Source: **Stella-Jones Inc.**

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STELLA-JONES DELIVERS ROBUST THIRD QUARTER RESULTS

- **Sales increased 24% to $842 million, driven by all product categories**
- **EBITDA[(1)] rose by $50 million to $119 million, a margin of 14.1%**
- **Net income reached $65 million or $1.07 per share**
- **Completed acquisition of wood utility pole manufacturing business of Texas Electric Cooperatives, Inc.**
- **Returned $180 million to shareholders in the first nine months of 2022**
- **Announced a Normal Course Issuer Bid for 2022-2023**

Montreal, Quebec – November 9, 2022 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2022.

"Stella-Jones delivered strong results this quarter, reflecting the robust growth of our infrastructure-related product sales and the normalization of residential lumber sales," said Éric Vachon, President and CEO of Stella-Jones. "Our performance demonstrates Stella-Jones' ability to capitalize on growing utility poles demand, amplified by increased infrastructure spend and broadband network expansion programs. It also highlights the stability of our railway ties business and unique value proposition we deliver to our residential lumber customers. It is this resilience, in the face of inflationary pressures and supply chain constraints, that reaffirms the power of our business model and extensive network."

"Subsequent to this quarter, we concluded the acquisition of Texas Electric Cooperatives Inc.'s utility wood pole manufacturing business, adding a 43rd wood-treating facility to our network. We also published our 2021 Environmental, Social and Governance ("ESG") Report, highlighting our progress towards continuous improvement in ESG. We remain confident in our free cash flow generation and commitment to return value to our shareholders, as evidenced by the announcement of our 2022-2023 Normal Course Issuer Bid this morning. Based on our robust performance so far this year, we are favourably positioned to attain the objectives set forth in our three-year plan," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margins)	**Q3-22**	**Q3-21**	**YTD Q3-22**	**YTD Q3-21**
Sales	842	679	2,400	2,205
Gross profit[(1)]	139	82	412	391
Gross profit margin[(1)]	16.5%	12.1%	17.2%	17.7%
EBITDA[(1)]	119	69	361	348
EBITDA margin[(1)]	14.1%	10.2%	15.0%	15.8%
Operating income	98	51	298	294
Operating income margin[(1)]	11.6%	7.5%	12.4%	13.3%
Net income for the period	65	34	205	205
Earnings per share - basic and diluted	1.07	0.52	3.30	3.14
Weighted average shares outstanding (basic, in '000s)	60,682	64,664	62,078	65,238

(1) These are non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Please refer to the section "Non-GAAP and other financial measures" in this press release.

THIRD QUARTER RESULTS

Sales for the third quarter of 2022 increased by 24% to $842 million, compared to sales of $679 million for the same period in 2021. Excluding the $17 million favourable impact of currency conversion and the contribution from the acquisitions of Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. (together "Cahaba") of $17 million, pressure-treated wood sales rose by $125 million, while sales of logs and lumber remained relatively stable. Pressure-treated wood sales attributable to infrastructure-related businesses, namely utility poles, railway ties and industrial products, grew by 15% and residential lumber sales increased by over 30% compared to the lower sales experienced in the same period last year.

Pressure-treated wood products:

- **Utility poles (39% of Q3-22 sales)**: Utility poles sales amounted to $331 million in the third quarter of 2022, up from $256 million for the same period last year. Excluding the currency conversion effect and the contribution from the Cahaba acquisitions, sales increased 19%, driven by higher pricing in response to cost increases. During the third quarter of 2022, the continued growth in maintenance and project-related demand was offset in large part by lower volumes for fire-resistant wrapped poles.

- **Railway ties (24% of Q3-22 sales)**: Sales of railway ties amounted to $199 million in the third quarter of 2022, versus $179 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties increased by 8%, attributable to favourable sales price adjustments, largely to cover higher fibre costs, offset in part by reduced maintenance demand of certain Class 1 customers.

- **Residential lumber (27% of Q3-22 sales)**: Residential lumber sales totaled $226 million in the third quarter of 2022, up from $170 million in the third quarter of 2021. Excluding the currency conversion effect, sales increased 32% as a result of higher sales volume, compared to the significant drop in demand in the third quarter of 2021.

- **Industrial products (5% of Q3-22 sales)**: Industrial product sales amounted to $40 million in the third quarter of 2022, up compared to the $32 million of sales generated a year ago, largely due to higher volumes related to bridge and crossing projects and pilings.

Logs and lumber:

- **Logs and lumber (5% of Q3-22 sales)**: Logs and lumber sales totaled $46 million in the third quarter of 2022, relatively unchanged compared to $42 million in the corresponding period last year.

Gross profit was $139 million in the third quarter of 2022, versus $82 million, in the third quarter of 2021, representing a margin of 16.5% and 12.1% respectively. The increase in gross profit both in absolute dollars and as a percentage of sales stemmed from higher margins across all the Company's pressure-treated wood product categories, particularly residential lumber. In the third quarter of 2021, the gross profit of residential lumber was unfavourably impacted by elevated fibre costs, together with the market-driven decrease in pricing and drop in demand. In addition, an inventory write-down provision was recorded in the third quarter of 2021.

Similarly, operating income totaled $98 million in the third quarter of 2022 versus operating income of $51 million in the corresponding period of 2021, and EBITDA increased to $119 million, compared to $69 million reported in the third quarter of 2021.

As a result, net income for the third quarter of 2022 was $65 million, or $1.07 per share, compared to net income of $34 million, or $0.52 per share, in the corresponding period of 2021.

NINE-MONTH RESULTS

For the first nine months of 2022, sales amounted to $2,400 million, versus $2,205 million for the corresponding period last year, driven by the 13% organic sales growth of the Company’s infrastructure-related businesses. Excluding the positive impact of the currency conversion of $39 million and the contribution from the Cahaba acquisitions of $47 million, pressure-treated wood sales rose by $146 million, or 7%, while logs and lumber sales dropped by $38 million. The year-over-year growth in pressure-treated wood sales stemmed from favourable price adjustments and increased maintenance and project-related demand for utility poles, as well as higher pricing for railway ties. These factors were partly offset by a decrease in residential lumber volumes and pricing, as well as lower railway ties volumes, particularly for Class 1 business. The decrease in logs and lumber sales compared to the same period last year is largely attributable to less lumber trading activity.

Gross profit increased to $412 million, or 17.2% of sales, from $391 million, or 17.7% of sales, in the corresponding period last year. Operating income amounted to $298 million, versus $294 million a year ago, while EBITDA was $361 million, compared to $348 million in the prior year.

Net income in the first nine months of 2022 and 2021 was $205 million, or $3.30 per share for 2022 and $3.14 per share in the corresponding period last year. Earnings per share for the nine-months ended September 30, 2022 was positively impacted by the Company’s ongoing repurchase of shares through its normal course issuer bids.

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter ended September 30, 2022, Stella-Jones used the cash generated from operations of $193 million to repay the long-term debt related to the seasonal investment in working capital in the first quarter, invest $23 million in capital expenditures, acquire transportation assets for eight million dollars, pay $12 million in dividends and repurchase shares for $59 million.

For the nine-month period ended September 30, 2022, the Company repurchased 3,868,055 or 6% of its common shares for cancellation in consideration of $145 million. Since the beginning of the current Normal Course Issuer Bid, the Company has repurchased a total of 4,589,603 common shares for $175 million.

The Company’s net debt, including the current portion, stood at $935 million as at September 30, 2022 and the net debt-to-EBITDA ratio was 2.3x.

On November 2, 2022, the Company entered into a seventh amending credit agreement to increase the amount available under the unsecured revolving credit facility to US$400 million from US$325 million.

ACQUISITION OF THE WOOD POLE MANUFACTURING BUSINESS OF TEXAS ELECTRIC COOPERATIVES, INC.

On November 1, 2022, Stella-Jones completed the acquisition of substantially all of the assets of the wood utility pole manufacturing business of Texas Electric Cooperatives, Inc., located in Jasper County Texas. Total consideration associated with the acquisition was US$32 million, including inventories estimated at four million dollars US.

ANNOUNCEMENT OF NORMAL COURSE ISSUER BID

On November 9, 2022, the Company announced that the Toronto Stock Exchange has accepted its Notice of Intention to make a Normal Course Issuer Bid. Please refer to the press release issued by the Company, a copy of which is located in the Investor relations section of its website.

QUARTERLY DIVIDEND

On November 8, 2022, the Board of Directors declared a quarterly dividend of $0.20 per common share payable on December 16, 2022 to shareholders of record at the close of business on December 1, 2022. This dividend is designated to be an eligible dividend.

2022-2024 FINANCIAL OBJECTIVES

Stella-Jones' sales are primarily to critical infrastructure-related businesses. While all product categories can be impacted by short-term fluctuations, the business is mostly based on replacement and maintenance driven requirements, which are rooted in our customers' long-term planning. Corresponding to this longer-term horizon and to better reflect the expected sales run-rate for residential lumber and reduce the impact of commodity price volatility, in March 2022, the Company provided its financial objectives for 2022 to 2024. Below are key highlights of the 2022-2024 financial objectives with a more comprehensive version, including management assumptions, available in the Company's MD&A. Management remains confident in the achievement of its three-year strategic guidance.

Key Highlights:

a. Compound annual sales growth rate in the mid-single digit range from 2019 pre-pandemic levels to 2024;
b. EBITDA margin of approximately 15% for the 2022-2024 period;
c. Capital investment of $90 to $100 million to support the growing demand of its infrastructure-related customer base, in addition to the $50 to $60 million of annual capital expenditures;
d. Residential lumber sales expected to stabilize between 20-25% of total sales while infrastructure-related businesses expected to grow to 75-80% of total sales by 2024;
e. Anticipated returns to shareholders between $500 and $600 million during the three-year period;
f. Leverage ratio of 2.0x-2.5x between 2022-2024, but may temporarily exceed range to pursue acquisitions.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

On October 26, 2022, the Company published its 2021 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 9, 2022, at 10:00 a.m. Eastern Time. Interested parties can join the call by dialing 1-416-764-8646 (Toronto or overseas) or 1-888-396-8049 (elsewhere in North America). A live audio webcast of the conference call will be available on the company's website, on the Investor relations section's home page or here: https://www.gowebcasting.com/12372. The replay of the webcast will remain available at the same link until midnight, November 16, 2022. Parties unable to call in at this time may access a recording by calling 1-877-674-7070 and entering the passcode 564943. This recording will be available on Wednesday, November 9, 2022 as of 1:00 p.m. until 11:59 p.m. on Wednesday, November 16, 2022.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is North America's leading producer of pressure-treated wood products. It supplies the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network. 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 political, 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.

Note to readers: Condensed interim unaudited consolidated financial statements for the third quarter ended September 30, 2022 as well as management's discussion and analysis are available on Stella-Jones' website at www.stella-jones.com.

Head Office	**Exchange Listings**	**Investor Relations**
3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	The Toronto Stock Exchange Stock Symbol: SJ **Transfer Agent and Registrar** Computershare Investor Services Inc.	Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 934-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com

(expressed in millions of Canadian dollars, except earnings per common share)

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Sales	842	679	2,400	2,205
Expenses				
Cost of sales (including depreciation and amortization (3 months - $18 (2021 - $16) and 9 months - $53 (2021 - $46))	703	597	1,988	1,814
Selling and administrative (including depreciation and amortization (3 months - $3 (2021 - $2) and 9 months - $10 (2021 - $8))	41	30	113	95
Other losses, net	—	1	1	2
	744	628	2,102	1,911
Operating income	98	51	298	294
Financial expenses	10	5	22	17
Income before income taxes	88	46	276	277
Provision for income taxes				
Current	22	9	64	68
Deferred	1	3	7	4
	23	12	71	72
Net income for the period	65	34	205	205
Basic and diluted earnings per common share	1.07	0.52	3.30	3.14

(expressed in millions of Canadian dollars)

	As at September 30, 2022 $	As at December 31, 2021 $
Assets		
Current assets		
Accounts receivable	325	230
Inventories	1,102	1,106
Income taxes receivable	—	9
Other current assets	76	43
	1,503	1,388
Non-current assets		
Property, plant and equipment	709	629
Right-of-use assets	154	138
Intangible assets	164	158
Goodwill	368	341
Derivative financial instruments	32	3
Other non-current assets	6	8
	2,936	2,665
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	211	162
Income taxes payable	8	1
Current portion of long-term debt	1	33
Current portion of lease liabilities	41	35
Current portion of provisions and other long-term liabilities	11	11
	272	242
Non-current liabilities		
Long-term debt	773	701
Lease liabilities	120	109
Deferred income taxes	163	137
Provisions and other long-term liabilities	18	15
Employee future benefits	4	13
	1,350	1,217
Shareholders' equity		
Capital stock	196	208
Retained earnings	1,204	1,161
Accumulated other comprehensive income	186	79
	1,586	1,448
	2,936	2,665

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(expressed in millions of Canadian dollars)

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Cash flows from (used in)				
Operating activities				
Net income for the period	65	34	205	205
Adjustments for				
Depreciation of property, plant and equipment	7	6	22	18
Depreciation of right-of-use assets	10	10	30	28
Amortization of intangible assets	4	2	11	8
Financial expenses	10	5	22	17
Current income taxes expense	22	9	64	68
Deferred income taxes	1	3	7	4
Provisions and other long-term liabilities	1	—	1	(5)
Other	1	1	1	(2)
	121	70	363	341
Changes in non-cash working capital components				
Accounts receivable	66	69	(78)	(75)
Inventories	56	81	61	18
Other current assets	(10)	(7)	(26)	(6)
Accounts payable and accrued liabilities	(10)	48	36	78
	102	191	(7)	15
Interest paid	(10)	(8)	(23)	(19)
Income taxes paid	(20)	(28)	(48)	(80)
	193	225	285	257
Financing activities				
Proceeds from short-term debt	—	—	—	125
Repayment of short-term debt	—	—	—	(123)
Net change in revolving credit facilities	(81)	(165)	(34)	(123)
Proceeds from long-term debt	—	31	63	152
Repayment of long-term debt	—	(31)	(33)	(105)
Repayment of lease liabilities	(11)	(9)	(30)	(26)
Dividends on common shares	(12)	(11)	(37)	(35)
Repurchase of common shares	(59)	(27)	(142)	(78)
Other	1	—	1	—
	(162)	(212)	(212)	(213)
Investing activities				
Business combinations	(8)	—	(8)	—
Purchase of property, plant and equipment	(20)	(11)	(57)	(31)
Additions of intangible assets	(3)	(3)	(8)	(13)
Other	—	1	—	—
	(31)	(13)	(73)	(44)
Net change in cash and cash equivalents during the period	—	—	—	—
Cash and cash equivalents – Beginning of period	—	—	—	—
Cash and cash equivalents – End of period	—	—	—	—

NON-GAAP AND OTHER FINANCIAL MEASURES

This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of "specified financial measures" (as defined therein).

Non-GAAP financial measures include:

- **Gross profit**: Sales less cost of sales
- **EBITDA**: Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **Net debt:** Sum of long-term debt and lease liabilities (including the current portion)

Non-GAAP ratios include:

- **Gross profit margin**: Gross profit divided by sales for the corresponding period
- **EBITDA margin**: EBITDA divided by sales for the corresponding period
- **Net debt-to-EBITDA**: Net debt divided by trailing 12-month (TTM) EBITDA

Other specified financial measures include:

- **Operating income margin**: Operating income divided by sales for the corresponding period

Management considers these non-GAAP and other financial measures to be useful information to assist knowledgeable investors to understand the Company's operating results, financial position and cash flows as they provide a supplemental measure of its performance. Management uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and to assess the Company's ability to meet future debt service, capital expenditure and working capital requirements. Management uses net debt to calculate the Company's indebtedness level, future cash needs and financial leverage ratios.

The following tables present the reconciliations of non-GAAP financial measures to their most comparable GAAP measures.

Reconciliation of operating income to EBITDA (in millions of dollars)	**Three-month periods ended September 30,**		**Nine-month periods ended September 30,**	
	2022	**2021**	**2022**	**2021**
Operating income	98	51	298	294
Depreciation and amortization	21	18	63	54
EBITDA	**119**	**69**	**361**	**348**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at September 30, 2022**	**As at December 31, 2021**
Long-term debt, including current portion	774	734
Add:		
Lease liabilities, including current portion	161	144
Net Debt	**935**	**878**
EBITDA (TTM)	413	400
Net Debt-to-EBITDA	**2.3**	**2.2**