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## STELLA-JONES REPORTS THIRD QUARTER RESULTS

- Sales of \$679 million, a decrease of 8%
- EBITDA of \$69 million, or a margin of 10.2%, including a \$7 million write-down provision for inventory
- Net income of \$34 million, or \$0.52 per share
- Revised 2021 EBITDA forecast to about \$400 million
- Acquisitions of wood treating facilities in Alabama expected to close before year-end
- Announced a Normal Course Issuer Bid
- Published Environmental, Social and Governance ("ESG") Report

**Montreal, Quebec – November 9, 2021** - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2021.

"Our third quarter results reflect the impact of the normalization of lumber market conditions and the increase in the cost of untreated railway ties which outpaced price adjustments. With the improvement in pricing and demand for residential lumber in the latter part of the quarter and the continued strong sales growth for utility poles, we are confident that we will deliver solid EBITDA in 2021," stated Éric Vachon, President and CEO of Stella-Jones. "We are also excited about the prospects for 2022. The recently-announced agreements to purchase wood treating facilities in the U.S. southeast will expand our capability to supply the needs of North America's utility pole industry and strengthen our leadership position in the product categories that we serve."

"We continue to maintain a solid balance sheet, generating \$225 million of cash from operations during the quarter. Given the Company's strong cash flow generation, we announced today our intention to repurchase up to 4,000,000 of the Company's outstanding shares, under a Normal Course Issuer Bid, commencing on November 12, 2021. With our financial strength, scale and focus on execution and innovation, we continue to be well positioned to drive continued growth and generate solid returns for our shareholders," concluded Mr. Vachon.

<b>Financial Highlights</b> (in millions of Canadian dollars, except per share data and margin)	<b>Q3-21</b>	<b>Q3-20</b>	<b>YTD Q3-21</b>	<b>YTD Q3-20</b>
Sales	679	742	2,205	2,018
Gross profit <sup>(1)</sup>	82	147	391	361
Gross profit margin <sup>(1)</sup>	12.1%	19.7%	17.7%	17.9%
EBITDA <sup>(1)</sup>	69	132	348	315
EBITDA margin <sup>(1)</sup>	10.2%	17.8%	15.8%	15.6%
Operating income	51	113	294	259
Operating income margin <sup>(1)</sup>	7.5%	15.2%	13.3%	12.8%
Net income for the period	34	79	205	176
Earnings per share - basic and diluted	0.52	1.17	3.14	2.60
Weighted average shares outstanding (basic, in '000s)	64,664	67,437	65,238	67,462

(1) 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 2021 reached \$679 million, down \$63 million, versus sales of \$742 million for the corresponding period last year. Excluding the negative impact of the currency conversion of \$24 million, pressure-treated wood sales decreased \$32 million, or 5%, primarily due to the decline in residential lumber demand, partially offset by higher sales prices for residential lumber and an improvement in the sales mix for utility poles. The decrease in logs and lumber sales largely stems from a decline in lumber transaction volumes.

### Pressure-treated wood products:

- **Utility poles (38% of Q3-21 sales):** Utility poles sales increased to \$256 million, compared to sales of \$251 million in the corresponding period last year. Excluding the currency conversion effect, utility poles sales increased by \$16 million, or 6%, driven by improved maintenance demand for distribution poles and sales mix, including the impact of additional sales volumes for fire-resistant wrapped poles. This sales growth was partially attenuated by a decrease in project-related volumes.
- **Railway ties (26% of Q3-21 sales):** Railway ties sales were \$179 million, compared to sales of \$188 million in the same period last year. Excluding the currency conversion effect, railway ties sales were stable as lower volumes for Class 1 customers, largely due to the timing of shipments, were compensated by continued strong demand and improved pricing for non-Class 1 customers.
- **Residential lumber (25% of Q3-21 sales):** Sales in the residential lumber category were \$170 million, down compared to sales of \$220 million in the corresponding period last year. Excluding the currency conversion effect, residential lumber sales decreased \$47 million, or 21%. While residential lumber pricing remained higher compared to the same period last year, it was not sufficient to offset the drop in demand.
- **Industrial products (5% of Q3-21 sales):** Industrial product sales were \$32 million, compared to sales of \$34 million in the third quarter last year. Excluding the currency conversion effect, industrial products sales were relatively unchanged compared to the third quarter of 2020.

### Logs and lumber:

- **Logs and lumber (6% of Q3-21 sales):** Sales in the logs and lumber product category were \$42 million, down compared to \$49 million in the corresponding period last year. Sales decreased mostly due to a reduction in lumber trading activity.

Despite the realization of higher pricing compared to the third quarter of 2020, the elevated fibre costs for residential lumber and railway ties, combined with the lower residential lumber sales volume largely explains the decrease in gross profit of 44% to \$82 million, compared to the prior year period. Similarly, operating income decreased to \$51 million, or 7.5% of sales, compared with \$113 million, or 15.2% of sales last year and EBITDA decreased to \$69 million, compared to \$132 million reported in the third quarter of 2020. EBITDA for the three-months ended September 30, 2021 included a seven million dollar write-down provision to reduce the residential lumber finished goods inventory to its net realizable value.

Net income for the third quarter of 2021 was \$34 million, or \$0.52 per share, compared to net income of \$79 million, or \$1.17 per share, in the corresponding period of 2020.

## NINE-MONTH RESULTS

For the first nine months of 2021, sales amounted to \$2.21 billion, versus \$2.02 billion for the corresponding period last year. Excluding the negative impact of the currency conversion of \$110 million, pressure-treated wood sales rose by \$206 million, or 11%, and logs and lumber sales grew by \$94 million. The year-over-year

sales growth in pressure-treated wood stems from the significant rise in the market prices of lumber, compared to the same period last year, offset in part by a decrease in residential lumber demand. Sales also benefited from increased volumes, upward pricing adjustments in response to raw material cost increases and an improved sales mix for utility poles, as well as, higher volumes for railway ties which outweighed the pricing pressures during the first half of the year for the non-Class 1 business. The exceptional increase in logs and lumber sales stems from the unprecedented increase in market prices of lumber during the first six months of the year.

The sales growth led to an increase in gross profit, which grew 8% to \$391 million, compared to the prior year period. Operating income was \$294 million, or 13.3% of sales, compared with \$259 million, or 12.8% of sales last year. EBITDA rose to \$348 million, up 10%, compared to \$315 million reported in the prior year period, reflecting an EBITDA margin of 15.8%. Net income totaled \$205 million, or \$3.14 per share, versus \$176 million, or \$2.60 per share last year.

#### **LIQUIDITY AND CAPITAL RESOURCES**

During the third quarter ended September 30, 2021, Stella-Jones used the cash generated from operations of \$225 million to invest \$14 million in capital expenditures, reduce indebtedness by \$165 million, pay \$11 million in dividends and repurchase 628,303 shares for \$27 million. From August 10, 2020, to August 9, 2021, the Company repurchased a total of 3,057,326 common shares for cancellation in consideration of \$139 million.

On July 30, 2021, the Company obtained a one-year extension of its unsecured syndicated revolving credit facility to February 27, 2026. The extension was granted through an amendment to the sixth amended and restated credit agreement dated as of May 3, 2019. All terms and conditions remain substantially unchanged.

The Company's net debt, including lease liabilities, decreased to \$679 million as at September 30, 2021 versus \$745 million as at December 31, 2020 and the net debt-to-trailing 12-month EBITDA ratio was 1.6x.

#### **AGREEMENTS TO PURCHASE WOOD TREATING FACILITIES**

On November 3, 2021, Stella-Jones, through its U.S. subsidiary, entered into an agreement to purchase the shares of Cahaba Pressure Treated Forest Products, Inc. ("Cahaba Pressure") and Cahaba Timber, Inc. ("Cahaba Timber") for US\$66 million and US\$36.5 million, respectively, subject to post-closing working capital adjustments. Cahaba Pressure manufactures, distributes and sells treated and untreated wood poles, crossties and posts, and provides custom treating services at its wood treating facility in Brierfield, Alabama. Cahaba Timber is a producer of treated poles and pilings and engages in raw material procurement at its treating operations in Brierfield, Alabama. Both transactions are scheduled to close prior to the end of December 2021.

#### **QUARTERLY DIVIDEND**

On November 8, 2021, the Board of Directors declared a quarterly dividend of \$0.18 per common share payable on December 17, 2021 to shareholders of record at the close of business on December 1, 2021. This dividend is designated to be an eligible dividend.

## **REVISED OUTLOOK**

The Company now assumes EBITDA to be close to \$400 million, reflecting a greater than expected margin compression for residential lumber, higher untreated railway tie costs and anticipated softer demand from Class 1 railway tie customers. Excluding the impact of the currency conversion, the Company expects sales growth in 2021 compared to 2020 to be at the lower end of its previous assumption of an increase in the low-to-high teens range. Stella-Jones remains confident that it will deliver solid EBITDA in 2021 and that its EBITDA margin, as a percentage of sales, will be comparable to 2020.

This financial guidance for 2021 continues to anticipate a reduction of approximately \$130 million in sales from the depreciation of the value of the U.S. dollar relative to the Canadian dollar to C\$1.25 per U.S. dollar.

Based on current market conditions and assuming the conclusion of the acquisitions of Cahaba Pressure and Cahaba Timber, management is forecasting sales, EBITDA and EBITDA margin in 2022 to be comparable to the solid results expected in 2021. The Company anticipates that the robust demand for utility poles, the sustained railway ties maintenance demand and the contribution from the pending acquisitions will offset the normalization of residential lumber sales in 2022.

The Company's financial guidance is based on its current outlook and takes into account a number of economic and market assumptions. Please refer to the Company's Management's Discussion and Analysis for a complete list of assumptions.

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

On November 8, 2021, the Company published its 2020 ESG report. It can be found on the Stella-Jones website at: [www.stella-jones.com/en-CA/investor-relations/environmental-social-governance](http://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 9, 2021, at 10:00 a.m. Eastern Standard Time. Interested parties can join the call by dialing 1-438-803-0545 (Montreal or overseas) or 1-888-440-2194 (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 Tuesday, November 9, 2021 as of 1:30 p.m. Eastern Standard Time until 11:59 p.m. Eastern Standard Time on Tuesday, November 16, 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 third quarter ended September 30, 2021 as well as management's discussion and analysis are available on Stella-Jones' website at [www.stella-jones.com](http://www.stella-jones.com).

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