



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS RECORD FOURTH QUARTER AND 2020 ANNUAL RESULTS **20th consecutive year of sales growth**

- **Sales in 2020 increased to \$2.6 billion**
- **EBITDA rose 23% to a record \$385 million, a margin of 15.1%**
- **Net income reached \$210 million or \$3.12 per share**
- **Strong financial position with a net debt-to-EBITDA ratio of 1.9x**
- **Quarterly cash dividend increased 20% to \$0.18 per share**
- **Amends Normal Course Issuer Bid to increase maximum shares to be repurchased**

Montreal, Quebec – March 10, 2021 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its fourth quarter and year ended December 31, 2020.

“Stella-Jones’ record performance in 2020 exemplifies the resiliency of our business model, the strength of our continental network and our team’s ability to effectively adapt and deliver strong results for stakeholders, despite the challenges faced throughout the year. Sales were up for the 20th consecutive year, reaching \$2.6 billion, which drove the 23% increase in EBITDA to a record \$385 million. The unprecedented rise in residential lumber demand and pricing, and the continued solid sales growth in utility poles and railway ties allowed us to generate cash from operations of \$178 million which we deployed to invest in our network and return capital to shareholders. In line with our capital allocation strategy, today we announced a dividend increase of 20% and an increase to the maximum number of shares to be repurchased under the Normal Course Issuer Bid, demonstrating our confidence in Stella-Jones’ strong cashflow generation,” stated Éric Vachon, President and CEO of Stella-Jones.

“While the impact of the ongoing global pandemic on the demand for our products and operations remains uncertain, we are currently projecting organic sales growth in 2021, driven by our utility poles and residential lumber product categories. We continue to actively implement our strategy, focusing on network efficiencies, innovation and accretive acquisitions, in order to enhance our business resilience and the Company’s long-term value creation. With ample financial flexibility we are well positioned to continue to drive growth and generate consistent value for shareholders,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	Q4-20	Q4-19	2020	2019
Sales ⁽¹⁾	533	445	2,551	2,189
Gross profit ⁽²⁾	85	70	446	358
Gross profit margin ⁽²⁾	16.0%	15.7%	17.5%	16.4%
EBITDA ⁽²⁾	70	59	385	313
EBITDA margin ⁽²⁾	13.1%	13.3%	15.1%	14.3%
Operating income	50	41	309	242
Operating income margin ⁽²⁾	9.4%	9.2%	12.1%	11.1%
Net income for the period	34	28	210	163
Earnings per share - basic and diluted	0.52	0.41	3.12	2.37
Weighted average shares outstanding (basic, in '000s)	66,654	67,898	67,260	68,761

(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.

FOURTH QUARTER RESULTS

Sales for the fourth quarter of 2020 amounted to \$533 million, up from sales of \$445 million for the same period in 2019. Excluding the negative impact of the currency conversion of \$4 million, pressure-treated wood sales rose \$78 million, or 19%, mainly driven by higher pricing and demand for residential lumber, volume gains for Class 1 railway ties customers and an improved sales mix for utility poles. The increase in logs and lumber sales stems mainly from the significant rise in the market price of lumber in the second half of 2020.

Pressure-treated wood products:

- **Utility poles:** Utility poles sales amounted to \$201 million, up from \$195 million for the same period last year. Excluding the negative currency conversion effect, sales increased 4%, primarily due to a healthier sales mix, including the impact of the value-added fire-resistant wrapped pole sales.
- **Railway ties:** Railway ties sales grew to \$147 million, up from \$134 million last year. Excluding the negative currency conversion effect, railway ties sales rose 11%, mainly driven by higher volumes for Class 1 customers.
- **Residential lumber:** Residential lumber sales reached \$117 million, almost double the \$61 million generated for the same period in 2019, due to the higher market price of lumber and continued strong demand for home improvement products.
- **Industrial products:** Industrial product sales amounted to \$23 million, largely in line with the \$24 million of sales generated a year ago.

Logs and lumber:

- **Logs and lumber:** Logs and lumber sales totalled \$45 million, up 45% compared to the same period last year, driven by the higher market price of lumber.

The improvement in sales led to an increase in gross profit, which grew 21% to \$85 million, compared to the prior year period, while operating income was \$50 million, or 9.4% of sales, compared with \$41 million, or 9.2% of sales last year. EBITDA rose to \$70 million, up 19%, compared to \$59 million reported in the fourth quarter of 2019. The increase was primarily driven by higher sales price for residential lumber, which exceeded the higher cost of lumber, and an improved sales mix for utility poles. Adjusting for other net losses, EBITDA for the fourth quarter ended December 31, 2020 and 2019 were \$73 million and \$60 million, representing EBITDA margins of 13.7% and 13.5%, respectively.

Net income totaled \$34 million, or \$0.52 per share, versus \$28 million, or \$0.41 per share last year.

2020 RESULTS

Sales for the year ended December 31, 2020 reached \$2,551 million, up \$362 million versus sales of \$2,189 million in 2019. Excluding the positive impact of the currency conversion of \$19 million, pressure-treated wood sales rose \$309 million, or 15%, driven by volume and pricing gains in the Company's three core product categories, as well as a favourable sales mix for utility poles and railway ties. The increase in logs and lumber sales stems mainly from the significant rise in the market price of lumber.

Pressure-treated wood products:

- **Utility poles (35% of 2020 sales):** Utility poles sales increased to \$888 million in 2020 from sales of \$797 million in 2019. Excluding the positive currency conversion effect, utility poles sales increased by \$83 million, or 10%, driven by strong maintenance demand in the first quarter of 2020, more project-related volume and higher pricing. The pricing improvement stems from upward price adjustments in response to raw material cost increases and a more favourable sales mix, including the impact of value-added fire-resistant wrapped poles.
- **Railway ties (29% of 2020 sales):** Railway ties sales were \$733 million in 2020 compared to sales of \$689 million in 2019. Excluding the positive currency conversion effect, railway ties sales increased \$37 million, or 5%, largely due to greater volumes for Class 1 customers and a favourable sales mix.
- **Residential lumber (26% of 2020 sales):** Sales in the residential lumber category rose to \$665 million in 2020, up 41% from sales of \$471 million in 2019. The significant increase in sales was driven by strong home improvement demand and the record rise in the market price of lumber.
- **Industrial products (4% of 2020 sales):** Industrial product sales were \$119 million in 2020, slightly down compared to sales of \$120 million in 2019, primarily as a result of lower maintenance and project activities.

Logs and lumber:

- **Logs and lumber (6% of 2020 sales):** Sales in the logs and lumber product category were \$146 million in 2020, up 30% compared to \$112 million in 2019, primarily attributable to the higher market price of lumber.

Driven by the strong sales growth, gross profit and operating income increased 25% and 28% to \$446 million and \$309 million, respectively, compared to last year. Similarly, EBITDA increased 23% to a record high of \$385 million, or a margin of 15.1%, up from \$313 million, or a margin of 14.3% last year. This increase was primarily driven by sales price increases for residential lumber in the second half of the year, which exceeded the higher cost of lumber, and stronger residential lumber demand. Favourable sales mix for utility poles as well as railway ties also contributed to the improvement. Adjusting for other net losses, comprised of realized losses related to the diesel and petroleum derivative commodity contracts and site remediation provisions, EBITDA for the years ended December 31, 2020 and 2019 were \$397 million and \$313 million, representing EBITDA margins of 15.6% and 14.3%, respectively.

Net income was \$210 million, or \$3.12 per share, versus net income of \$163 million, or \$2.37 per share, last year.

STRONG LIQUIDITY AND CAPITAL RESOURCES

Stella-Jones generated \$178 million of cash from operations in 2020. It invested \$55 million in its property, plant and equipment and intangible assets, and returned \$100 million of capital to shareholders through the payment of dividends and the repurchase of shares. As at December 31, 2020, the Company maintained a strong financial position with a net debt-to-EBITDA ratio of 1.9x and available liquidity of \$190 million.

Subsequent to year-end, the amount available under the demand loan facility was increased from US\$50 million to US\$100 million until June 30, 2021, providing the Company with additional flexibility to invest in the inventory required to support the anticipated sales growth in 2021.

NORMAL COURSE ISSUER BID

During the year, the Company's Board of Directors approved a normal course issuer bid ("NCIB") that permits the Company to purchase for cancellation, up to 2,500,000 common shares during the 12-month period commencing August 10, 2020 and ending August 9, 2021, representing 3.7 % of its issued and outstanding common shares as at July 31, 2020 (the "Reference Date"). In 2020, the Company repurchased 1,331,455 common shares for approximately \$60 million under the NCIB, including 996,802 common shares in the fourth quarter. As at the close of business on March 9, 2021, Stella-Jones had repurchased a total of 801,261 common shares for approximately \$37 million.

Subsequent to year-end, on March 9, 2021, the Company received approval from the Toronto Stock Exchange ("TSX") to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company during the 12-month period ending August 9, 2021, from 2,500,000 to 3,500,000 common shares, representing approximately 6.8 % of the public float of its common shares as at the Reference Date. The amendment to the NCIB will be effective on March 15, 2021 and will continue until August 9, 2021 or such earlier date as Stella-Jones has acquired the maximum number of common shares permitted under the NCIB.

All other terms and conditions of the NCIB remained unchanged. Purchases under the NCIB are made on behalf of Stella-Jones by a registered broker through the facilities of the TSX.

QUARTERLY DIVIDEND INCREASED 20% TO \$0.18 PER SHARE

On March 9, 2021, the Board of Directors declared a quarterly dividend of \$0.18 per share, representing an increase of 20% over the previous quarterly dividend, on the outstanding common shares of the Company, payable on April 24, 2021 to shareholders of record at the close of business on April 5, 2021. This dividend is designated to be an eligible dividend.

OUTLOOK

The Company is targeting to deliver EBITDA in the range of \$385 to \$410 million in 2021. This guidance anticipates a reduction of approximately \$50 million in sales from the deterioration of the value of the U.S. dollar relative to the Canadian dollar.

Excluding the impact of the currency conversion, the Company is projecting sales growth in the low to mid-single digit range in 2021. Utility poles and residential lumber sales are expected to increase in the mid to high-single digit range compared to 2020, while railway ties and industrial product sales are projected to be relatively comparable to those generated in 2020. For utility poles, the sustained healthy replacement maintenance demand, including an increase in value-added fire-resistant wrapped pole sales, is expected to contribute to higher year-over-year sales. For residential lumber, the forecasted increase in sales is driven by the continued strong demand for home improvement projects, current estimates of higher pricing, as well as a projected increase in market reach.

The Company's financial guidance is based on its current outlook for 2021 and takes into account a number of economic and market assumptions. Please refer to management's discussion and analysis for a complete list of assumptions.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 10, 2021, 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 8518287. This recording will be available on Wednesday, March 10, 2021 as of 1:00 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Wednesday, March 17, 2021.

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, 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: The audited consolidated financial statements for the year ended December 31, 2020 and the condensed interim unaudited consolidated financial statements for the fourth quarter ended December 31, 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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