Source:	**Stella-Jones Inc.**	**Stella-Jones Inc.**
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STELLA-JONES RECORDS STRONG SECOND QUARTER RESULTS EXECUTING ON ITS THREE-YEAR GROWTH PLAN

- **Sales of $972 million, up 7%**
- **10% organic sales growth in infrastructure-related businesses**
- **EBITDA[(1)] of $175 million, or a margin[(1)] of 18%, up from 17% in Q2 2022**
- **Net income of $100 million, or $1.72 per share, up 14% from EPS in Q2 2022**
- **Completed acquisitions and projects to seize growing utility pole demand**

Montreal, Quebec – August 9, 2023 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its second quarter ended June 30, 2023.

"Stella-Jones is executing on its three-year growth plan with the achievement of another strong performance in the second quarter, reflecting the upward momentum generated by accelerating demand for our infrastructure-related products," said Eric Vachon, President and Chief Executive Officer of Stella-Jones. "Our second quarter results continued to benefit from higher pricing dynamics for utility poles, railway ties and industrial products, while residential lumber delivered sales in line with expectations."

"In the second half of the year, we expect replenished railway tie inventory levels and ongoing capital projects for utility poles to facilitate anticipated volume gains, while our recent acquisitions of Balfour Pole Co. and Baldwin Pole and Pilings' assets will further broaden the Company's presence across North America. Our performance so far this year aligns with our plan to continue to grow our infrastructure-related businesses, increase profitability, as evidenced by the strong EBITDA margin generated in the second quarter, and to return capital and drive value for our shareholders. Managing capital projects, acquisitions and strong organic growth requires the resourcefulness and agility of our team of experts, and I am proud to recognize their invaluable contribution to our business."

Financial Highlights (in millions of Canadian dollars, except per share data and margins)	**Q2-23**	**Q2-22**	**YTD Q2-23**	**YTD Q2-22**
Sales	972	907	1,682	1,558
Gross profit[(1)]	200	173	336	273
Gross profit margin[(1)]	20.6%	19.1%	20.0%	17.5%
EBITDA[(1)]	175	154	295	242
EBITDA margin[(1)]	18.0%	17.0%	17.5%	15.5%
Operating income	149	133	244	200
Operating income margin[(1)]	15.3%	14.7%	14.5%	12.8%
Net income for the period	100	94	160	140
Earnings per share ("EPS") - basic and diluted	1.72	1.51	2.73	2.23
Weighted average shares outstanding (basic, in '000s)	58,292	62,321	58,543	62,794

(1) Refer to the section "Non-GAAP and other financial measures" in this press release

SECOND QUARTER RESULTS

Sales in the second quarter of 2023 increased by 7% to $972 million, compared to sales of $907 million last year. Excluding the contribution from the 2022 acquisition of the utility pole manufacturing business of Texas Electric Cooperatives, Inc. (“TEC”) and the positive effect of currency conversion, sales were up $17 million or 2%. The increase was driven by a 10% organic sales growth of the Company’s infrastructure-related businesses, namely utility poles, railway ties and industrial products, offset in large part by lower residential lumber and logs and lumber sales when compared to the same period last year. Led by the strong organic sales growth, particularly for the Company’s largest product category, utility poles, EBITDA(1) increased to $175 million in the second quarter of 2023 compared to $154 million in the second quarter last year and EBITDA margin(1) expanded from 17.0% in 2022 to 18.0% in 2023.

Pressure-treated wood products:

- **Utility poles (40% of Q2-23 sales)**: Utility poles sales amounted to $388 million, up from $316 million for the same period last year. Excluding the contribution from the 2022 acquisition of the TEC assets and the currency conversion effect, utility poles sales increased by $40 million, or 13%, driven by higher pricing. While demand for utility poles remained strong, delayed timing of shipments and the deferred maintenance of utilities in California due to the impact of extreme weather events, unfavourably impacted sales volumes in the second quarter of 2023.

- **Railway ties (24% of Q2-23 sales)**: Sales of railway ties amounted to $238 million, versus $215 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties increased by $13 million, or 6%, attributable to sales price increases, largely to cover higher costs. This increase was offset in part by lower non-Class 1 volumes, largely due to the reduced level of treated ties inventory following the limited fibre supply availability in 2022.

- **Residential lumber (28% of Q2-23 sales)**: Sales in residential lumber decreased $15 million to $271 million in the second quarter of 2023, compared to sales of $286 million in the corresponding period last year. Excluding the currency conversion effect, residential lumber sales decreased $18 million, or 6%. While sales volumes were higher in the second quarter of 2023 compared to the same quarter last year, the volume gains were not enough to offset lower pricing attributable to the decrease in the market price of lumber.

- **Industrial products (4% of Q2-23 sales)**: Industrial product sales were $43 million in the second quarter of 2023, compared to sales of $38 million in the corresponding period last year. The increase was largely due to higher pricing across most industrial products.

Logs and lumber:

- **Logs and lumber (4% of Q2-23 sales)**: Sales in the logs and lumber product category were $32 million in the second quarter of 2023, as compared to $52 million in the corresponding period last year. The decrease in sales was largely attributable to lower logs and lumber pricing compared to the second quarter last year.

Gross profit(1) was $200 million in the second quarter of 2023, compared to $173 million in the corresponding period last year, representing a margin(1) of 20.6% and 19.1% respectively. The increase in gross profit in absolute dollars was largely due to the margin expansion of the Company’s infrastructure-related businesses, particularly stemming from the price increases realized for utility poles. This improvement was offset in part by a decrease in the gross profit of residential lumber due to lower pricing. As a percentage of sales, the gross profit margin also benefited from a better product mix, led by the strong growth of utility poles sales. Similarly, operating income totaled $149 million in the second quarter of 2023 versus operating income of $133 million in the corresponding period of 2022.

(1) Refer to the section "Non-GAAP and other financial measures" in this press release

Net income for the second quarter of 2023 was $100 million, or $1.72 per share, compared to net income of $94 million, or $1.51 per share, in the corresponding period of 2022.

SIX-MONTH RESULTS

For the first six months of 2023, sales amounted to $1,682 million, versus $1,558 million for the corresponding period last year, driven by the 13% organic sales growth of the Company's infrastructure-related businesses. Excluding the contribution from the 2022 acquisition of the TEC assets of $31 million and the currency conversion of $66 million, pressure-treated wood sales rose by $77 million, or 5%, while logs and lumber sales dropped by $51 million or 47%. The year-over-year organic growth in pressure-treated wood sales stemmed from favourable pricing for utility poles and railway ties, as well as, higher residential lumber volumes. These factors were partially offset by lower residential lumber pricing, as well as lower volumes for utility poles and railway ties. The decrease in logs and lumber sales compared to the same period last year is largely attributable to a decline in the market price of logs and lumber.

Gross profit[(1)] increased to $336 million, or 20.0% of sales, from $273 million or 17.5% of sales, in the corresponding period last year. Operating income amounted to $244 million, versus $200 million a year ago, while EBITDA[(1)] was $295 million, compared to $242 million in the prior year and EBITDA margin[(1)] expanded from 15.5% in 2022 to 17.5% in 2023.

Net income in the first six months of 2023 was $160 million, or $2.73 per share, versus net income of $140 million, or $2.23 per share, in the corresponding period last year. Earnings per share was positively impacted by the increase in net income and the Company's repurchase of shares through its normal course issuer bids.

LIQUIDITY AND CAPITAL RESOURCES

During the second quarter ended June 30, 2023, Stella-Jones used the cash generated from operations of $127 million to maintain the quality of its assets, and expand and secure production capacity, including acquiring the utility pole peeling and drying assets of Balfour Pole Co., as well as return capital to shareholders.

During the first six months of 2023, the Company has returned $87 million to its shareholders, through dividends of $27 million and share repurchases of $60 million. Since the beginning of the Normal Course Issuer Bid on November 14, 2022, the Company has repurchased 1,528,317 common shares for cancellation in consideration of $80 million.

As at June 30, 2023, the Company had a total of $292 million available under its credit facilities and maintained a solid financial position with a net debt-to-EBITDA ratio[(1)] of 2.6x.

ACQUISITIONS

During the second quarter, the Company acquired substantially all of the Southern Yellow Pine pole peeling and drying assets of Balfour Pole Co., located in Baconton, Georgia for a total consideration of $20 million (US$15 million). Similarly to the acquisition of the peeling and drying assets of IndusTREE Pole & Piling in the first quarter of 2023, this acquisition will provide security of supply to support the growing demand for utility poles, as well as drive cost efficiencies.

In addition, subsequent to the quarter-end, the Company acquired substantially all of the assets of the wood utility pole manufacturing business of Baldwin Pole and Piling ("Baldwin") for a total consideration of approximately $64 million (US$48 million). Baldwin is a Southern Yellow Pine pole treating company with facilities in Bay Minette, Alabama and Wiggins, Mississippi. This acquisition will expand the Company's capacity to supply the growing needs of North America's utility pole industry, while optimizing the overall efficiency of its continental network.

(1) Refer to the section "Non-GAAP and other financial measures" in this press release

QUARTERLY DIVIDEND

On August 8, 2023, the Board of Directors declared a quarterly dividend of $0.23 per common share payable on September 25, 2023 to shareholders of record at the close of business on September 5, 2023. This dividend is designated to be an eligible dividend.

2023-2025 FINANCIAL OBJECTIVES

The Company held its inaugural Investor Day on May 25, 2023, during which it provided its updated three-year financial objectives, which now extend to 2025. Excluding acquisitions, the Company's 2023-2025 financial objectives are set forth in the following table:

(in millions of dollars, except percentages and ratios)	**Updated 2023-2025 Objectives** [2]
Sales	> $3,600
EBITDA margin [1]	16%
Return to Shareholders: cumulative	> $500
Net Debt-to-EBITDA [1][3]	2.0x-2.5x

Key Highlights:

a. Projected compound annual growth rate ("CAGR") for sales of 6% for the 2023-2025 period, driven by a 9% CAGR for the Company's infrastructure-related businesses, expected to account for 75%-80% of total sales:
   - Utility poles: 15% sales CAGR, supported by a growth capital expenditure program of $115 million;
   - Railway ties: low single-digit annual sales growth;

b. Residential lumber: annual sales target of $600-$650 million, representing less than 20% of total sales;

c. Expansion of EBITDA margin[1] to 16% through 2025 driven by improvement in product mix.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on August 9, 2023, at 10:00 a.m. Eastern Daylight Time. Interested parties can join the call by dialing 1-866-518-4114. 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://web.lumiagm.com/469860628. This recording will be available on Wednesday, August 9, 2023, as of 1:00 PM until 11:59 PM on Wednesday, August 16, 2023.

(1) Refer to the section "Non-GAAP and other financial measures" in this press release.
(2) Foreign Exchange: assumes Canadian dollar will trade, on average, at approximately C$1.30 per U.S. dollar, with sales in the U.S. representing approximately 70% of total sales.
(3) May temporarily exceed range to finance strategic growth opportunities related to its infrastructure-related businesses.

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 Canadian customers 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 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 continuous disclosure filings. 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 second quarter ended June 30, 2023 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

Stella-Jones Inc.
Condensed Interim Consolidated Statements of Income
(Unaudited)

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2023	**2022**	**2023**	**2022**
Sales	972	907	1,682	1,558
Expenses				
Cost of sales (including depreciation and amortization (3 months - $22 (2022 - $18) and 6 months - $43 (2022 - $35))	772	734	1,346	1,285
Selling and administrative (including depreciation and amortization (3 months - $4 (2022 - $3) and 6 months - $8 (2022 - $7))	48	39	89	72
Other losses, net	3	1	3	1
	823	774	1,438	1,358
Operating income	149	133	244	200
Financial expenses	16	6	30	12
Income before income taxes	133	127	214	188
Income tax expense				
Current	31	29	55	42
Deferred	2	4	(1)	6
	33	33	54	48
Net income	100	94	160	140
Basic and diluted earnings per common share	1.72	1.51	2.73	2.23

(expressed in millions of Canadian dollars)

	As at June 30, 2023	As at December 31, 2022
Assets		
Current assets		
Accounts receivable	403	287
Inventories	1,335	1,238
Income taxes receivable	4	—
Other current assets	66	58
	1,808	1,583
Non-current assets		
Property, plant and equipment	804	755
Right-of-use assets	169	160
Intangible assets	165	171
Goodwill	375	369
Derivative financial instruments	28	29
Other non-current assets	6	6
	3,355	3,073
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	232	201
Income taxes payable	4	7
Current portion of long-term debt	101	1
Current portion of lease liabilities	44	41
Current portion of provisions and other long-term liabilities	13	9
	394	259
Non-current liabilities		
Long-term debt	1,038	940
Lease liabilities	133	126
Deferred income taxes	154	158
Provisions and other long-term liabilities	27	26
Employee future benefits	9	7
	1,755	1,516
Shareholders' equity		
Capital stock	191	194
Retained earnings	1,268	1,192
Accumulated other comprehensive income	141	171
	1,600	1,557
	3,355	3,073

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(expressed in millions of Canadian dollars)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2023	**2022**	**2023**	**2022**
Cash flows from (used in)				
Operating activities				
Net income	100	94	160	140
Adjustments for				
Depreciation of property, plant and equipment	10	8	19	15
Depreciation of right-of-use assets	12	10	24	20
Amortization of intangible assets	4	3	8	7
Financial expenses	16	6	30	12
Income tax expense	33	33	54	48
Other	3	—	5	—
	178	154	300	242
Changes in non-cash working capital components				
Accounts receivable	(20)	8	(123)	(144)
Inventories	23	65	(115)	5
Other current assets	(8)	(9)	(10)	(16)
Accounts payable and accrued liabilities	22	34	33	46
	17	98	(215)	(109)
Interest paid	(14)	(5)	(29)	(13)
Income taxes paid	(54)	(19)	(61)	(28)
	127	228	(5)	92
Financing activities				
Net change in revolving credit facilities	(2)	(192)	215	47
Proceeds from long-term debt	—	63	—	63
Repayment of long-term debt	(1)	(1)	(1)	(33)
Repayment of lease liabilities	(12)	(9)	(23)	(19)
Dividends on common shares	(27)	(25)	(27)	(25)
Repurchase of common shares	(30)	(44)	(60)	(83)
Other	1	—	—	—
	(71)	(208)	104	(50)
Investing activities				
Business combinations	(20)	—	(33)	—
Purchase of property, plant and equipment	(33)	(17)	(61)	(37)
Additions of intangible assets	(3)	(3)	(5)	(5)
	(56)	(20)	(99)	(42)
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).

The below-described non-GAAP measures have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. The Company’s method of calculating these measures may differ from the methods used by others, and, accordingly, the definition of these non-GAAP financial measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

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, to assess the Company’s ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management’s performance. More specifically:

- **Gross profit and gross profit margin:** The Company uses these financial measures to evaluate its ongoing operational performance.
- **EBITDA and EBITDA margin:** The Company believes these measures 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.
- **Net debt and net debt-to EBITDA:** The Company believes these measures are indicators of the financial leverage of the Company.

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 June 30,**		**Six-month periods ended June 30,**	
	2023	**2022**	**2023**	**2022**
Operating income	149	133	244	200
Depreciation and amortization	26	21	51	42
EBITDA	**175**	**154**	**295**	**242**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at June 30, 2023**	**As at December 31, 2022**
Long-term debt, including current portion	1,139	941
Add:		
Lease liabilities, including current portion	177	167
Net Debt	**1,316**	**1,108**
EBITDA (TTM)	501	448
Net Debt-to-EBITDA	**2.6x**	**2.5x**