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STELLA-JONES ANNOUNCES THIRD QUARTER RESULTS
Record profitability driven by continued growth in infrastructure-related businesses

- Sales of \$949 million, up 13%
- 17% organic sales growth in infrastructure-related businesses
- EBITDA⁽¹⁾ of \$193 million, or a margin⁽¹⁾ of 20.3%, up from 14.1% in Q3 2022
- Net income of \$110 million, or \$1.91 per share, up 79% from EPS in Q3 2022
- Acquired utility pole manufacturing business of Baldwin Pole and Piling ("Baldwin")
- Normal Course Issuer Bid announced for 2023-2024

Montreal, Quebec – November 7, 2023 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2023.

"In Q3, Stella-Jones made notable progress in its growth trajectory, delivering not only another quarter of strong sales growth, but record increase in profitability," said Eric Vachon, President and Chief Executive Officer of Stella-Jones. "These results were supported by the ongoing robust performance of our infrastructure-related businesses, and by residential lumber delivering in line with our expectations. While utility poles sales continued to benefit from favourable pricing dynamics, we also saw a progressive improvement in utility poles sales volumes in the quarter, as well as significant production volume gains, stemming from capital projects and the recent acquisition of Baldwin. Combined with replenished railway tie inventory levels, we are confident in the sustained growth of the Company as we move into 2024. Additionally, in the third quarter, we published our 2022 Environmental, Social and Governance Report, in which we introduced our ESG strategy and targets to contribute to a more sustainable future."

"As we approach the end of the year, I am pleased with the performance and milestones we have achieved so far in 2023. They highlight our ability to capitalize on positive industry trends by leveraging our expansive North American presence and the invaluable collective expertise of our people to drive long-term profitable growth for our shareholders," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margins)	Q3-23	Q3-22	YTD Q3-23	YTD Q3-22
Sales	949	842	2,631	2,400
Gross profit ⁽¹⁾	215	139	551	412
Gross profit margin ⁽¹⁾	22.7%	16.5%	20.9%	17.2%
EBITDA ⁽¹⁾	193	119	488	361
EBITDA margin ⁽¹⁾	20.3%	14.1%	18.5%	15.0%
Operating income	166	98	410	298
Operating income margin ⁽¹⁾	17.5%	11.6%	15.6%	12.4%
Net income for the period	110	65	270	205
Earnings per share ("EPS") - basic and diluted	1.91	1.07	4.63	3.30
Weighted average shares outstanding (basic, in '000s)	57,690	60,682	58,258	62,078

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

THIRD QUARTER RESULTS

Sales in the third quarter of 2023 increased by 13% to \$949 million, compared to sales of \$842 million last year. Excluding the contribution from the acquisition of the utility pole manufacturing business of Texas Electric Cooperatives, Inc. (“TEC”) in November 2022 and Baldwin in 2023, and the positive effect of currency conversion, sales were up \$61 million or 7%. The increase was driven by a 17% organic sales growth in 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 continued strong organic sales growth, particularly for the Company’s largest product category, utility poles, EBITDA⁽¹⁾ increased to \$193 million in the third quarter of 2023 compared to \$119 million in the third quarter last year and EBITDA margin⁽¹⁾ expanded from 14.1% in 2022 to 20.3% in 2023.

Pressure-treated wood products:

- **Utility poles (46% of Q3-23 sales):** Utility poles sales amounted to \$438 million, up from \$331 million for the same period last year. Excluding the contribution from acquisitions and the currency conversion effect, utility poles sales increased by \$68 million, or 21%. The increase was driven by higher pricing as sales volumes remained relatively unchanged when compared to the same quarter last year but were higher versus the prior quarter. In the third quarter of 2023, production volumes continued to increase, benefiting from additional capacity stemming from capital projects. This incremental production enabled the Company to increase inventories to the level required to secure and deliver on longer-term sales commitments.
- **Railway ties (24% of Q3-23 sales):** Sales of railway ties amounted to \$230 million, versus \$199 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties increased by \$26 million, or 13%, largely attributable to sales price increases, in response to higher costs. Volumes were relatively stable compared to the same period last year as lower non-Class 1 volumes, due to the reduced level of treated ties inventory following the limited fibre supply availability in 2022, were offset by higher sales volumes for Class 1 customers, largely attributable to timing of shipments.
- **Residential lumber (21% of Q3-23 sales):** Sales in residential lumber decreased \$24 million to \$202 million in the third quarter of 2023, compared to sales of \$226 million in the corresponding period last year. Excluding the currency conversion effect, residential lumber sales decreased \$25 million, or 11%. While sales volumes were higher in the third quarter of 2023 compared to the same quarter last year, the volume gains were not sufficient to offset lower pricing attributable to the decrease in the market price of lumber.
- **Industrial products (5% of Q3-23 sales):** Industrial product sales were \$42 million in the third quarter of 2023, relatively unchanged compared to sales of \$40 million in the corresponding period last year.
- **Logs and lumber (4% of Q3-23 sales):** Sales in the logs and lumber product category were \$37 million in the third quarter of 2023, compared to \$46 million in the corresponding period last year. The decrease in sales compared to the third quarter last year was largely attributable to less lumber trading activity. Logs sales remained stable as higher log sales activity was largely offset by the lower market price of logs.

Gross profit⁽¹⁾ was \$215 million in the third quarter of 2023, compared to \$139 million in the corresponding period last year, representing a margin⁽¹⁾ of 22.7% and 16.5%, 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 utility poles, and the contribution of the wood utility pole manufacturing businesses acquired in late 2022 and 2023. 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 \$166 million in the third quarter of 2023 versus operating income of \$98 million in the corresponding period of 2022.

Net income for the third quarter of 2023 was \$110 million, or \$1.91 per share, compared to net income of \$65 million, or \$1.07 per share, in the corresponding period of 2022.

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

NINE-MONTH RESULTS

For the first nine months of 2023, sales amounted to \$2,631 million, versus \$2,400 million for the corresponding period last year, driven by a 15% organic sales growth of the Company's infrastructure-related businesses. Excluding the contribution from the acquisition of the TEC and Baldwin assets of \$60 million and the currency conversion of \$83 million, pressure-treated wood sales rose by \$147 million, or 7%, while logs and lumber sales dropped by \$60 million or 39%. The year-over-year organic growth in pressure-treated wood sales stemmed from favourable pricing across all the infrastructure-related product categories and higher residential lumber volumes. These factors were partially offset by a decrease in pricing for residential lumber and lower volumes for infrastructure-related product categories. The lower logs and lumber sales compared to the same period last year was largely attributable to a decline in the market price of lumber and less lumber trading activity.

Gross profit⁽¹⁾ increased to \$551 million, or 20.9% of sales, from \$412 million or 17.2% of sales, in the corresponding period last year. Operating income amounted to \$410 million, versus \$298 million a year ago, while EBITDA⁽¹⁾ was \$488 million, compared to \$361 million in the prior year and EBITDA margin⁽¹⁾ expanded from 15.0% in 2022 to 18.5% in 2023.

Net income in the first nine months of 2023 was \$270 million, or \$4.63 per share, versus net income of \$205 million, or \$3.30 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.

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

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter ended September 30, 2023, Stella-Jones used the cash generated from operations of \$130 million to maintain and upgrade its assets, and expand and secure production capacity, including acquiring the utility pole manufacturing business of Baldwin, as well as return capital to shareholders.

During the first nine months of 2023, the Company has returned \$145 million to its shareholders, through dividends of \$40 million and share repurchases of \$105 million. Since the beginning of the current Normal Course Issuer Bid ("NCIB") commencing on November 14, 2022, the Company has repurchased 2,210,172 common shares for cancellation in consideration of \$125 million.

As at September 30, 2023, the Company had a total of \$271 million available under its credit facilities and maintained a solid financial position with a net debt-to-EBITDA ratio⁽¹⁾ of 2.4x.

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

ACQUISITION OF UTILITY POLE MANUFACTURING BUSINESS

During the third quarter, the Company acquired substantially all of the assets of the wood utility pole manufacturing business of Baldwin for a total consideration of \$64 million (US\$49 million). Baldwin is a Southern Yellow Pine pole treating business 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.

ANNOUNCEMENT OF NORMAL COURSE ISSUER BID

On November 7, 2023, the Company announced that the Toronto Stock Exchange has accepted its Notice of Intention to Make a NCIB. 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 6, 2023, the Board of Directors declared a quarterly dividend of \$0.23 per common share payable on December 21, 2023 to shareholders of record at the close of business on December 4, 2023. This dividend is designated to be an eligible dividend.

2023-2025 FINANCIAL OBJECTIVES

The Company provided updated three-year financial objectives at its Investor Day on May 25, 2023. 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.

⁽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.

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

On September 12, 2023, the Company published its 2022 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 7, 2023, at 10:00 a.m. Eastern Standard 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/495629396>. This recording will be available on Tuesday, November 7, 2023, as of 1:00 PM until 11:59 PM on Tuesday, November 14, 2023.

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 third quarter ended September 30, 2023 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) 934-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com
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Stella-Jones Inc.

Condensed Interim Consolidated Statements of Income

(Unaudited)

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

	For the		For the	
	three-month periods ended September 30,		nine-month periods ended September 30,	
	2023	2022	2023	2022
Sales	949	842	2,631	2,400
Expenses				
Cost of sales (including depreciation and amortization (3 months - \$23 (2022 - \$18) and 9 months - \$66 (2022 - \$53))	734	703	2,080	1,988
Selling and administrative (including depreciation and amortization (3 months - \$4 (2022 - \$3) and 9 months - \$12 (2022 - \$10))	48	41	137	113
Other losses, net	1	—	4	1
	783	744	2,221	2,102
Operating income	166	98	410	298
Financial expenses	17	10	47	22
Income before income taxes	149	88	363	276
Income tax expense				
Current	40	22	95	64
Deferred	(1)	1	(2)	7
	39	23	93	71
Net income	110	65	270	205
Basic and diluted earnings per common share	1.91	1.07	4.63	3.30

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in millions of Canadian dollars)

	As at September 30, 2023	As at December 31, 2022
Assets		
Current assets		
Accounts receivable	400	287
Inventories	1,413	1,238
Income taxes receivable	4	—
Other current assets	67	58
	<u>1,884</u>	<u>1,583</u>
Non-current assets		
Property, plant and equipment	883	755
Right-of-use assets	192	160
Intangible assets	173	171
Goodwill	383	369
Derivative financial instruments	30	29
Other non-current assets	5	6
	<u>3,550</u>	<u>3,073</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	242	201
Income taxes payable	22	7
Current portion of long-term debt	103	1
Current portion of lease liabilities	48	41
Current portion of provisions and other long-term liabilities	19	9
	<u>434</u>	<u>259</u>
Non-current liabilities		
Long-term debt	1,088	940
Lease liabilities	152	126
Deferred income taxes	157	158
Provisions and other long-term liabilities	29	26
Employee future benefits	6	7
	<u>1,866</u>	<u>1,516</u>
Shareholders' equity		
Capital stock	189	194
Retained earnings	1,324	1,192
Accumulated other comprehensive income	171	171
	<u>1,684</u>	<u>1,557</u>
	<u>3,550</u>	<u>3,073</u>

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,	
	2023	2022	2023	2022
Cash flows from (used in)				
Operating activities				
Net income	110	65	270	205
Adjustments for				
Depreciation of property, plant and equipment	9	7	28	22
Depreciation of right-of-use assets	14	10	38	30
Amortization of intangible assets	4	4	12	11
Financial expenses	17	10	47	22
Income tax expense	39	23	93	71
Other	(1)	2	4	2
	192	121	492	363
Changes in non-cash working capital components				
Accounts receivable	25	66	(98)	(78)
Inventories	(48)	56	(163)	61
Other current assets	(1)	(10)	(11)	(26)
Accounts payable and accrued liabilities	5	(10)	38	36
	(19)	102	(234)	(7)
Interest paid	(21)	(10)	(50)	(23)
Income taxes paid	(22)	(20)	(83)	(48)
	130	193	125	285
Financing activities				
Net change in revolving credit facilities	36	(81)	251	(34)
Proceeds from long-term debt	—	—	—	63
Repayment of long-term debt	—	—	(1)	(33)
Repayment of lease liabilities	(13)	(11)	(36)	(30)
Dividends on common shares	(13)	(12)	(40)	(37)
Repurchase of common shares	(45)	(59)	(105)	(142)
Other	1	1	1	1
	(34)	(162)	70	(212)
Investing activities				
Business combinations	(52)	(8)	(85)	(8)
Purchase of property, plant and equipment	(42)	(20)	(103)	(57)
Additions of intangible assets	(2)	(3)	(7)	(8)
	(96)	(31)	(195)	(73)
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 September 30,		Nine-month periods ended September 30,	
	2023	2022	2023	2022
Operating income	166	98	410	298
Depreciation and amortization	27	21	78	63
EBITDA	193	119	488	361

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	As at September 30, 2023	As at December 31, 2022
Long-term debt, including current portion	1,191	941
Add:		
Lease liabilities, including current portion	200	167
Net Debt	1,391	1,108
EBITDA (TTM)	575	448
Net Debt-to-EBITDA	2.4x	2.5x