

**PLAN IN
ACTION**

2023 Investor Day

PRESENTED BY

Eric Vachon,
President & Chief Executive Officer

May 25, 2023



Caution Regarding Forward-Looking Information

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 items include, among others: general political, economic and business conditions, evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, climate change, failure to recruit and retain qualified workforce, information security breaches or other cyber-security threats, 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 Management's Discussion & Analysis ("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.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA margin and net debt-to-EBITDA are non-GAAP and other financial measures, which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

The Company believes EBITDA and EBITDA margin provide investors with useful information because they are common industry measures, used by investors and analysts to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement. These measures are also key metrics of the Company's operational and financial performance. And the Company believes the net debt-to-EBITDA ratio is an indicator of the financial leverage of the Company.

Please refer to the section "Non-GAAP and other financial measures" of the Company's MD&A for quarter-ended March 31, 2023 available at www.sedar.com.

Today's Agenda

- Corporate Overview and Outlook
Presented by Eric Vachon
- Utility Poles
Presented by Ian Jones
- Railway Ties
Presented by Patrick Kirkham
- Residential Lumber
Presented by Brian Grant
- ESG
Presented by Rhiannah Carver
- Financial Outlook
Presented by Silvana Travaglini



Supporting Environmentally-Focused Organizations

Stella-Jones is proud to support



"Fostering Responsible Environmental Stewardship through Experiential Outdoor Education"



Stella-Jones At-A-Glance



\$3.6B*
Market Cap



SJ
TSX



13
Pole Peeling
Facilities



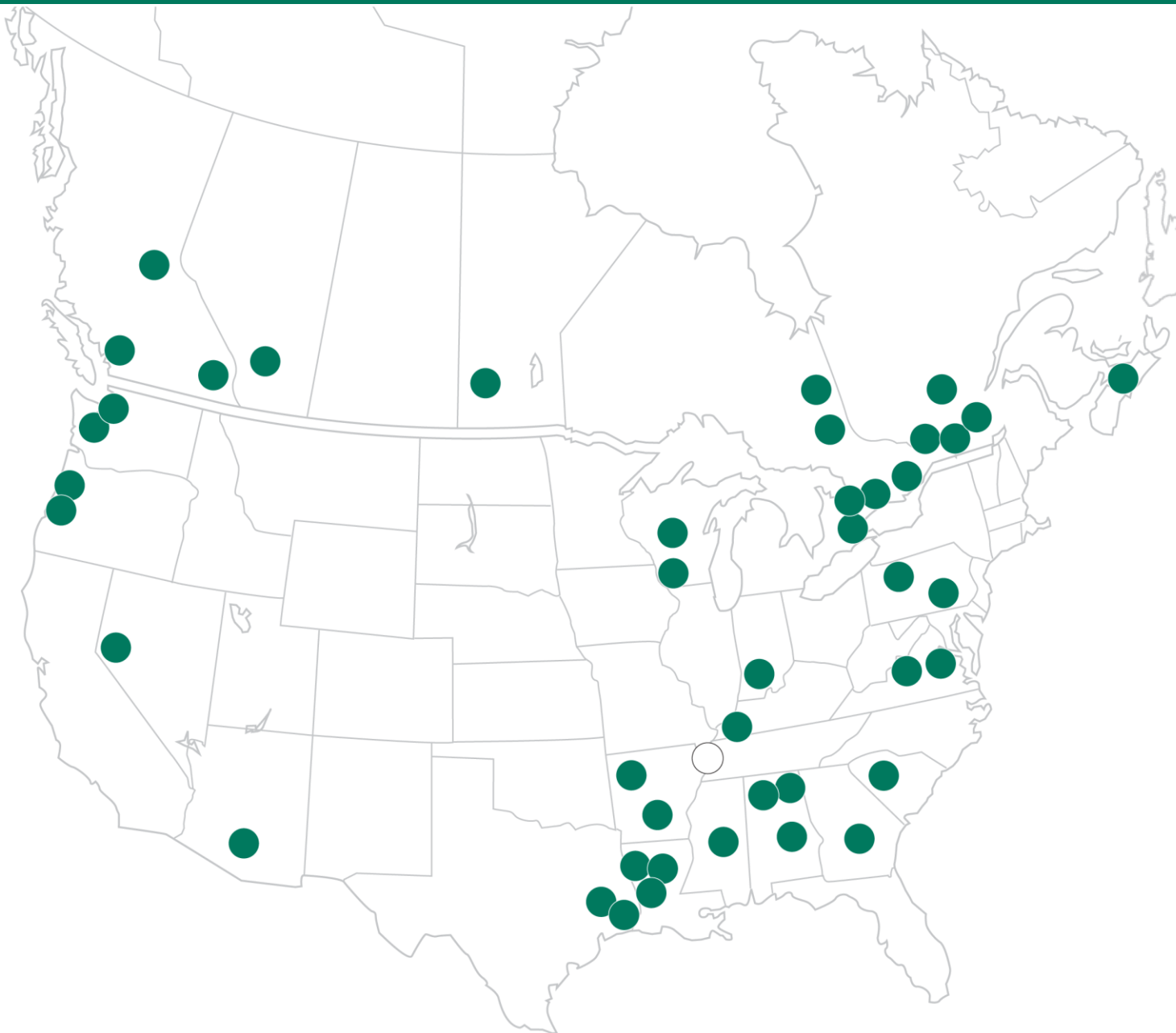
43
Wood Treating
Facilities 27 U.S.
and 16 Canada



70%
Sales
in the U.S.



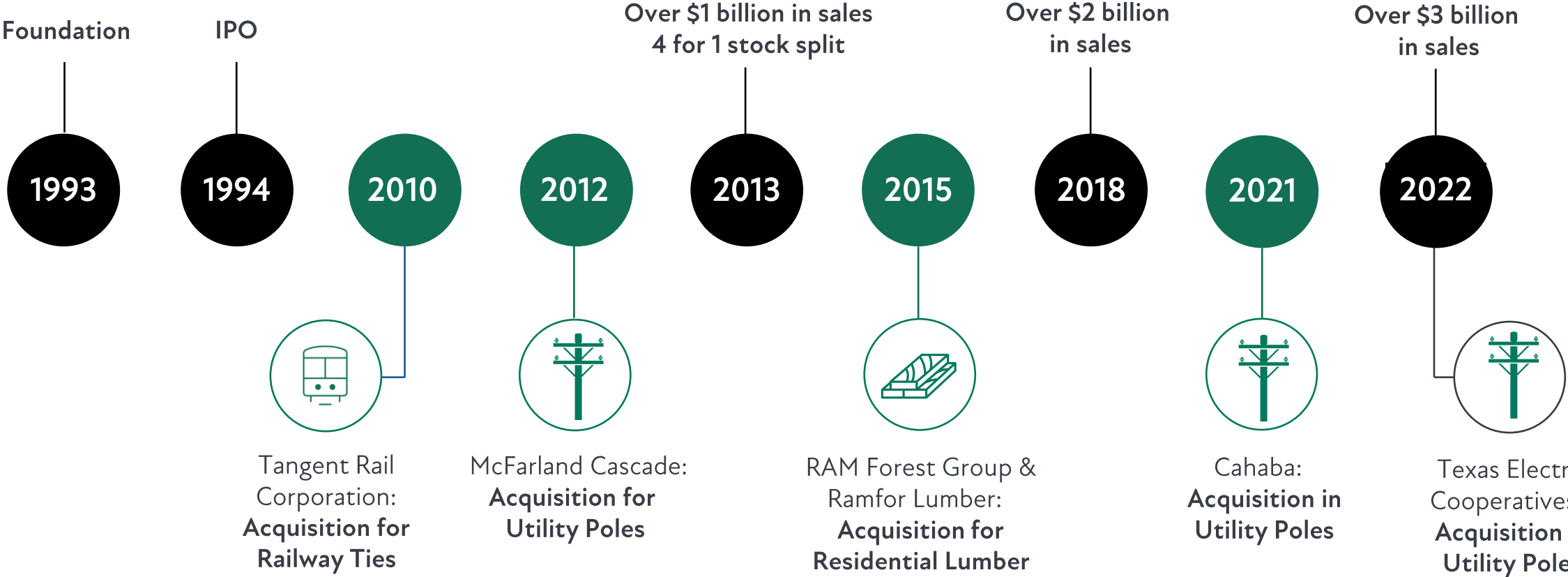
2,615
Employees



All \$ in this presentation are Canadian dollars, CAD
All amounts except Market Cap are as of December 31, 2022
*Market Cap as of May 19, 2023

Historical Milestones

Completed more than 20 acquisitions in the past 20 years

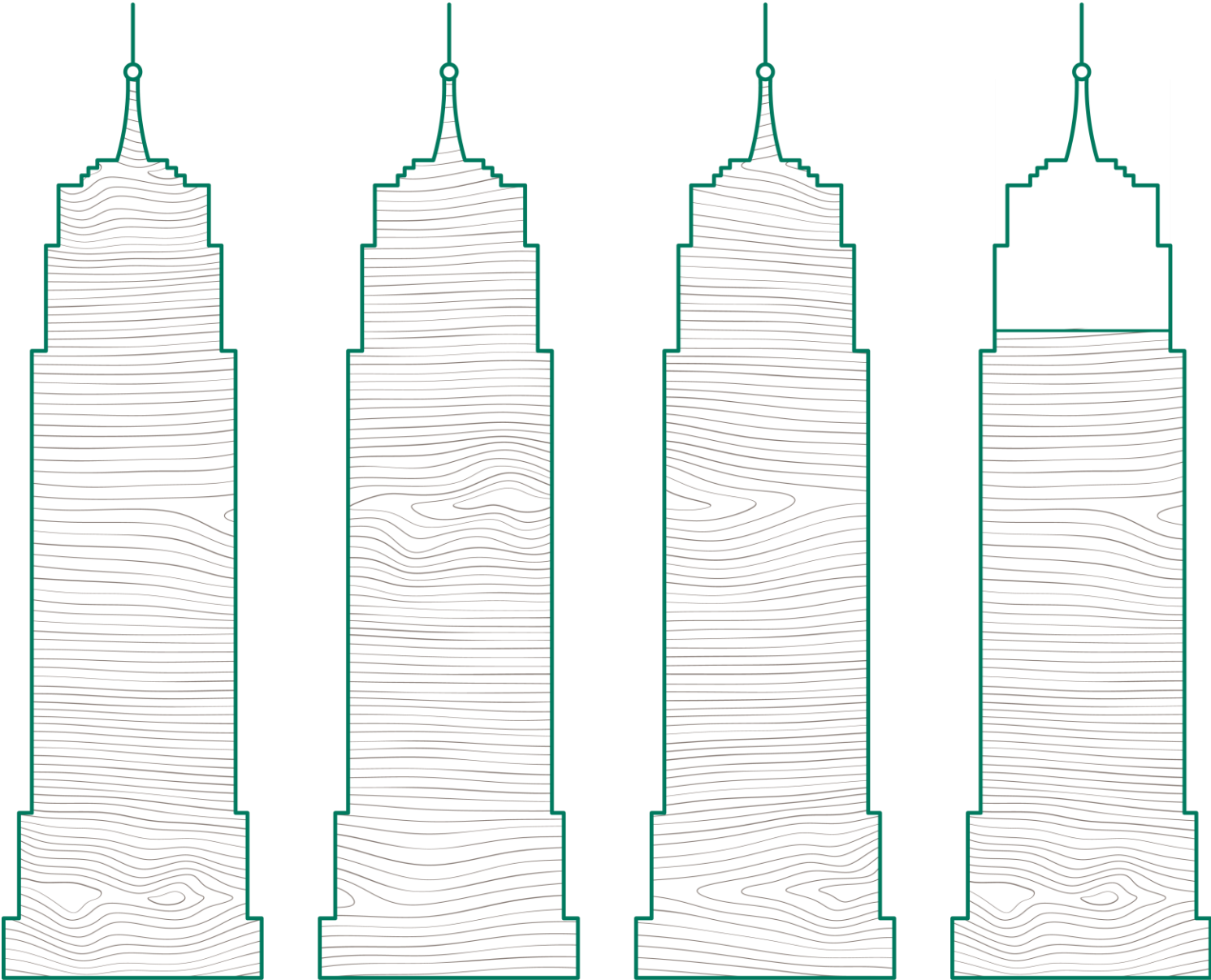


Our Mission

To be the performance leader in the industries in which we operate, and a model corporate citizen, exercising environmental responsibility and integrity.

Building on Cubic Feet

Stella-Jones' treated wood sales for 2022 amounted to roughly **140** million cubes, equivalent to **3.8** times the volume of the Empire State Building



Connecting North America Through Logistics

- **1,000** railway cars leased for transport throughout North America
- **~50** yards operated to procure and distribute products
- **2** proprietary trucking fleets for regular maintenance and emergency response



ESG Considerations



Environmental



Social



Governance



2023-2025 Financial Objectives: Key Highlights



Over \$3.6 billion in Sales by 2025
Achieved 2022-2024 sales target in
year one of previously stated guidance



EBITDA Margin of 16% through 2025
Driven mainly by growth in the utility poles
category

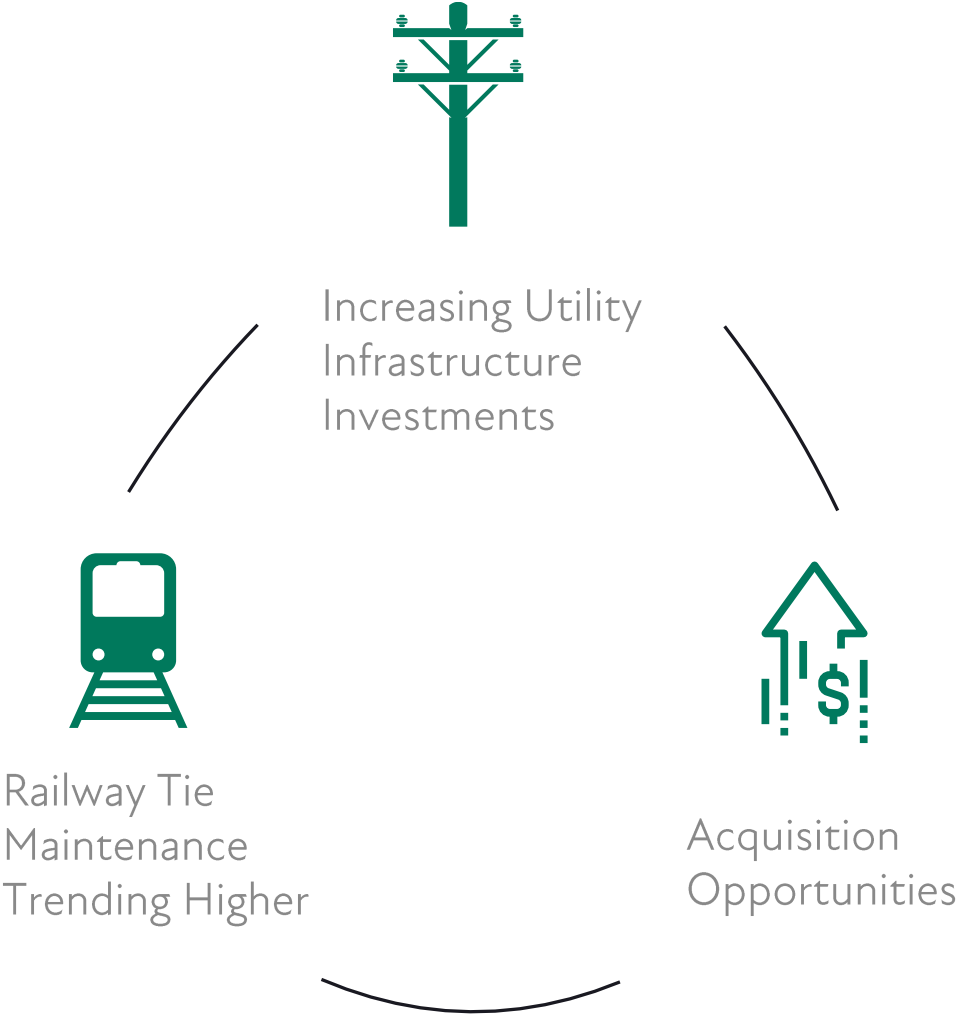


Return over \$500 million to
shareholders, cumulative 2023-2025
Through dividends and share buybacks



Growth Catalysts

- Significant investments by utility companies to ensure infrastructure will support North America’s future needs
- Well positioned to support North American rail infrastructure
- Acquisition opportunities to better serve customers in areas of procurement and logistics



Acquisition Criteria

Acquisition opportunities to better serve railroad and utility customers

- Continued focus on wood treating
- Consideration given to complementary products or materials
- Subject to strict evaluation criteria
 - Accretive to margins and returns
 - Steady revenues and free cash flow
 - Seasoned management team



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2023 Investor Day

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Eric Vachon,
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May 25, 2023

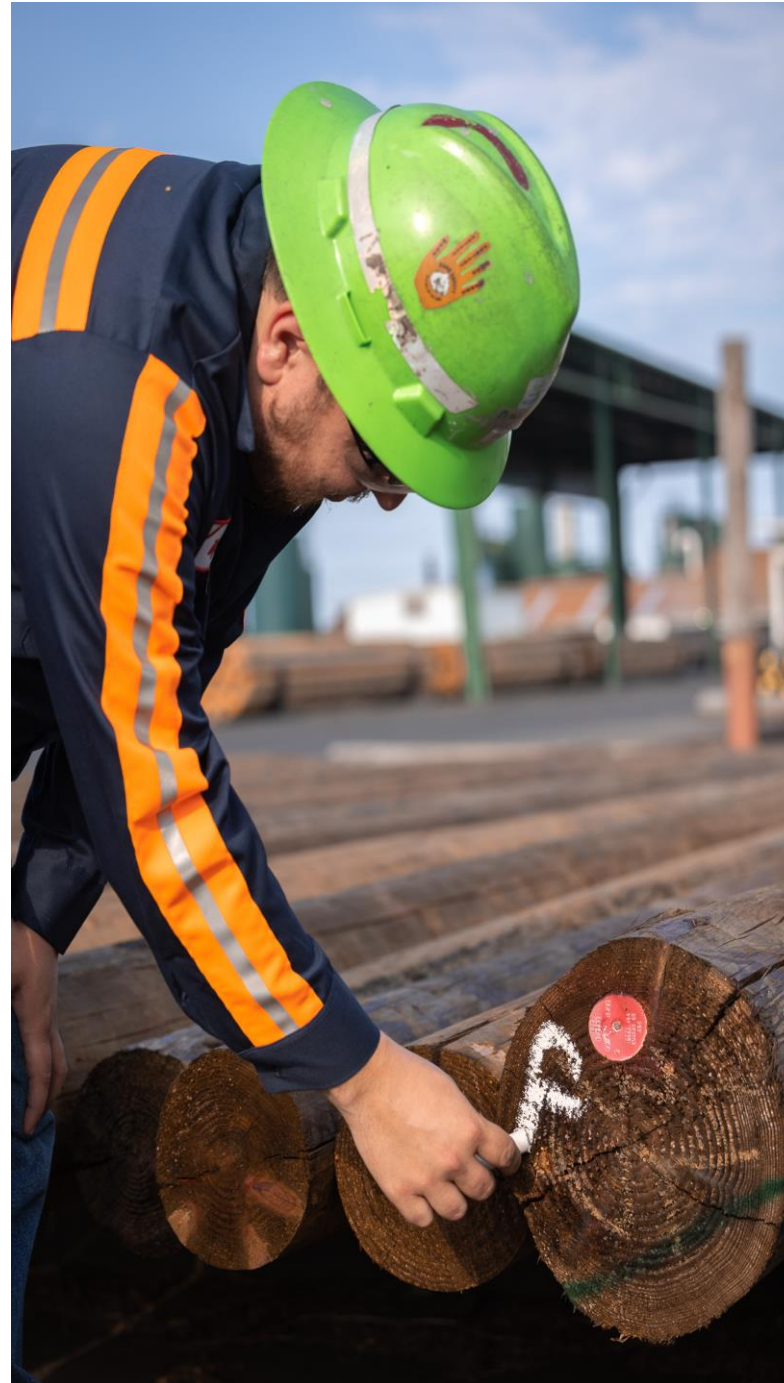


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Utility Poles

PRESENTED BY

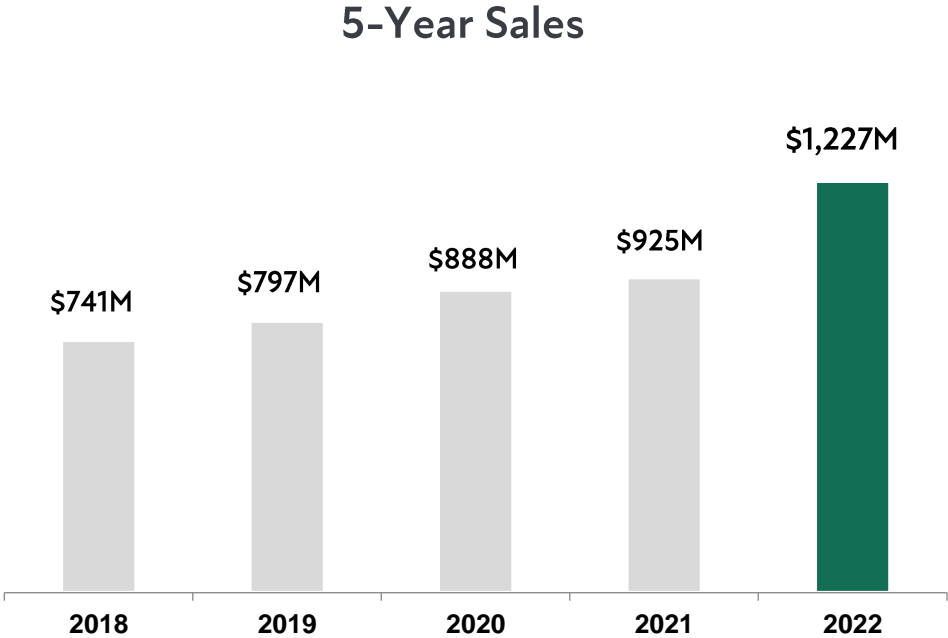
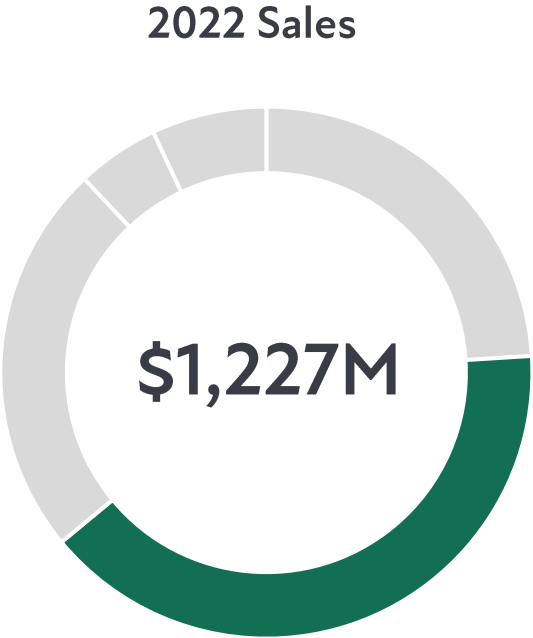
Ian Jones, Senior Vice-President,
Utility Poles and U.S. Residential Lumber



Utility Poles: Overview

- Stella-Jones is the leading manufacturer of pressure-treated wood products supplying major electrical utilities and telecommunication companies with wood utility poles across North America
- Customer base typically prefers treated wood poles because of their durability, cost effectiveness and safety

40%
of Total Sales



Large & Diversified North American Presence

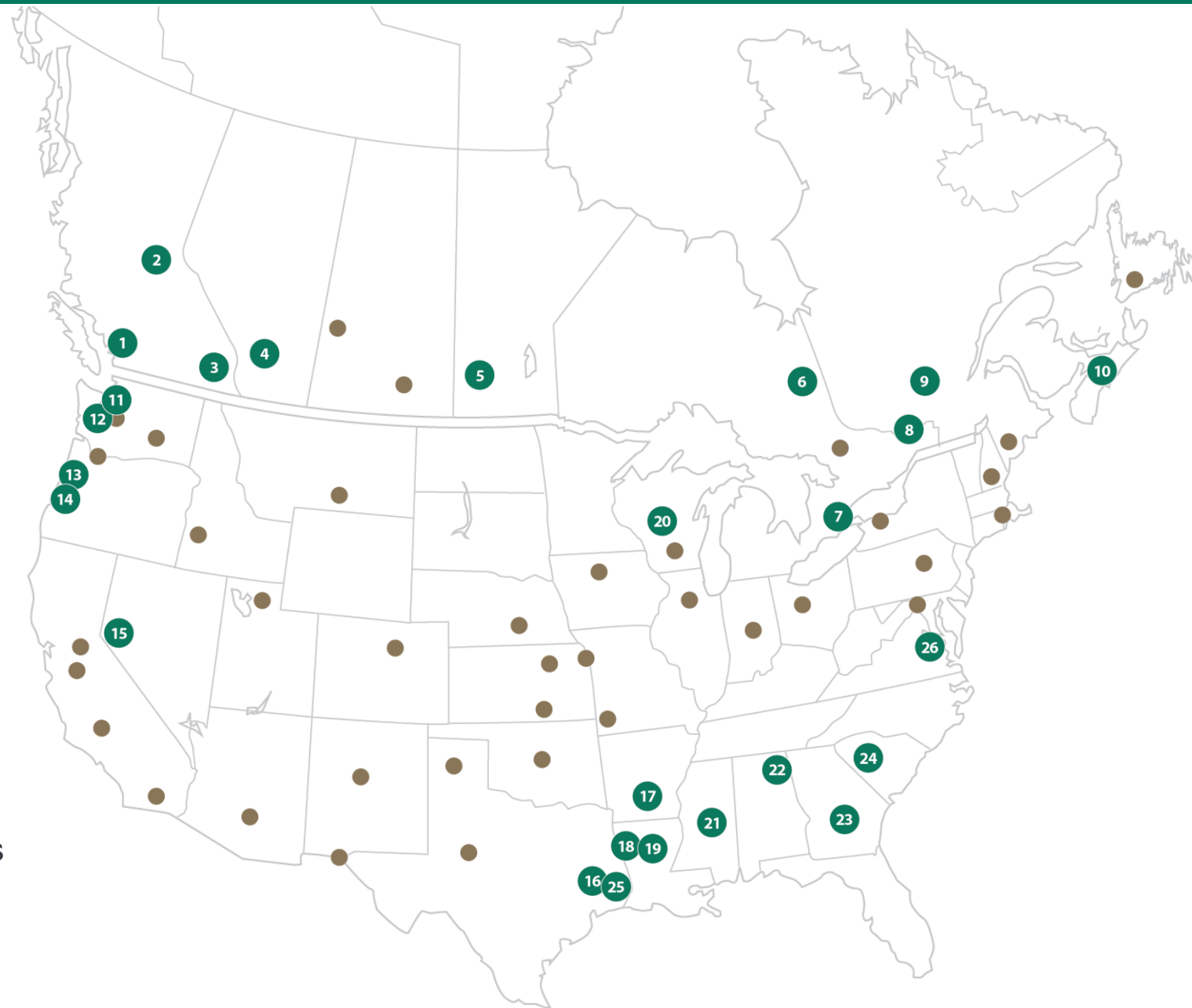
- | | |
|------------------------|------------------------|
| 1. New Westminster, BC | 14. Eugene, OR |
| 2. Prince George, BC | 15. Silver Springs, NV |
| 3. Galloway, BC | 16. Lufkin, TX |
| 4. Carseland, AB | 17. Rison, AR |
| 5. Neepawa, MB | 18. Converse, LA |
| 6. Kirkland Lake, ON | 19. Pineville, LA |
| 7. Guelph, ON | 20. Cameron, WI |
| 8. Gatineau, QC | 21. Scooba, MS |
| 9. Rivière-Rouge, QC | 22. Brierfield, AL |
| 10. Truro, NS | 23. Cordele, GA |
| 11. Arlington, WA | 24. Whitmire, SC |
| 12. Tacoma, WA | 25. Jasper, TX |
| 13. Sheridan, OR | 26. Warsaw, VA |

Product Category

- Pole Treating Facilities
- Finished Goods Yards

26 Treating Facilities

10 in Canada
16 in U.S.



Broad Array of Fibre Options

Western Red Cedar

- Grown in the Pacific Northwest
- Popular for its natural resistance to decay and insecticidal properties

Douglas fir

- Grown in Coastal Pacific region
- Considered one of the best softwood species

Red Pine

- Native to Eastern Canada and the Northeastern United States
- Lightweight, straight and evenly-grained with moderate decay resistance

Southern Yellow Pine

- Grown in Southeastern United States
- Largest wood pole resource in Stella-Jones footprint



Industry Trends

- Wood utility poles preferred due to:
 - Durability
 - Flexibility
 - Low cost
 - Safety
- Large percentage of poles are approaching end of useful life
- Growth of 5G networks, “fibre-to-home” and other broadband network investment
- Newer and stronger lines to support heavier loads
- Hardening network to withstand weather events



Competitive Strengths



Robust Procurement Network



Consistent Access to Wood Fibre



Expansive Inventory



Manufacturing Network



Extensive Transportation Network



Broad and Diversified Customer Base



Growth Drivers



Utility Pole
Maintenance



Fire-Resistant
Wrap Utility
Poles



Broadband
Expansion



Renewable
Generation/
Transmission
Wheeling



Electric Vehicle
Expansion

Growth Driver – Utility Pole Maintenance

- Utilities have not undergone significant capital investments for approximately 70 years
- Investments in utilities include:
 - New large generation to meet growing demand for electricity
 - Clean Air mandates
 - New generation with a focus on renewable energy
 - New transmission grid to add capacity
 - Shift focus back to the distribution centers



Growth Driver – Fire-Resistant Wrap Utility Poles

- Roll-out of utility poles with intumescent fire-resistant wrap in 2019
- Started in California due to devastating fires specific to that region
- Fire mesh fabric improves fire resistance, protects infrastructure
- Anticipated adoption in U.S. and Canada



Growth Driver – Broadband Expansion

- Accelerated need for broadband access and expansion in rural locations:
 - More people shifting to a hybrid working environment
 - Use of government subsidies to augment investments in delivering high speed internet



Growth Driver – Renewable Generation

- New power generation sources are necessary as alternatives to traditional fossil fuels
- New facilities tend to be further away from existing transmission lines, requiring longer hook-ups
- Many studies indicate demand remaining robust for another 10-20 years



Growth Driver – Electric Vehicle (EV) Expansion

- Federal and local governments in the U.S. and Canada will continue to institute EV mandates
- Existing distribution system is not adequate to handle the volume of electricity required for EVs
- Larger transformers will be required at the residential level to facilitate demand



Preservative Landscape Overview

Stella-Jones uses an array of wood preservative systems that support diverse climatic conditions and decay hazards:

Preservative	Used For
Chromated Copper Arsenate	<ul style="list-style-type: none"> ■ Western Red Cedar ■ Red Pine ■ Southern Yellow Pine
Creosote	<ul style="list-style-type: none"> ■ Western Red Cedar ■ Douglas fir ■ Red Pine ■ Southern Yellow Pine
Copper Naphthenate	<ul style="list-style-type: none"> ■ Western Red Cedar ■ Douglas fir ■ Southern Yellow Pine
DCOI & Pentachlorophenol (Penta)	<ul style="list-style-type: none"> ■ Western Red Cedar ■ Douglas fir ■ Red Pine ■ Southern Yellow Pine

Penta Transition Update

- Penta being phased out across North America
 - USA
 - To be completed by 2027
 - Majority of customers have transitioned to DCOI
 - Canada
 - To be completed by October 2023
 - No substitute preservative has been named
- On track to make all required capital investments necessary to alternative preservatives



Innovation and Capital Investments



Robotic framing line,
Eugene, Oregon



Additional kilns implemented
to increase drying capacity

Utility Poles – Key Takeaways

- Industry-leading position in steady maintenance-driven market
- Accelerated demand to remain strong in the near term
- Customers seeking long-term agreements to secure supply
- Proactive investments to respond to significant demand growth

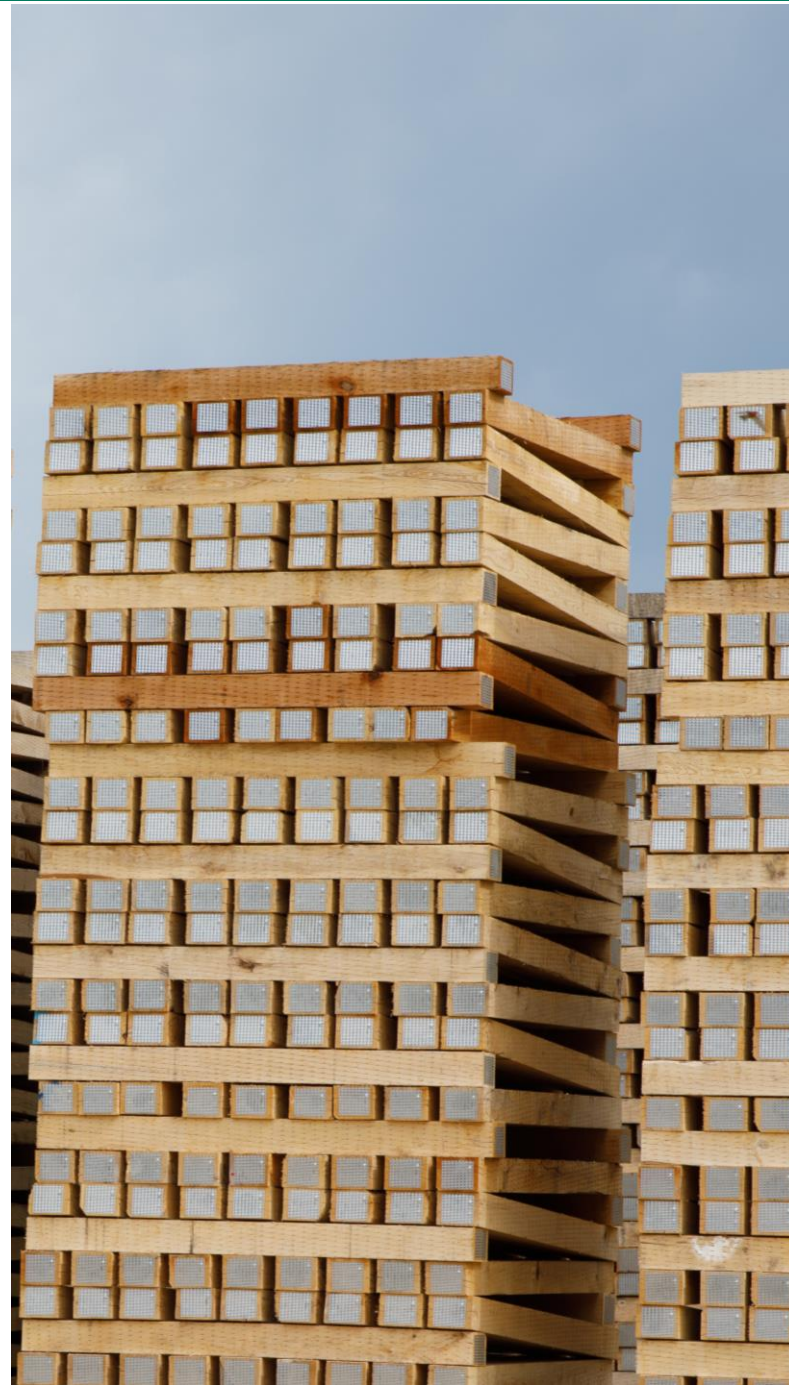


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Railway Ties

PRESENTED BY

Patrick Kirkham, Senior Vice-President,
Railway Ties

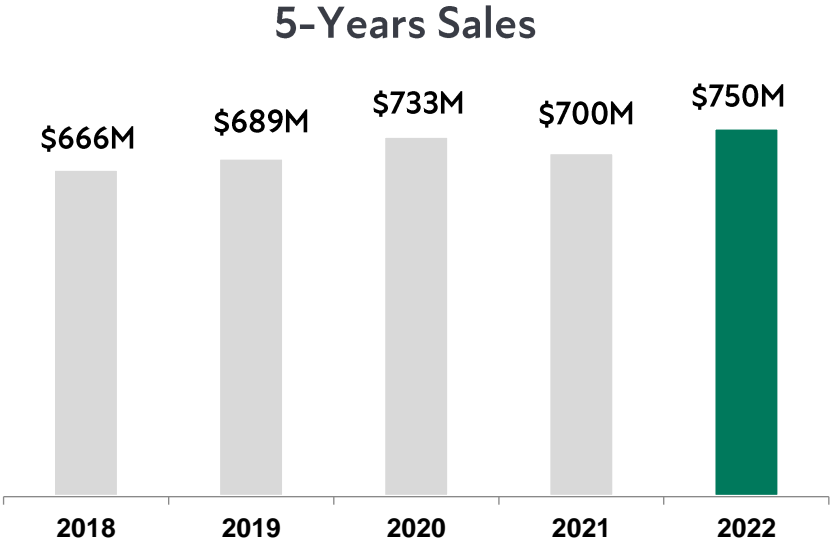
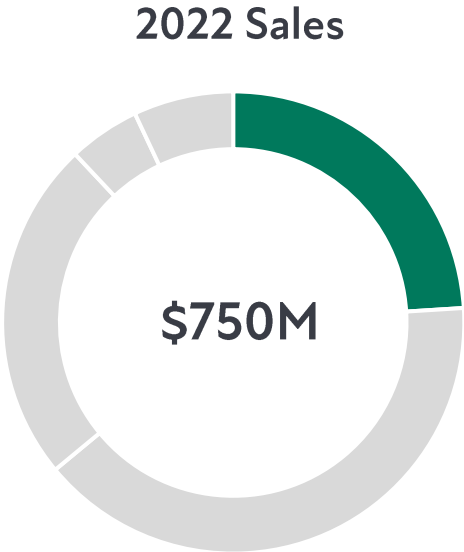


Railway Ties: Overview

Stella-Jones has the treating capacity, sources of supply and purchasing power to meet the needs of Class 1, Short Line railroads and commercial operators from coast to coast

Our extensive supplier network of over 850 hardwood sawmills allows us to offer crossties and switch ties in a variety of sizes. Multiple value-added options are also available to meet our customers needs, including bridge fabrication and pre-plating

24%
of Total Sales



Large & Diversified North American Presence

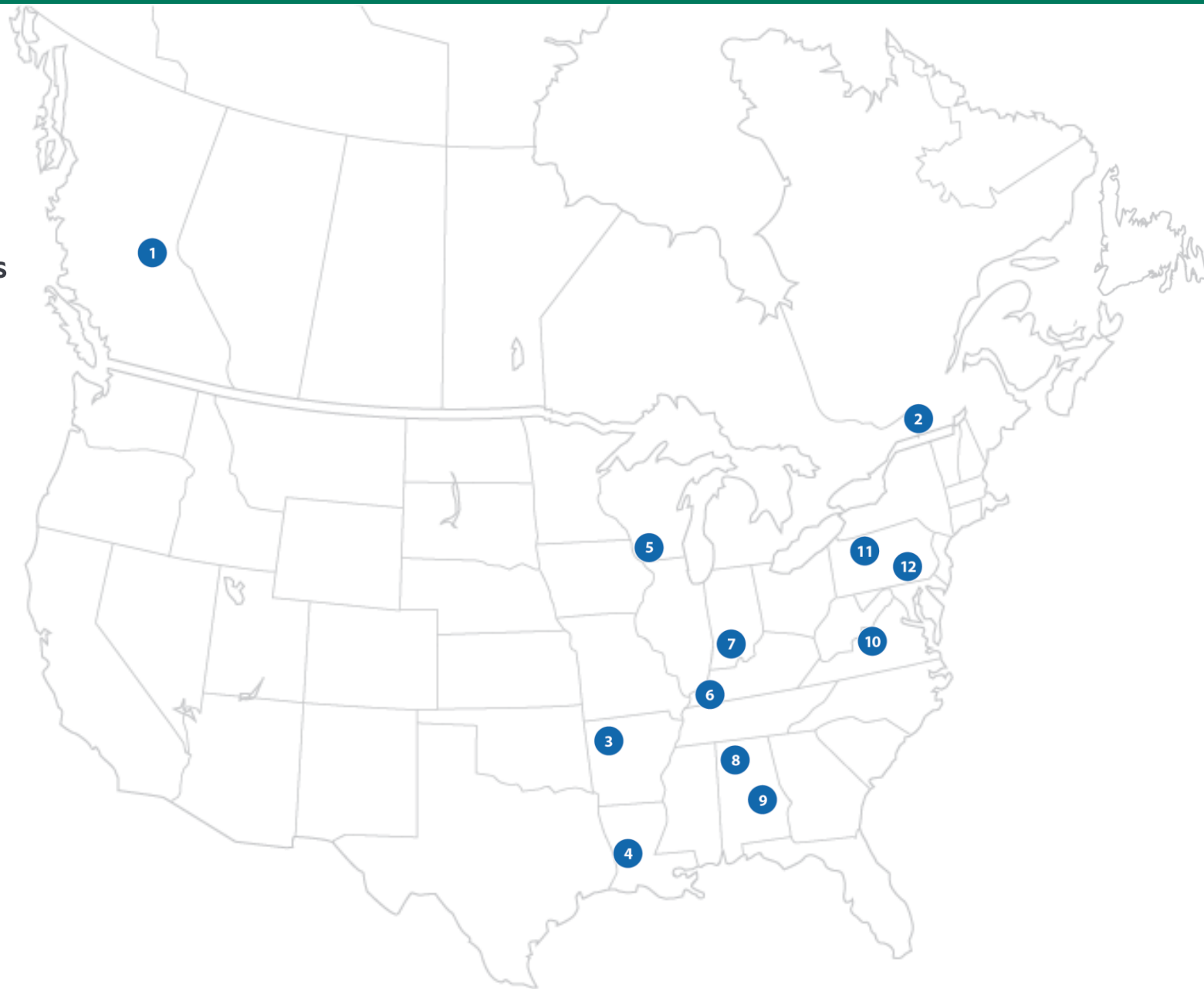
1. Prince George, BC
2. Delson, QC
3. Russellville, AR
4. Alexandria, LA
5. Bangor, WI
6. Fulton, KY
7. Winslow, IN
8. Montevallo, AL
9. Clanton, AL
10. Goshen, VA
11. Dubois, PA
12. McAlisterville, PA

12 Treating Facilities

2 in Canada
10 in U.S.

~850 Suppliers

Hardwood
sawmills



Product Category

- Railway Ties

Broad Array of Products

Crosstie

- Primary product used to support and maintain rail gauge

Switch Tie

- Longer than crosstie and used where tracks split

Bridge Timbers

- Individual timber fabricated for unique location install

Fabricated Bridges

- Full bridge decks manufactured to customer specification

Crossing Panels

- Multiple piece panel assembled with dowel pins

Pre-Plated Ties

- Cross, switch, and bridge timbers with rail plate installed



Industry Trends

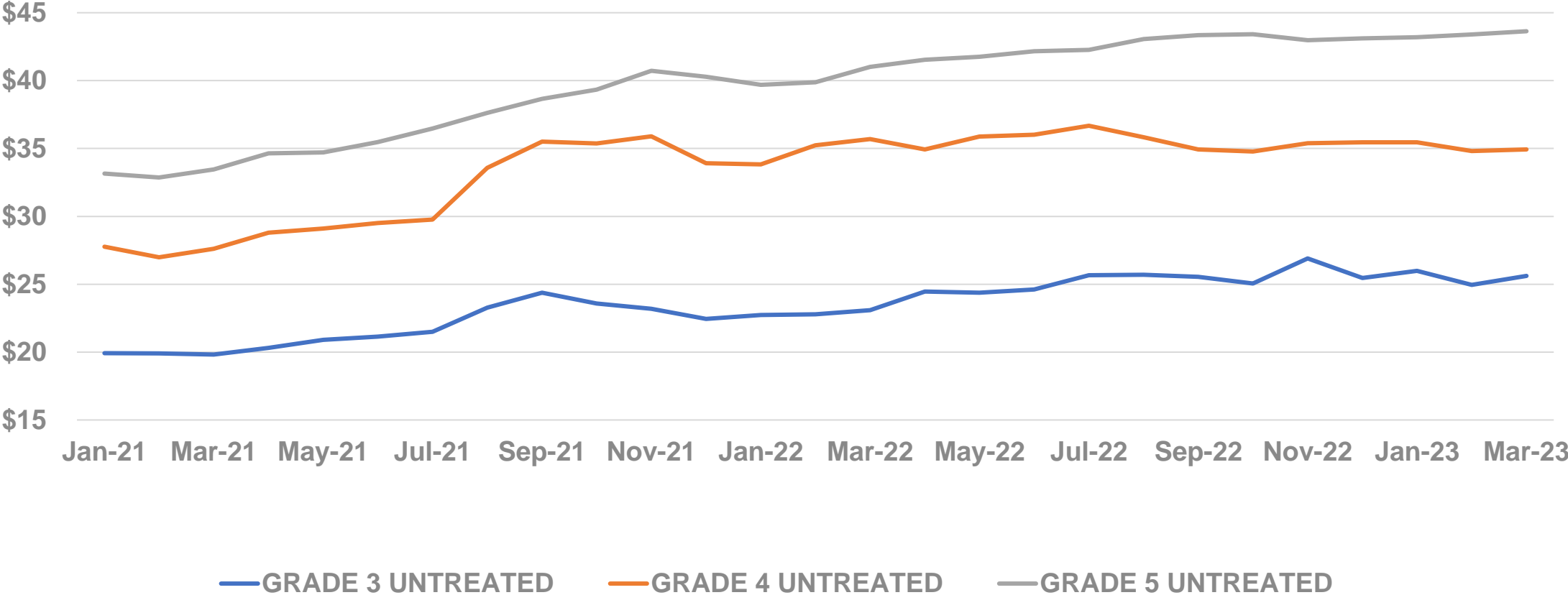
90%

of ties sold in North America are for maintenance and over 90% are wood

-
- Ongoing maintenance required to meet rail industry needs
 - Increased US infrastructure spending
 - Higher fibre costs due to alternate end uses
 - Increased creosote pricing levels



Untreated Tie Pricing – 25% Increase Over Last 2 Years

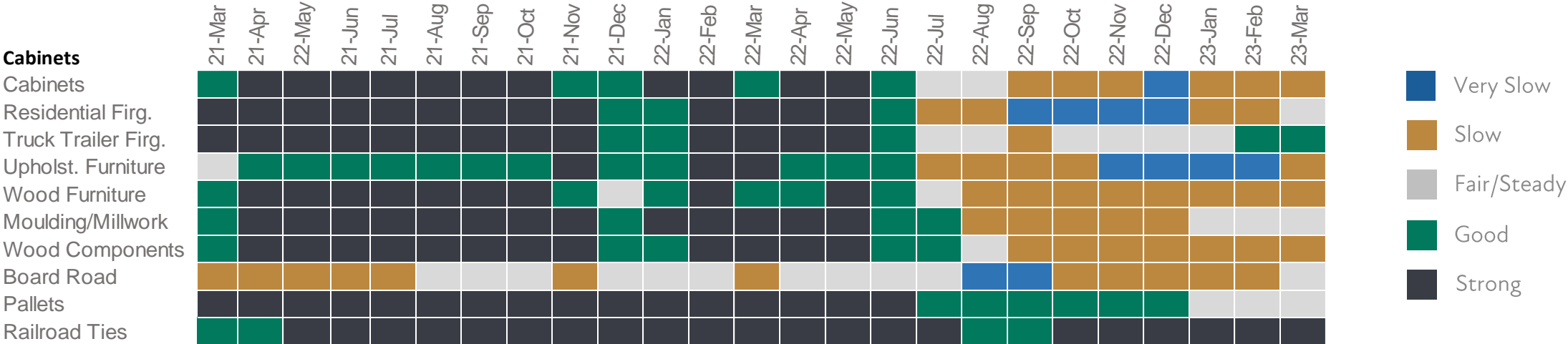


Hardwood Market Report Demand Index



Railway tie from the heart wood

Grade lumber from the sap wood



Untreated Railway Tie Inventory



Raw Material Prices

- **Untreated tie pricing:**
~25% increase in last two years
- **Creosote pricing:**
~25% increase in last year



Competitive Strengths



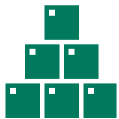
Established Customer Relationships



Extensive Manufacturing, Distribution & Procurement Networks



Differentiated Product Offering



Robust Inventory Levels



Established Customer Relationships

~65%

Class 1 railroad customers

- Secured long-term contracts with all 6 Class I carriers in North America
- Established strong relationships with Class I customers due to:
 - High-quality products
 - Responsiveness to customer request
 - On-time delivery
- Able to quickly respond to emergency repairs



Extensive Manufacturing, Distribution & Procurement Networks

- Facilities strategically located across North America
- Extensive distribution network offers broad, economical coverage using truck, rail and maritime transport
- 11 of 12 plants on-line with Class I Railroad
- Procurement network provides steady raw material inflow despite market tightness



Differentiated Product Offering & Robust Inventory Levels

- We provide differentiated products:
 - Drill and fill dual-treated bridge ties
 - Automated pre-plate lines
 - Conversion of cylinders from creosote to copper naphthenate
- Robust inventory levels allow Stella-Jones to meet customer demand



Growth Drivers



Increased
Volumes



Favourable
Pricing
Dynamics



Product
Innovation
and Expansion

Growth Driver – Increased Volumes

Benefitting from US Infrastructure Bill

\$102B

in Rail Infrastructure Spending
2022-2026

\$66B

in Advance Appropriations
2022-2026

- Relationships with Class 1 Railroads, Transits in Northeast, and Commercial Markets
- Procurement Network
- Capacity Availability
- Optionality to Expand Operations



More Demand

Growth Driver – Favourable Pricing Dynamics

- Building on strong relationships with Class 1 railways to reflect added raw material costs
- New tools being developed to automate price adjustments
- Opportunity to expand business with commercial customers to drive upside in margins



Growth Driver – Product Innovation and Expansion

- We provide differentiated products
 - Drill and Fill Dual Treated Bridge Tie Process
 - Automated Pre-Plate Lines
 - Dual Treatment Capabilities
 - 4 Bridge and Fabrication Locations
- We are willing and capable of innovating to meet client needs



Capital Projects

- Committed to making investments to optimize tie treating plants:
 - Expand automation and PLC controlled treating plants
 - Additional robotic stackers
 - Cylinder conversion
- Future is focused on efficiency and safety
 - Evaluation of robotic de-stacking
 - Automatic banding stations



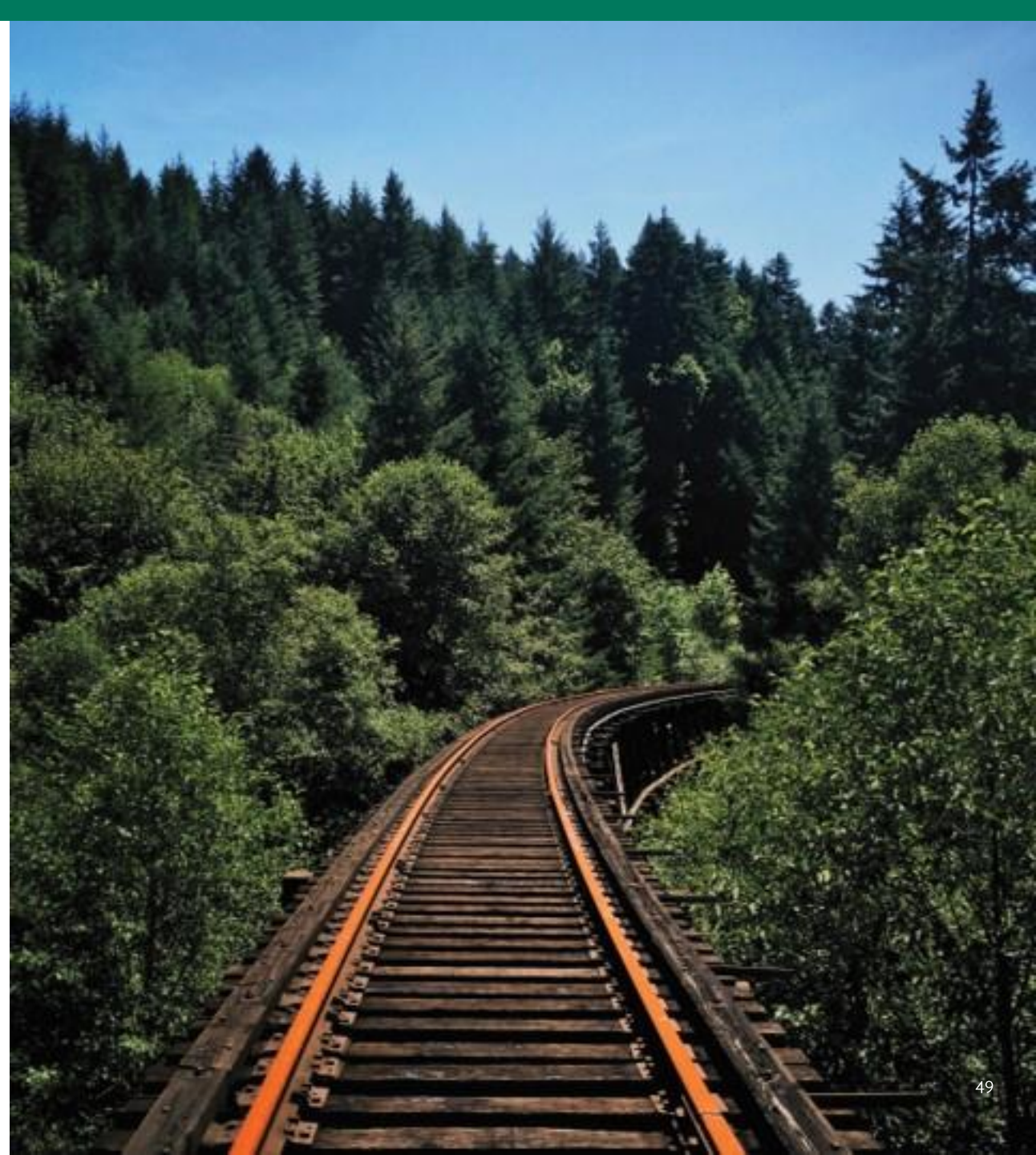
Solar Panel Installation: Clanton, Alabama

- First in the industry
- Collaboration with Alabama Power
- Covers 70% of electricity needs
- Second installation in 2023, more in coming years
- Saves equivalent emissions from the combustion of 92,000 gallons of diesel fuel each year



Railway Ties - Key Takeaways

- 90% of North American rail infrastructure built on wooden cross ties
- Infrastructure Bill in the US expected to drive project requests
- Strong relationships with Class 1 customers
- New product offerings will contribute to long-term growth
- Technological investments will drive efficiency and safety



**PLAN IN
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Residential Lumber

PRESENTED BY

Brian Grant, Vice-President Canadian

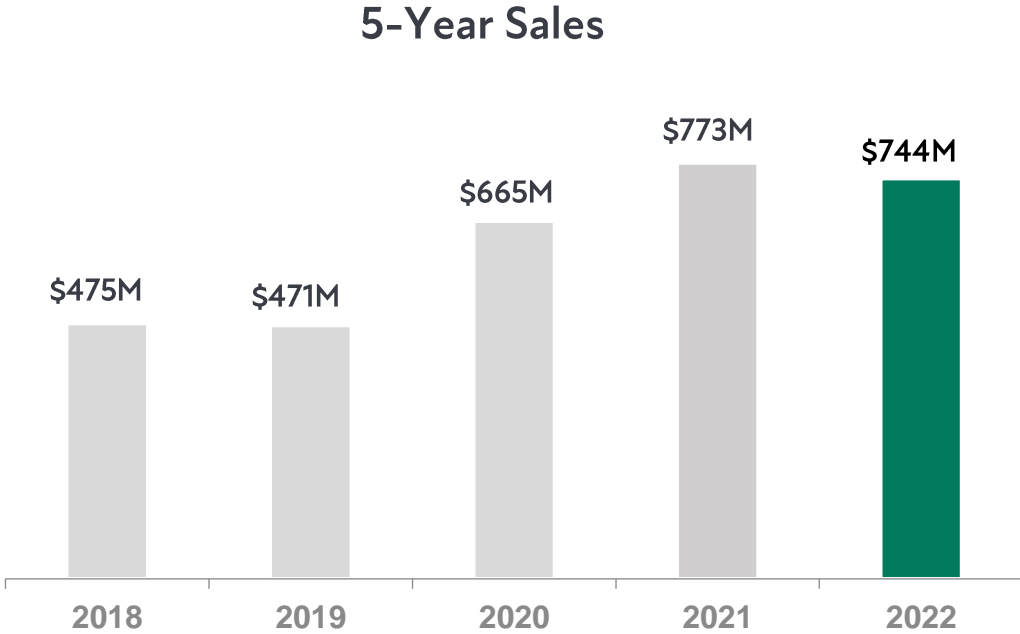
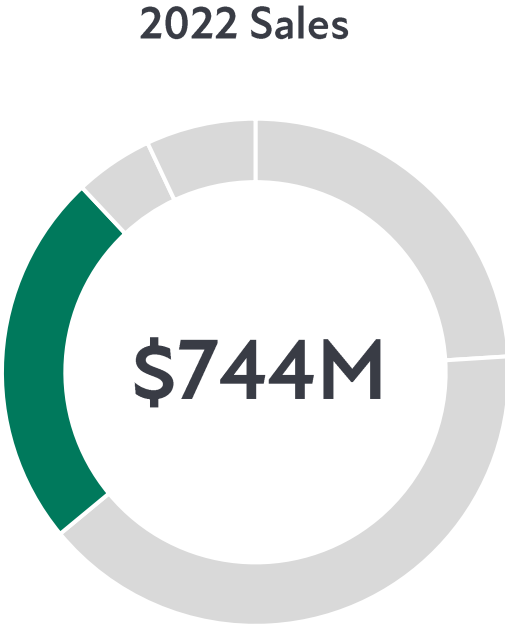
Residential Lumber Sales and Procurement



Residential Lumber: Overview

Stella-Jones manufactures and distributes premium grade residential treated lumber, composite decking products and accessories to Canadian and American retailers

24%
of Total Sales



Product Category Overview



Treated Lumber and Distribution Facilities: 6 in Canada and 2 in US



Products: Treated Lumber and Wood Accessories, Composite Decking and Complementary Attachments



Customers: ~70% Big Box, ~30% Dealer Network



Industry Overview

Positive Industry Fundamentals



Steady growth in the outdoor living experience, fueled by COVID



With 2023 new construction slowing and an increase in home renovation; there is a shift to decking & fencing

Stella-Jones is the largest supplier of pressure-treated lumber in Canada

Competitive Strengths



Premium-Quality Products



Always In-Stock



Speed to Market



Strong Procurement Team



Dedicated Distribution Centres with Exceptional Service and Support

Growth Drivers



Product Expansion
Through Retail Partners



Sourcing and
Procurement Opportunities



Favourable Macro Trends



Growth Driver - Product Expansion through Retail Partners



Best-in-Class Product

- Growth in premium lumber treated program and complementary products
- Elevating treated wood accessories
 - Use of environmentally friendly preservative micronized copper azole

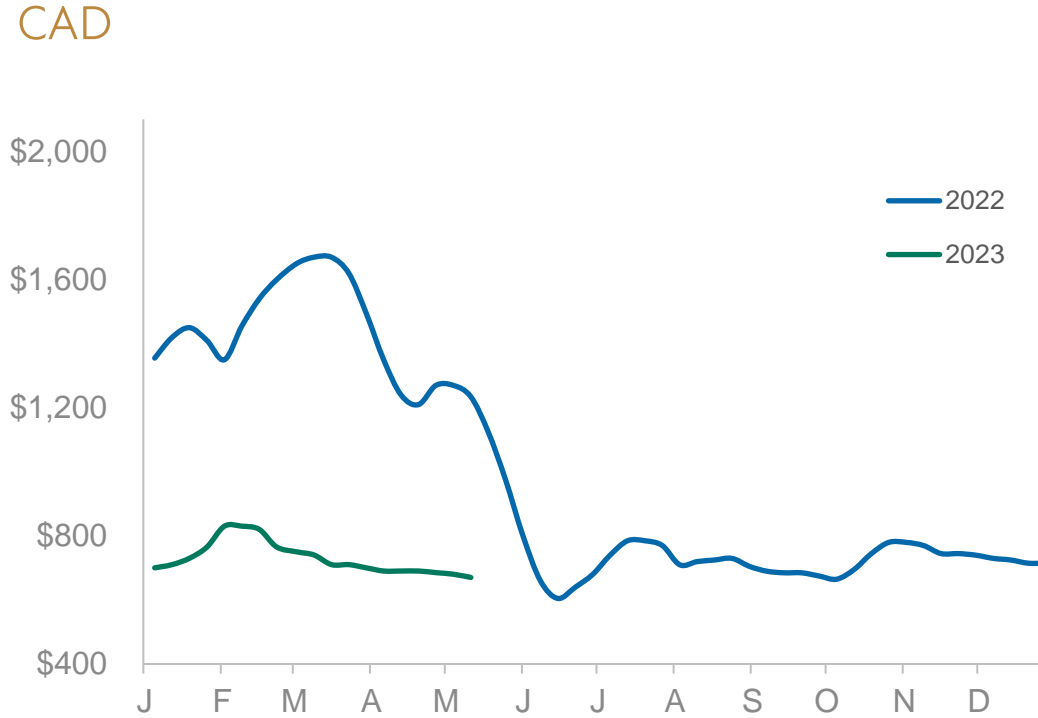
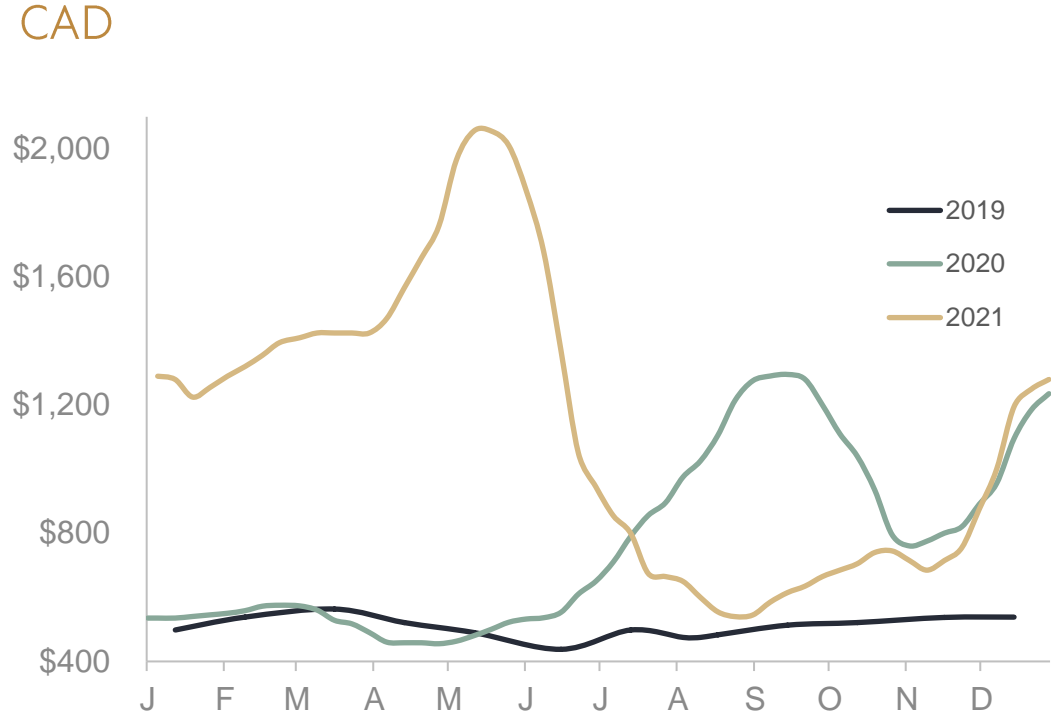


Well-Established Distribution Base

- Growth through strong retail customer partners
 - Lumber department is key driver of store traffic
 - Offer in-store merchandising
 - Always in stock
 - Provide category management and product placement

Random Lengths 2 X 6 Delivered Toronto

50% of Stella Jones' residential lumber products are based on a random length reference price



Growth Driver - Sourcing and Procurement Opportunities

- Strong supplier relationships
- Expanded supply network outside of North America
 - First Canadian company to buy premium grade lumber directly from Europe
- Lumber trading provides market intelligence



Growth Driver – Macro Trends

- Home renovation driving sales, including the addition of outdoor living spaces
- Tailwinds from new home construction over past three years
- Need for repair of aging homes to support demand for lumber



Investments Fueling Efficiencies

Capital Investment Opportunities

- New distribution facility for composite decking/accessory lines
- New automated wrapping machine
- Heating chambers for accelerated wood drying and increased production
- Pressure-treated wood accessories production



New Distribution Centre, Shelburne, Ontario



**Wrapping Machine,
Shelburne, Ontario**



**Stringer Machine,
Gormley, Ontario**

Residential Lumber– Key Takeaways

- Normalized market price of lumber
- Residential Lumber product category expected to grow above pre-pandemic levels
- Dedicated customer base that values premium lumber
- Quality products, seamless supply chain and customer support provide holistic experience
- Proven ability to keep retailers and big box stores in stock
- Best-in-class team ensures continual supply

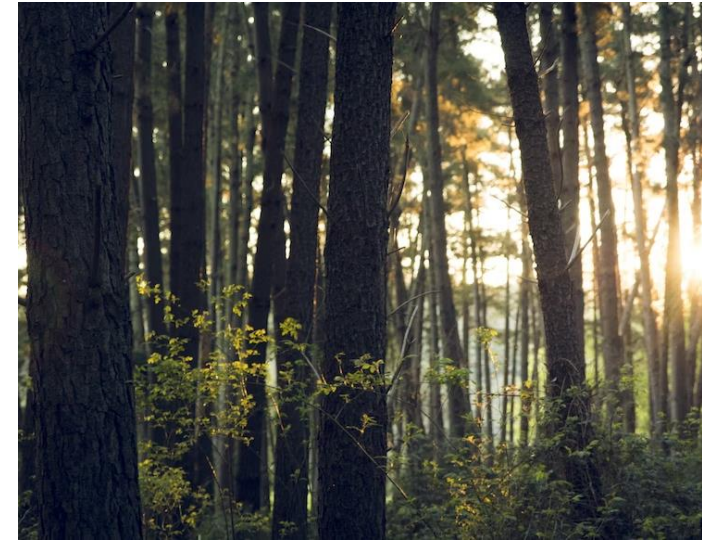


PLAN IN *ACTION*

ESG

PRESENTED BY

Rhiannah Carver, Senior Director of ESG



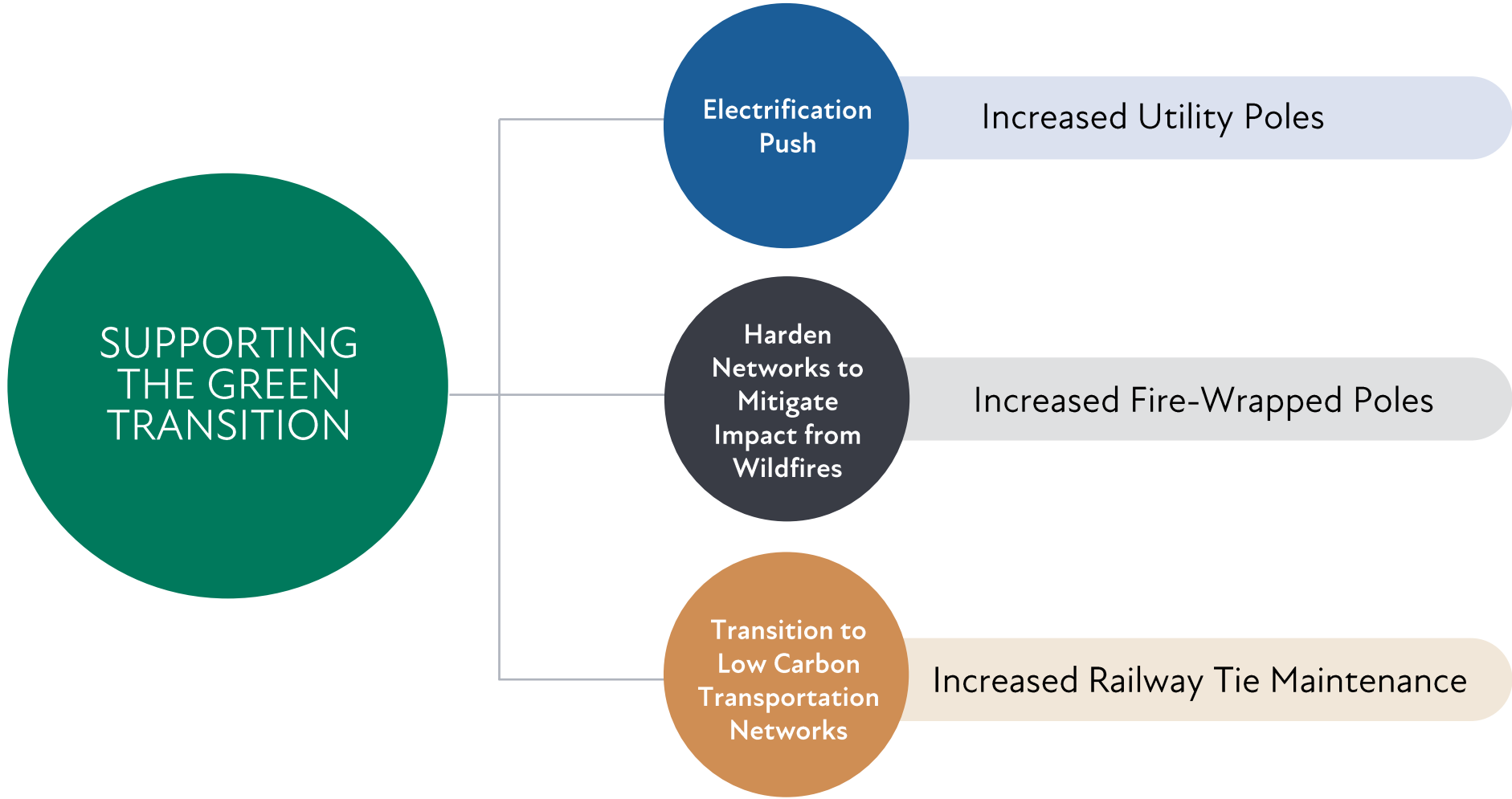
Sustainability at Stella-Jones

Our products store
significantly more carbon

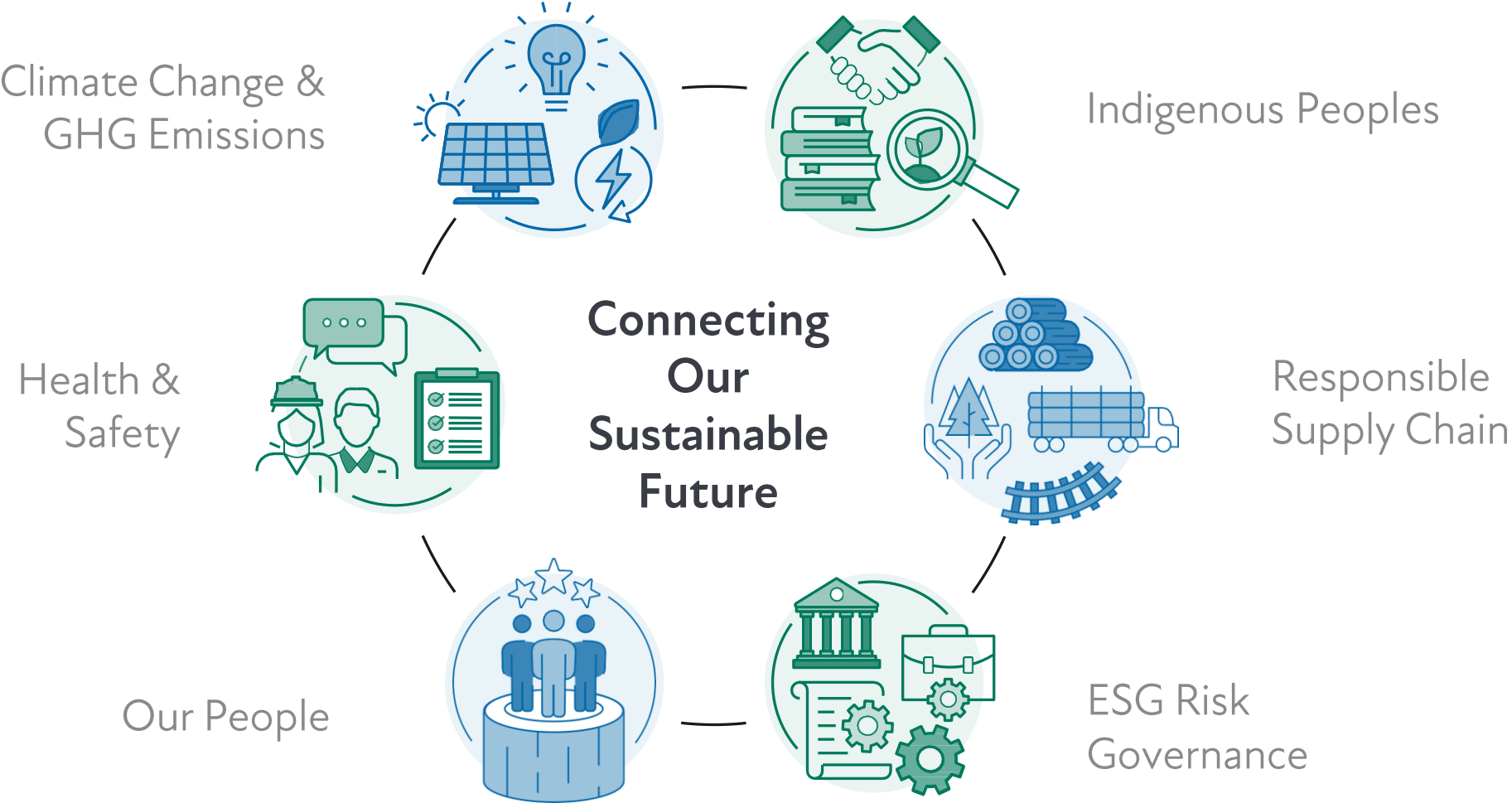
than emitted over their life-time and
can be an effective solution to mitigate
climate change.

Sustainability at Stella-Jones

How Stella-Jones is positioned to support the low carbon economy of tomorrow



Our ESG Strategy



Environment

Climate Change & Greenhouse Gas (GHG) Targets



32%

reduction in Scope 1 & 2 GHG emissions by 2030 from a 2022 base year



Measure our


Scope 3


emissions and assess a Science-Based Target by 2025



Environment


Targets Focused on Three Key Areas






ENERGY EFFICIENCY

Real-time energy monitoring and efficiency audits across the network





RENEWABLE ENERGY

On-site solar and biomass energy generation





INNOVATION

End-of-life options for customers to help achieve joint climate goals.

Social

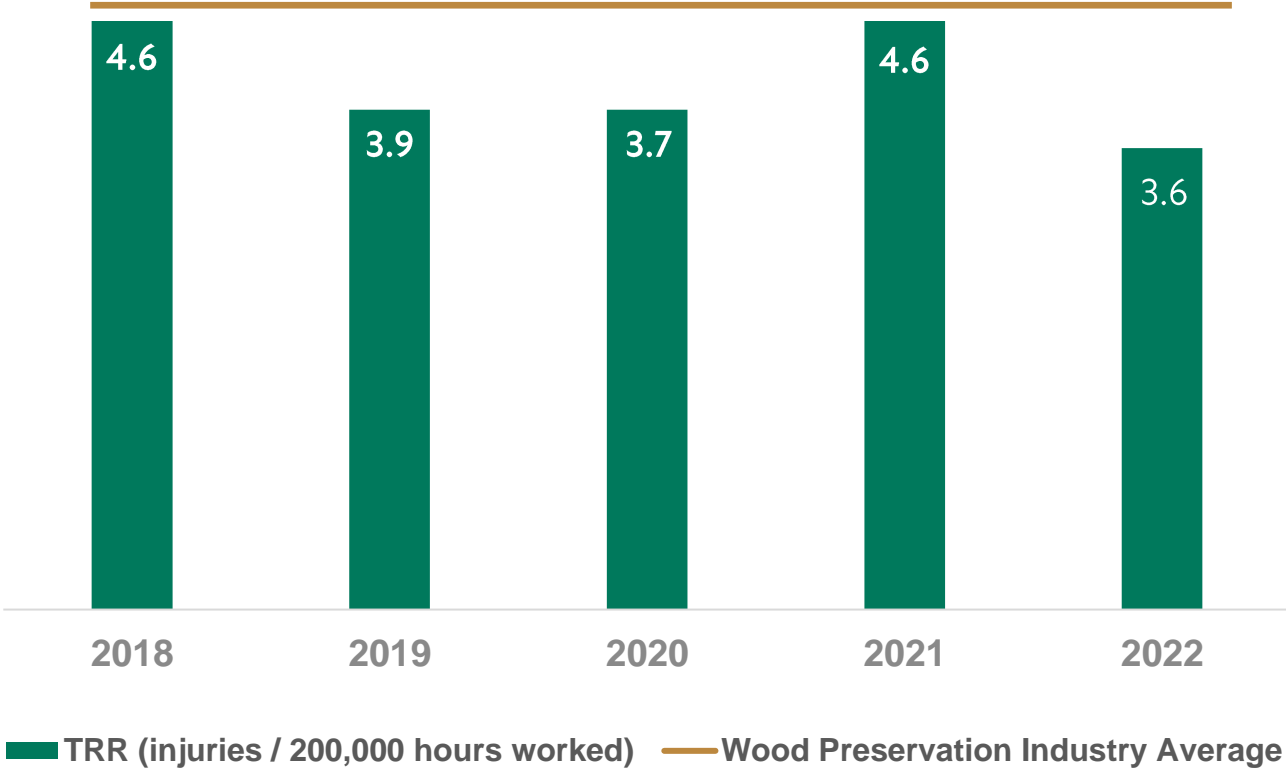
Health & Safety Target

- On our journey to **Zero Injuries**, achieve an annual recordable safety incident rate below the industry average



Total Recordable Injury Rates

Industry Average: 4.7



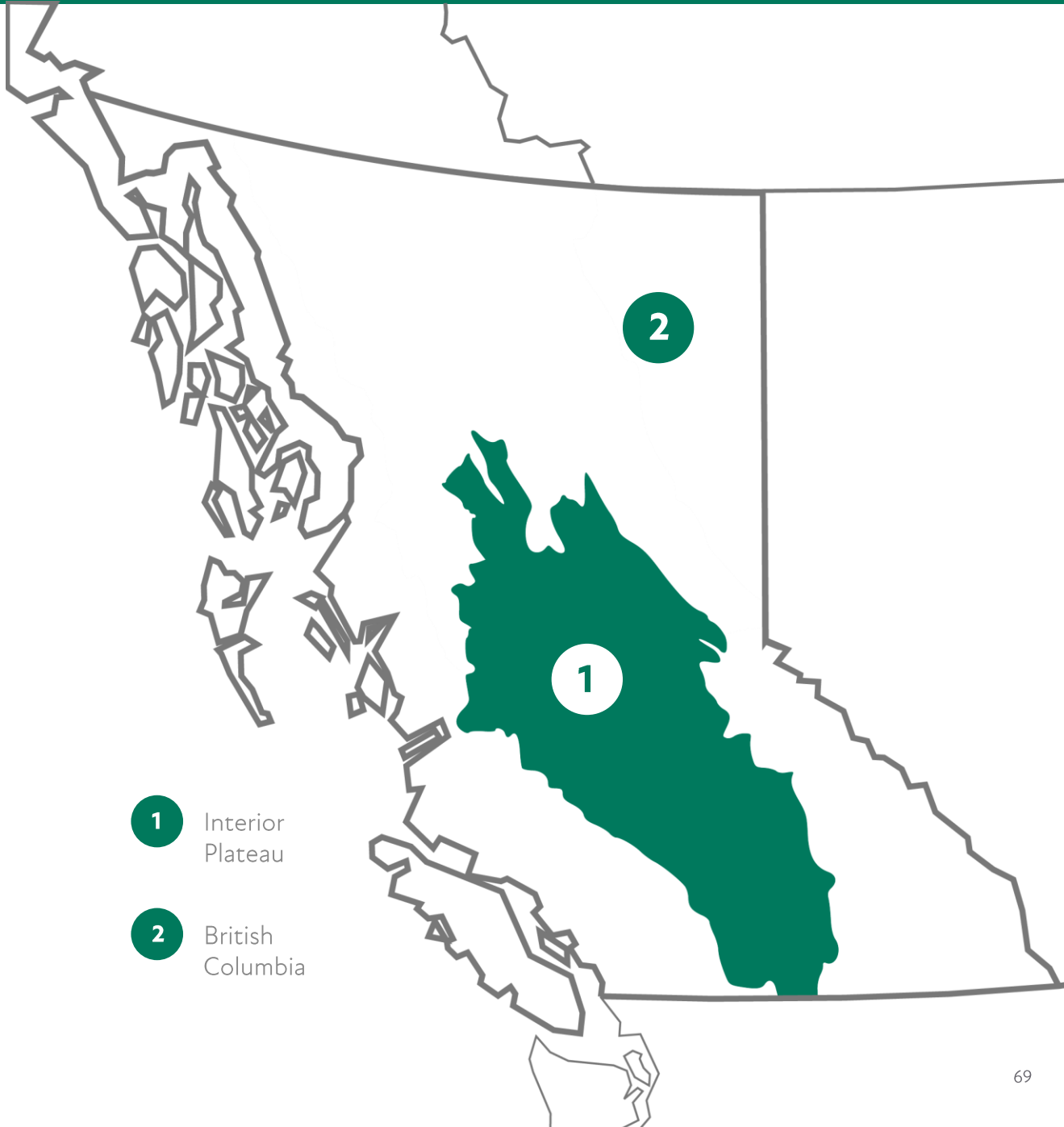
Social

Indigenous Peoples Target

2030

100%

of Canadian areas with forest management obligations covered by relationship agreements with willing Nations by 2030



Governance

Responsible Supply Chain Target

- Complete an ESG due diligence assessment for

25%

of Tier 1 suppliers by 2027



ESG Ratings



27.2 Medium Risk

REFINITIV

B-

MSCI
ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA
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Score 2022

22

ISS RATING

**PLAN IN
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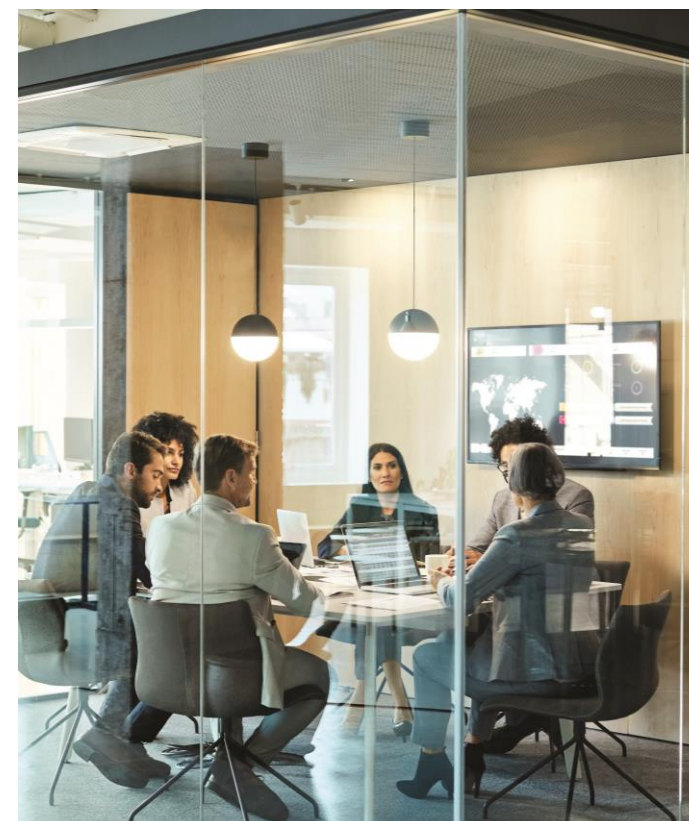
Financial Outlook

PRESENTED BY

Silvana Travaglini,

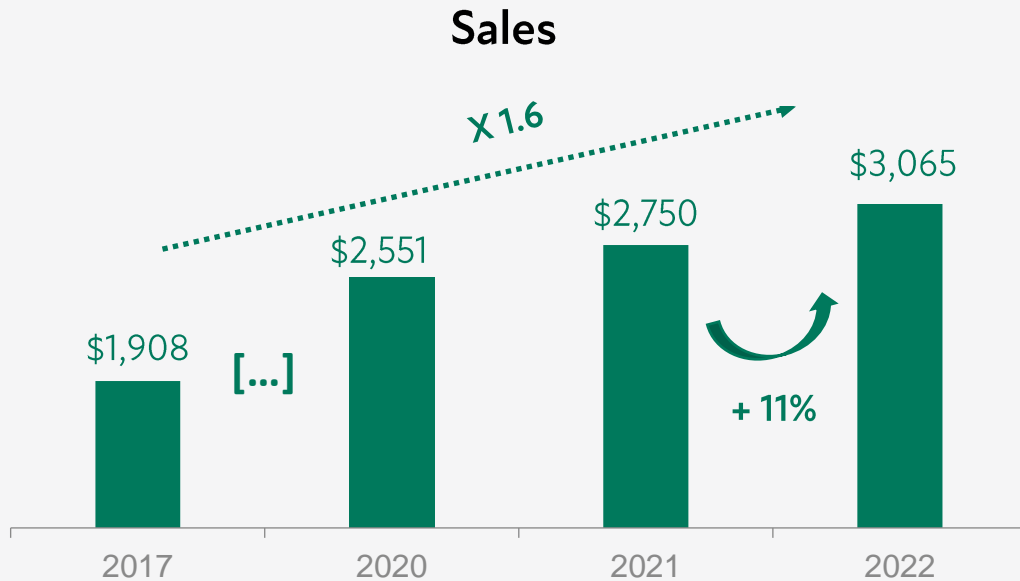
Senior Vice-President & Chief Financial

Officer

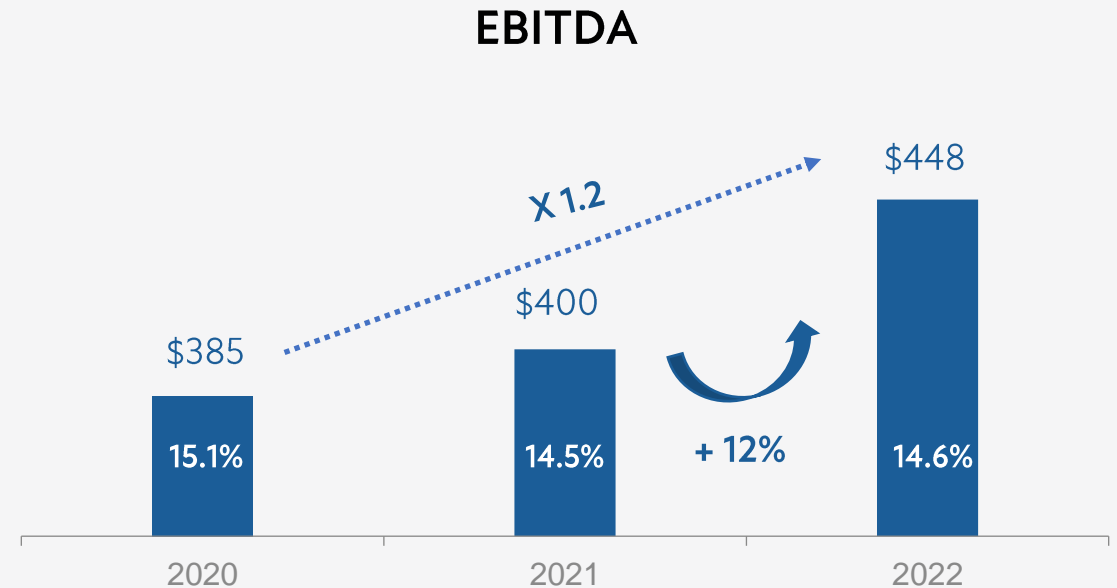


Track Record of Sustainable and Profitable Growth

(in millions of dollars)



- Strong and steady maintenance-driven demand



- EBITDA margin remained stable despite challenging macro-economic environment

Strong Cash Flow Generation

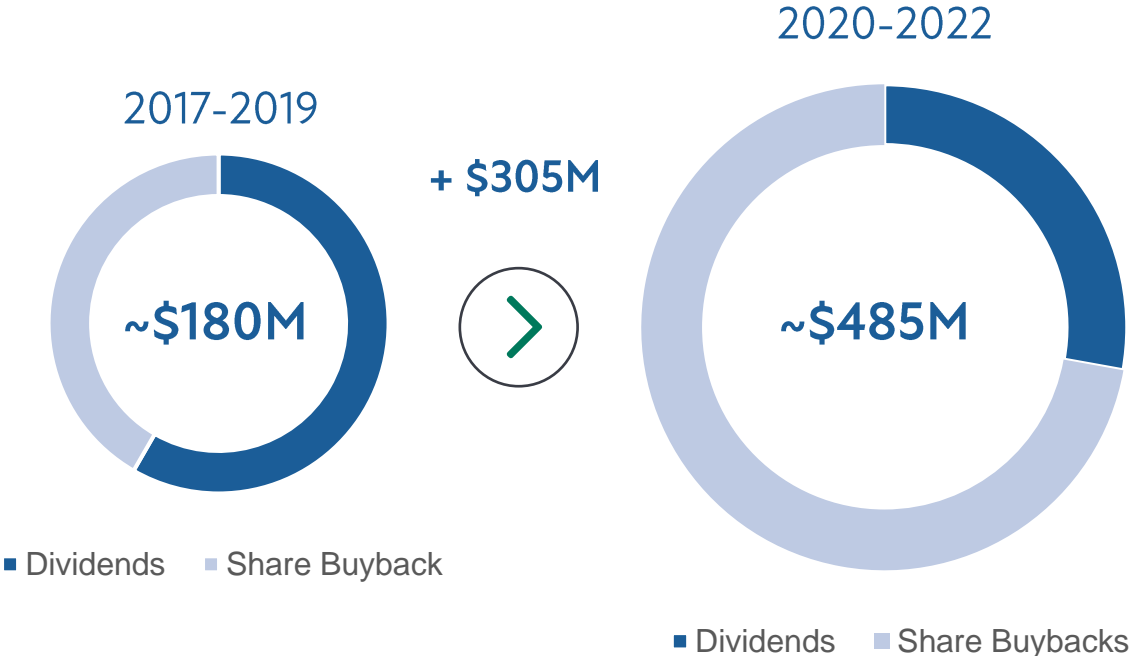
(in millions of dollars)

Cash Flow From Operating Activities



- Invest in our business and inventory position
- Expand pole production capacity
- Seize new growth opportunities

Committed to Returning Capital to Shareholders



Updated Financial Objectives: 2023 - 2025

Industry leading infrastructure-related businesses expected to account for **75%-80%** of sales

>\$3.6B	Organic Sales
16%	EBITDA Margin
>\$500M	Return to Shareholders
2.0x-2.5x	Net Debt-to-EBITDA ratio

Assumes Canadian dollar will trade, on average, at approximately C\$1.30 per U.S. dollar, with approximately 70% of total sales generated in the U.S.

Sales Growth Forecast

Utility Poles

Projected CAGR from 2022-2025
15%

Railway Ties

Annual organic sales growth
Low single digit range

Residential Lumber

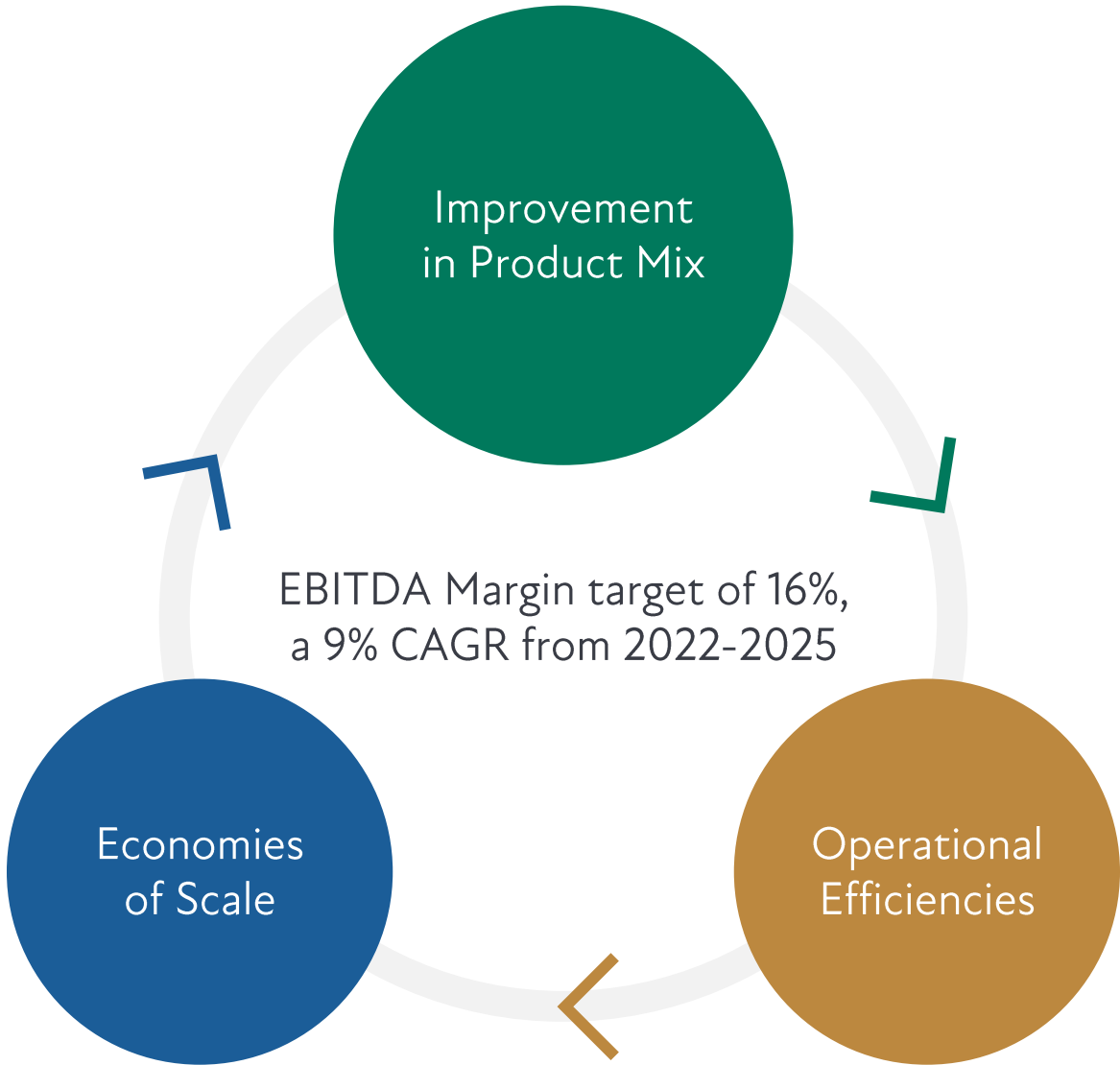
Expected annual sales given industry-leading status
\$600-\$650M

Total sales:

- >\$3.6B organic sales by 2025
- Projected CAGR of 6% from 2022-2025

EBITDA Growth Drivers

- ✓ Strong Demand in Utility Poles
Higher pricing and higher volumes
- ✓ Growth in Railway Ties
Stable source of revenue
- ✓ Strong Partnerships in Residential Lumber
Levels to stabilize



Disciplined Capital Allocation

Net Leverage Target: 2.0x-2.5x



Maintaining a Solid Financial Position

- Strong balance sheet enables investment and maintenance of inventory
 - Low inventory turnover given timeframe required for air-drying
- Inventory is Stella-Jones' largest asset
 - Represented \$1.2 billion as at December 31, 2022
- Targeting Net Debt-to-EBITDA ratio of 2.0x – 2.5x
 - Low leverage ratio provides flexibility for strategic opportunities



Financial Outlook - Key Takeaways

- Sales to remain robust, targeting >\$3.6 billion by 2025:
 - Expected strong increase in utility poles
 - Steady railway ties demand
 - Consistent residential lumber performance
- EBITDA margin of 16% through 2025 expected due to:
 - Product mix improvement
 - Increased operational efficiencies
 - Maximizing economies of scale
- Return to shareholders of >\$500 million over 2023-2025 period
- Conservative Net Debt-to-EBITDA ratio of 2x-2.5x

PLAN IN ACTION

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