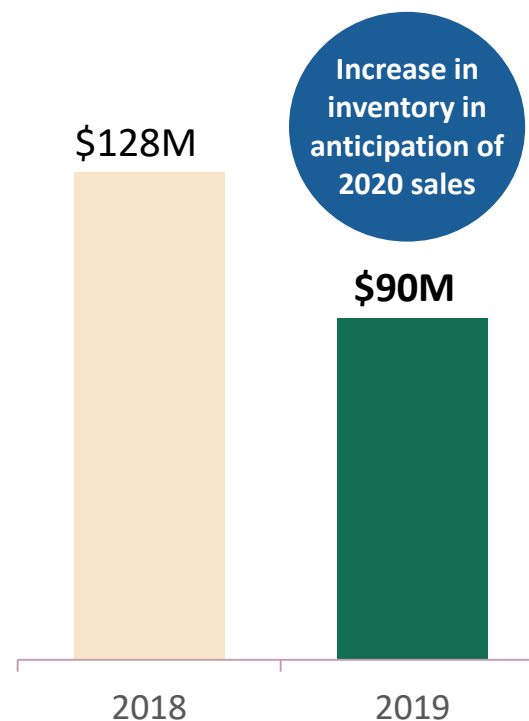


MANAGING CASH FLOW FOR SEASONALITY

Cash Flow before certain items⁽¹⁾⁽²⁾



Cash Flow from Operating Activities



⁽¹⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

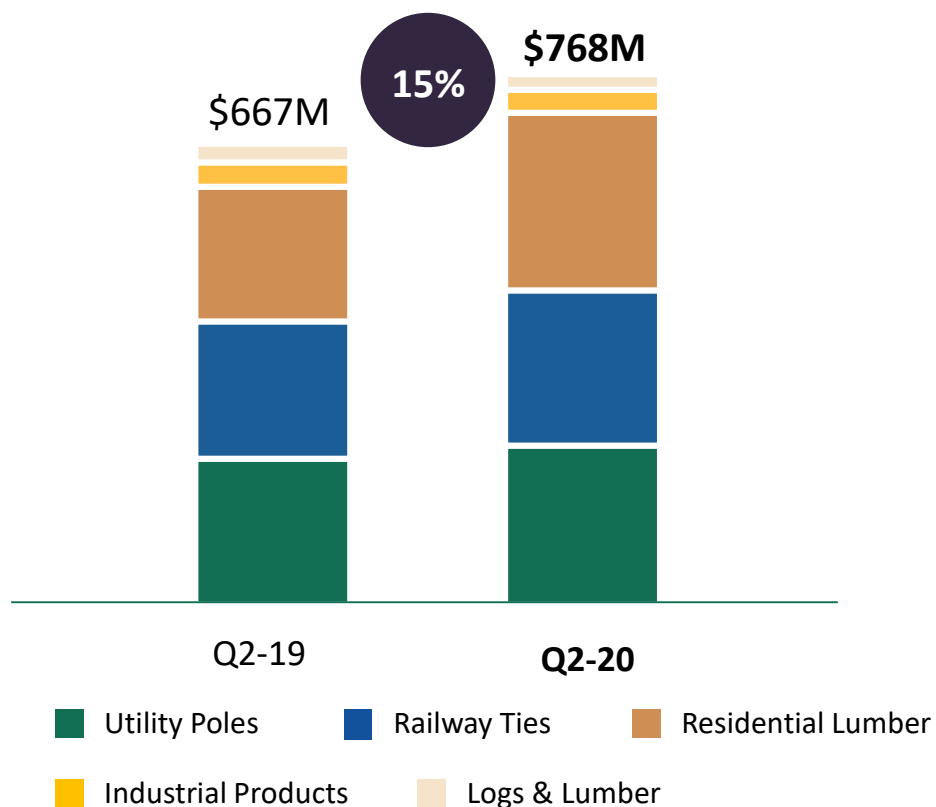
⁽²⁾ Before changes in non-cash working capital components and interest and income tax paid.



Q2-2020

FINANCIAL RESULTS

Q2-20 – SALES UP 15%

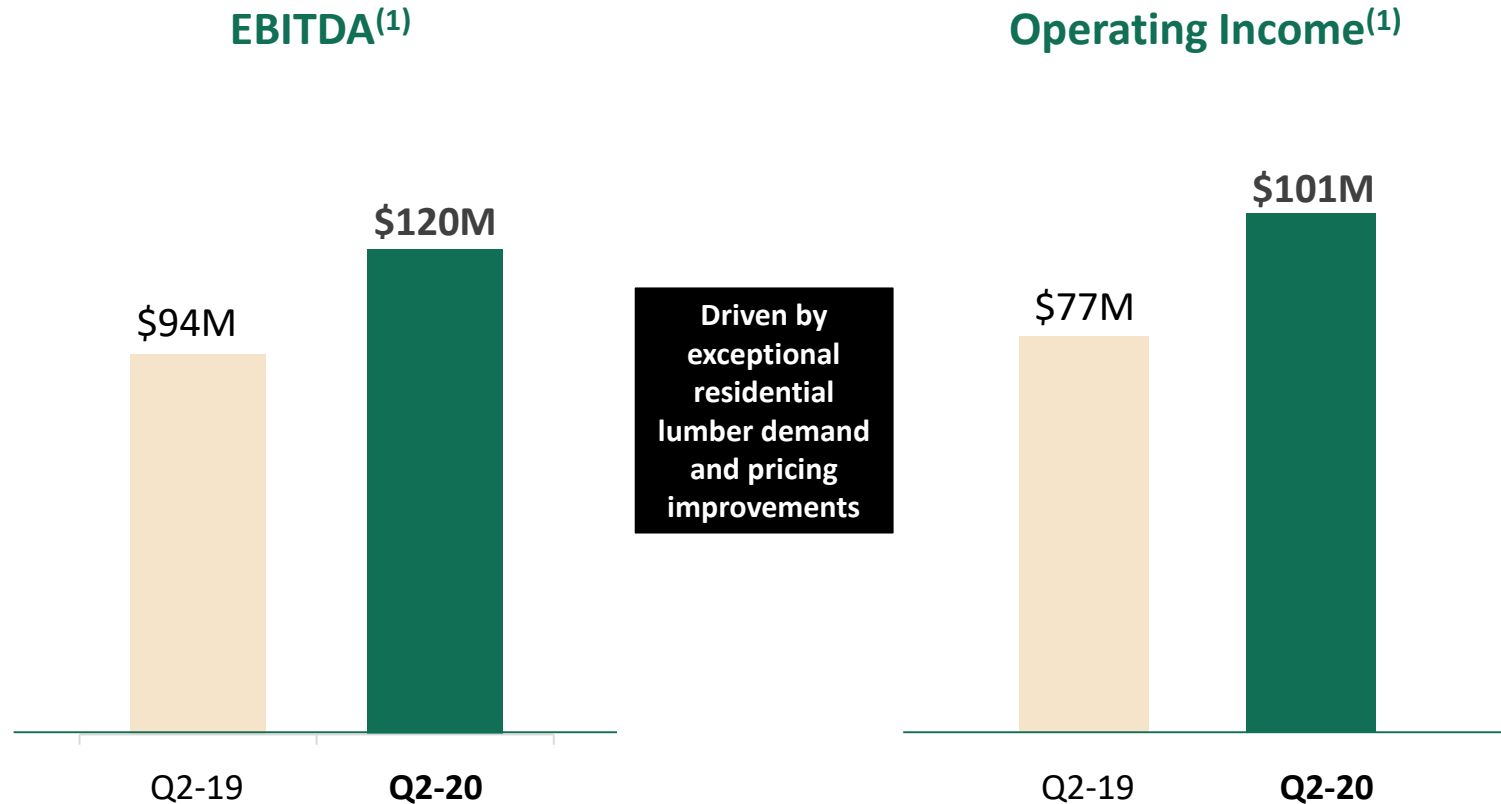


SALES VARIANCE

Q2-19 Sales (M)	\$667
Currency variations	15
Organic growth	
Pressure treated wood	90
Logs and Lumber	(4)
Q2-20 Sales (M)	\$768

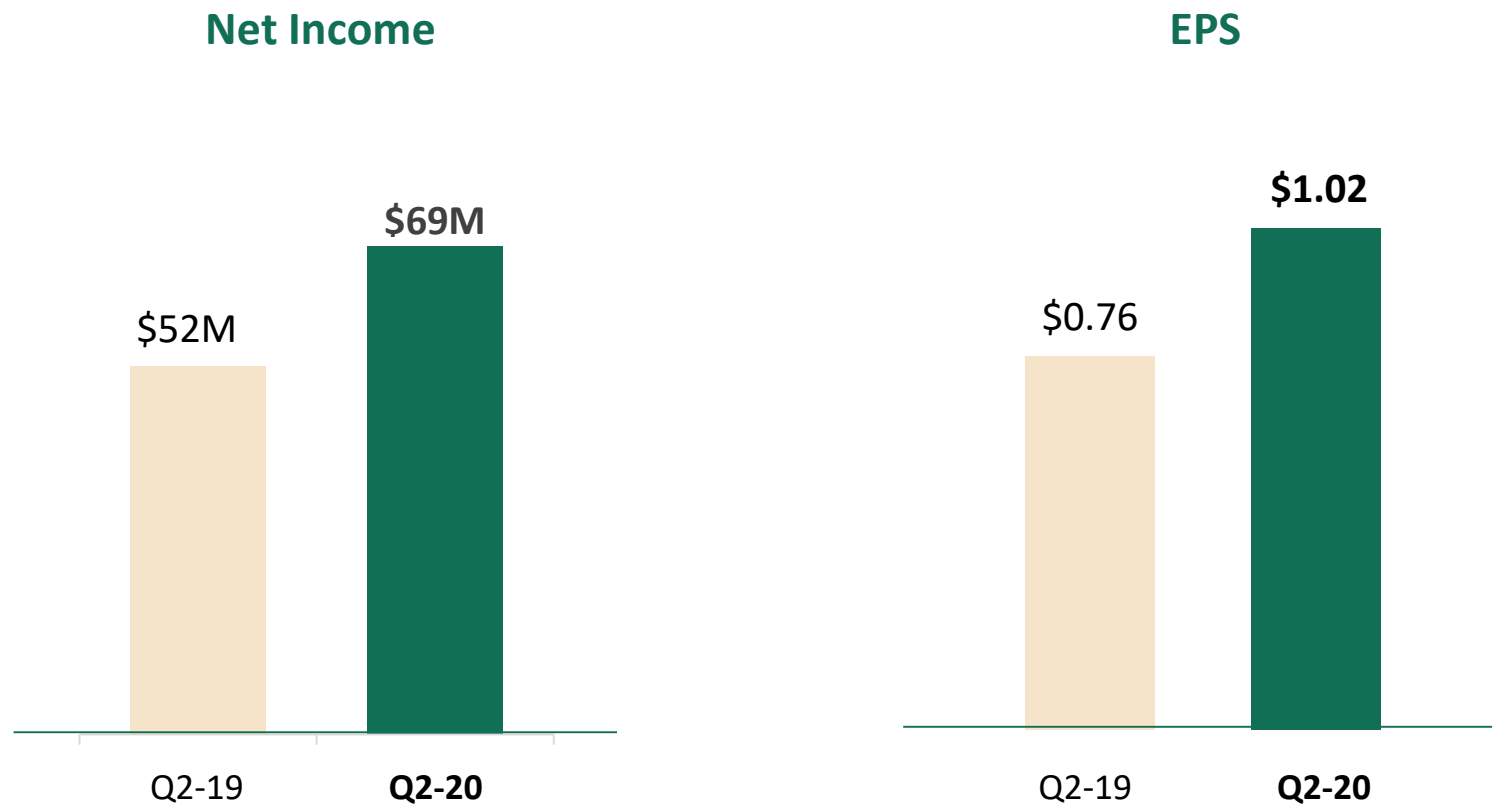
Note: Prior period figures have been adjusted to conform to the current period presentation.

Q2-20 – INCREASING EBITDA⁽¹⁾ & OPERATING INCOME⁽¹⁾



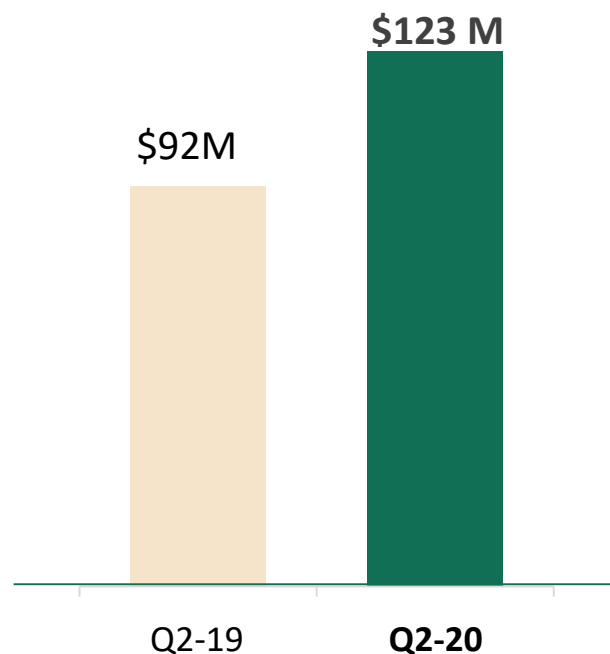
⁽¹⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

Q2-20 – INCREASING NET INCOME AND EPS

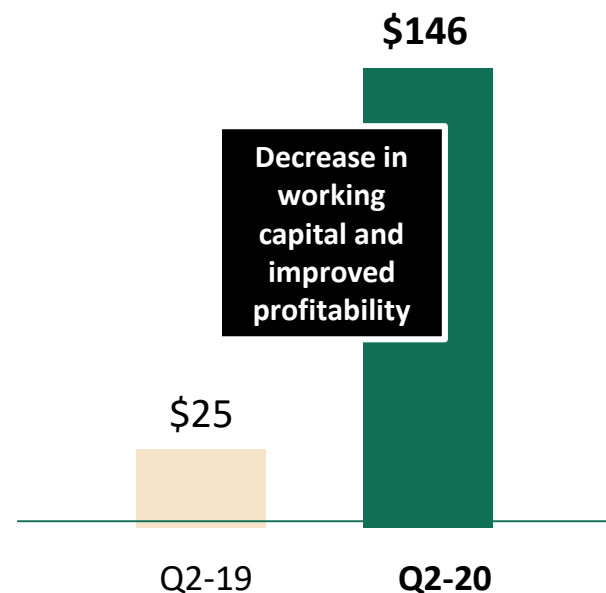


Q2-20 – INCREASING CASH FLOW

Cash Flow before certain items⁽¹⁾⁽²⁾



Cash Flow From Operating Activities



⁽¹⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

⁽²⁾ Before changes in non-cash working capital components and interest and income taxes paid

PROACTIVELY MANAGING COVID-19



- Seasoned management team in place
- Continued to reinforce measures implemented to mitigate health risks to employees, business partners and communities where it operates
- Our operations are critical to the integrity of the supply chain for utilities, railroads and the construction industry
- Resilient business model, flexible cost structure and solid balance sheet

UPDATED 2020 OUTLOOK

GUIDANCE

- Updated EBITDA guidance in the range of \$320 to \$345 million
- EBITDA margin expected to be comparable to 2019
- Capex in the range of \$45 to \$55 million
- Targeting a net debt-to-EBITDA ratio between 2.0x and 2.5x

ASSUMPTIONS

- A Canadian-to-U.S. dollar exchange rate of 1.38 for the last two quarters of the year



APPENDIX

ADOPTION OF IFRS 16, *LEASES* (“IFRS 16”)

- *On January 1, 2019, the Company retrospectively adopted IFRS 16*
- *Comparatives for the 2018 reporting period have not been restated, as permitted*
- *The application of this new standard resulted in:*
 - *The addition of right-of-use assets and lease liabilities to the consolidated statements of financial position*
 - *Instead of lease expenses, right-of-use asset depreciation and financing costs will be recorded to the consolidated statement of income*
- *Please refer to the impact of new accounting pronouncements and interpretation section in the Company’s annual MD&A for further details on the adoption of IFRS 16.*

INCOME STATEMENT - 5-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Sales	2,189	2,144	1,908	1,854	1,559
Gross Profit ⁽¹⁾	359	328	315	334	307
EBITDA ⁽¹⁾	313	244	243	265	243
<i>EBITDA %⁽¹⁾</i>	<i>14%</i>	<i>11%</i>	<i>13%</i>	<i>14%</i>	<i>16%</i>
Operating income ⁽¹⁾	242	206	207	233	220
<i>Operating %⁽¹⁾</i>	<i>11%</i>	<i>10%</i>	<i>11%</i>	<i>13%</i>	<i>14%</i>
Net income	163	138	168	154	141
EPS - diluted	2.37	1.98	2.42	2.22	2.04

⁽¹⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.

Note: 2016 -2019 figures were adjusted to reclass some freight revenue from COGS to sales.

FINANCIAL POSITION - 5-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Working capital	1,010	909	779	928	854
Total assets	2,281	2,062	1,786	1,961	1,779
Long-term debt ⁽¹⁾	605	514	456	694	670
Shareholders' equity	1,288	1,281	1,116	1,026	914
Net debt ⁽²⁾ to total capitalization ⁽¹⁾	0.32:1	0.29:1	0.29:1	0.40:1	0.42:1
Net debt ⁽²⁾ to EBITDA ⁽¹⁾	1.9	2.1	1.9	2.6	2.8
Return on capital employed	12%	11%	13%	13%	14%

⁽¹⁾ Including the current portion of long-term debt.

⁽²⁾ This is a non-IFRS financial measure. Please refer to the Company's MD&A.



WWW.STELLA-JONES.COM