



Source: Stella-Jones Inc.

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STELLA-JONES REPORTS FIRST QUARTER RESULTS

Annual Meeting of Shareholders to be held later this morning

- Sales increased 23% to a first quarter record of \$623 million
- EBITDA rose 57% to \$99 million, or a margin of 15.9%
- Net income doubled to reach \$56 million or \$0.85 per share
- Solid financial position with a net debt-to-EBITDA ratio of 2.2x
- Annual 2021 EBITDA guidance raised to \$450 to \$480 million
- Entered into a new senior unsecured credit agreement of up to US\$350 million, subsequent to quarter-end

Montreal, Quebec – May 3, 2021 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its first quarter ended March 31, 2021.

“We had an exceptionally robust start to the year, continuing our momentum of growth. Our first quarter performance was fueled by record pricing and volume gains in the residential lumber product category, solid utility poles results, and strong railway ties demand tempered by pricing pressures in certain markets. EBITDA grew by 57% to an all-time first quarter high of \$99 million and net income doubled to \$56 million compared to the same period last year,” stated Éric Vachon, President and CEO of Stella-Jones.

“In anticipation of continued strong market conditions for residential lumber and solid demand in the other core product categories, we leveraged our healthy balance sheet this quarter to increase working capital and invest in our network. In April, we increased our available liquidity with a new senior unsecured credit facility, further enhancing our financial flexibility. Together with our resilient business model and solid competitive position, we are well positioned to take advantage of the momentum in demand, create opportunities to grow our core businesses and deliver EBITDA in the mid-to-high \$400 million range in 2021,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	Q1-21	Q1-20
Sales ⁽¹⁾	623	508
Gross profit ⁽²⁾	112	83
Gross profit margin ⁽²⁾	17.9%	16.4%
EBITDA ⁽²⁾	99	63
EBITDA margin ⁽²⁾	15.9%	12.4%
Operating income	82	45
Operating income margin ⁽²⁾	13.1%	8.8%
Net income for the period	56	28
Earnings per share - basic and diluted	0.85	0.41
Weighted average shares outstanding (basic, in ‘000s)	65,711	67,469

(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.

FIRST QUARTER RESULTS

Sales for the first quarter reached \$623 million, up \$115 million, versus sales of \$508 million for the corresponding period last year. Excluding the negative impact of the currency conversion of \$23 million, pressure-treated wood sales rose \$102 million, or 21%, driven by pricing and volume gains in the residential lumber product category and improved pricing for utility poles, offset in part by a reduction in sales price for railway ties, particularly for the non-Class 1 business. The increase in logs and lumber sales stems from the significant rise in the market price of lumber.

Pressure-treated wood products:

- **Utility poles (33% of Q1-21 sales):** Sales were \$206 million in the first quarter of 2021, in line with the corresponding period last year. Excluding the negative currency conversion effect, utility poles sales increased by nine million dollars, or 4%, driven by higher pricing, mainly in response to raw material cost increases and due to a favourable sales mix, including the impact of greater fire-resistant wrapped poles sales volume. More project-related volume this quarter was offset by lower maintenance demand, particularly in the U.S. Southeast due to extreme winter weather conditions.
- **Railway ties (25% of Q1-21 sales):** Sales were \$158 million in the first quarter of 2021, down 8% compared to sales of \$172 million in the same period last year. Excluding the negative currency conversion effect, railway ties sales decreased by six million dollars, or 3%, largely due to lower pricing which more than offset the increase in volumes. The reduction in sales price is attributable to continued pricing pressures and an unfavourable product mix for the non-Class 1 business, as well as downward pricing adjustments in response to lower fibre costs for Class 1 customers. While volumes were lower this quarter for Class 1 customers due to the timing of shipments, overall volumes increased as a result of the robust demand from non-Class 1 customers.
- **Residential lumber (27% of Q1-21 sales):** Sales rose to \$166 million in the first quarter of 2021, up 134% from sales of \$71 million in the corresponding period last year. Excluding the negative currency conversion effect, residential lumber sales increased \$99 million, or 139%. The significant increase in sales was in large part driven by the higher market price of lumber. Continued strong demand, an earlier start of the season for home improvement projects, as well as the increase in market reach as the Company gained a greater proportion of customers' annual programs, further contributed to the exceptional sales growth this quarter.
- **Industrial products (5% of Q1-21 sales):** Sales were \$28 million in the first quarter of 2021, relatively unchanged compared to sales of \$29 million in the first quarter last year. Lower bridge sales, mainly timing-related, were offset in large part by increased demand for pilings.

Logs and lumber:

Logs and lumber (10% of Q1-21 sales): Sales were \$65 million in the first quarter of 2021, more than double the sales of \$29 million generated in the corresponding period in 2020. In the course of procuring residential lumber volume, excess lumber is obtained and resold. The increase in sales this quarter is largely attributable to the significant rise in the market price of lumber.

The strong sales growth led to an increase in gross profit, which grew 35% to \$112 million, compared to the prior year period, while operating income was \$82 million, or 13.1% of sales, compared with \$45 million, or 8.8% of sales last year. EBITDA rose to \$99 million, up 57%, compared to \$63 million reported in the first quarter of 2020. The increase was primarily driven by sales price increases for residential lumber, which exceeded the higher cost of lumber, stronger residential lumber demand, as well as operational efficiency gains. Improved pricing for utility poles and volume gains for railway ties were largely offset by pricing pressures for the non-Class 1 railway ties business.

Net income for the first quarter of 2021 was \$56 million, or \$0.85 per share, double the net income of \$28 million, or \$0.41 per share, in the corresponding period of 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the period ended March 31, 2021, Stella-Jones used its liquidity to support higher working capital requirements, invest in its property, plant and equipment and repurchase shares. Net debt increased to \$935 million by quarter-end and included \$137 million of short-term debt. During the quarter, the Company, through its wholly-owned U.S subsidiary (“U.S. Subsidiary”), borrowed US\$50 million under a new bridge term loan agreement. A second US\$50 million installment was advanced in April 2021. Borrowings under the bridge term loan were presented as short-term debt.

As at March 31, 2021, the Company maintained a solid financial position with a net debt-to-EBITDA ratio of 2.2x.

Subsequent to quarter-end, the U.S subsidiary entered into a credit agreement with a syndicate of lenders within the United States farm credit system pursuant to which senior unsecured credit facilities in an aggregate amount of up to US\$350 million were made available, including a term loan facility of up to US\$250 million and a revolving credit facility of US\$100 million. On April 29, 2021, a drawdown of US\$100 million was made under the revolving credit facility to repay the bridge term loan in full.

NORMAL COURSE ISSUER BID

On March 9, 2021, the Company received approval from the Toronto Stock Exchange (“TSX”) to amend the Normal Course Issuer Bid (“NCIB”) accepted by the TSX on August 4, 2020 in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company from 2,500,000 to 3,500,000 common shares during the 12-month period commencing August 10, 2020 and ending August 9, 2021. The amendment to the NCIB was effective on March 15, 2021.

In the three-month period ended March 31, 2021, the Company repurchased 801,261 common shares for cancellation in consideration of \$37 million. Since the start of the NCIB on August 10, 2020, the Company has repurchased 2,132,716 common shares for cancellation in consideration of \$97 million.

QUARTERLY DIVIDEND

On May 2, 2021, the Board of Directors declared a quarterly dividend of \$0.18 per common share payable on June 22, 2021 to shareholders of record at the close of business on June 1, 2021. This dividend is designated to be an eligible dividend.

UPDATED OUTLOOK

The Company’s financial outlook provided in the MD&A for the year ended December 31, 2020 is updated to reflect the strong quarterly performance, largely attributable to the unprecedented rise in the market price of lumber, and the expectation that the higher levels of pricing for lumber will continue to favourably impact the profitability of the residential lumber product category during the seasonal peak demand period.

Stella-Jones is now targeting to deliver EBITDA in the range of \$450 to \$480 million in 2021, up from the previously disclosed guidance of \$385 to \$410 million. This updated guidance anticipates a reduction of approximately \$90 million in sales from the depreciation of the value of the U.S. dollar relative to the Canadian dollar to C\$1.27 per U.S. dollar.

Excluding the impact of the currency conversion, the Company is projecting 2021 sales growth of 15% to low 20% range compared to 2020. The projected 2021 sales for utility poles, railways ties and industrial products remain unchanged. Utility poles sales are expected to increase in the mid to high-single digit range compared to 2020, due to sustained healthy replacement demand, including an increase in value-added fire-resistant wrapped pole sales, while railway ties and industrial product sales are projected to be relatively comparable to those generated in 2020. For residential lumber, sales are now forecasted to increase in the range of 45% to 65%

compared to 2020, driven by the current trend of higher pricing, which is projected to continue during the seasonal peak demand period for this product category.

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 May 3, 2021, at 1:30 p.m. Eastern Daylight Time. Interested parties can join the call by dialing 1-647-362-9671 (Toronto or overseas) or 1-800-599-2055 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-770-2030 and entering the passcode 4899896. This recording will be available on Monday, May 3, 2021 as of 4:30 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Monday, May 10, 2021.

NON-IFRS FINANCIAL MEASURES

Gross profit, gross profit margin, EBITDA (operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets), EBITDA margin, operating income margin, net debt 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 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 first quarter ended March 31, 2021 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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