

**PLAN IN  
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# Investor Presentation

November 2023



# Stella-Jones At-A-Glance



**\$3.75B\***  
Market Cap



**SJ**  
TSX



**16**  
Pole Peeling  
Facilities



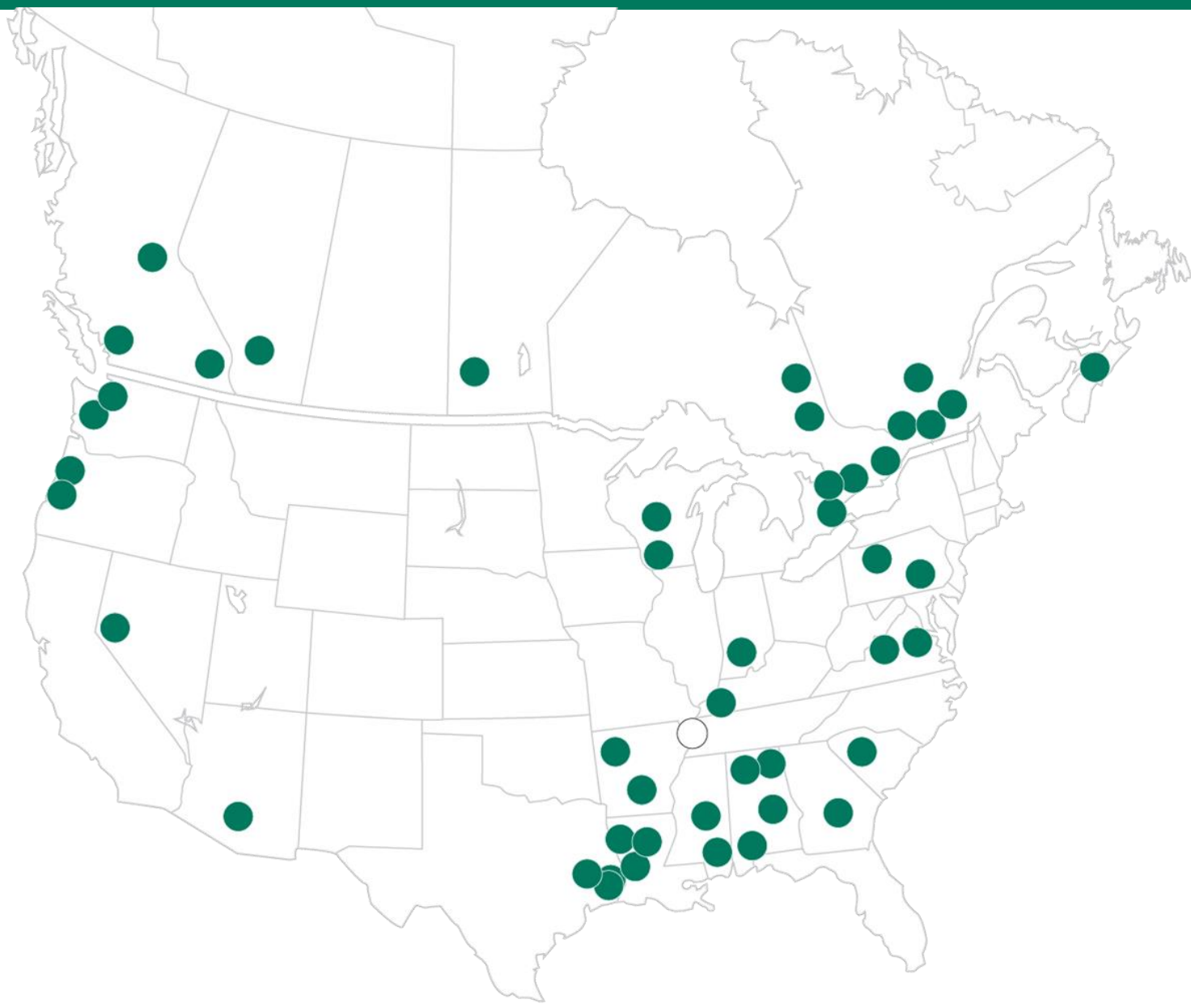
**45**  
Wood Treating  
Facilities 29 U.S.  
and 16 Canada



**~70%**  
Sales  
in the U.S.



**2,893**  
Employees



# 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.

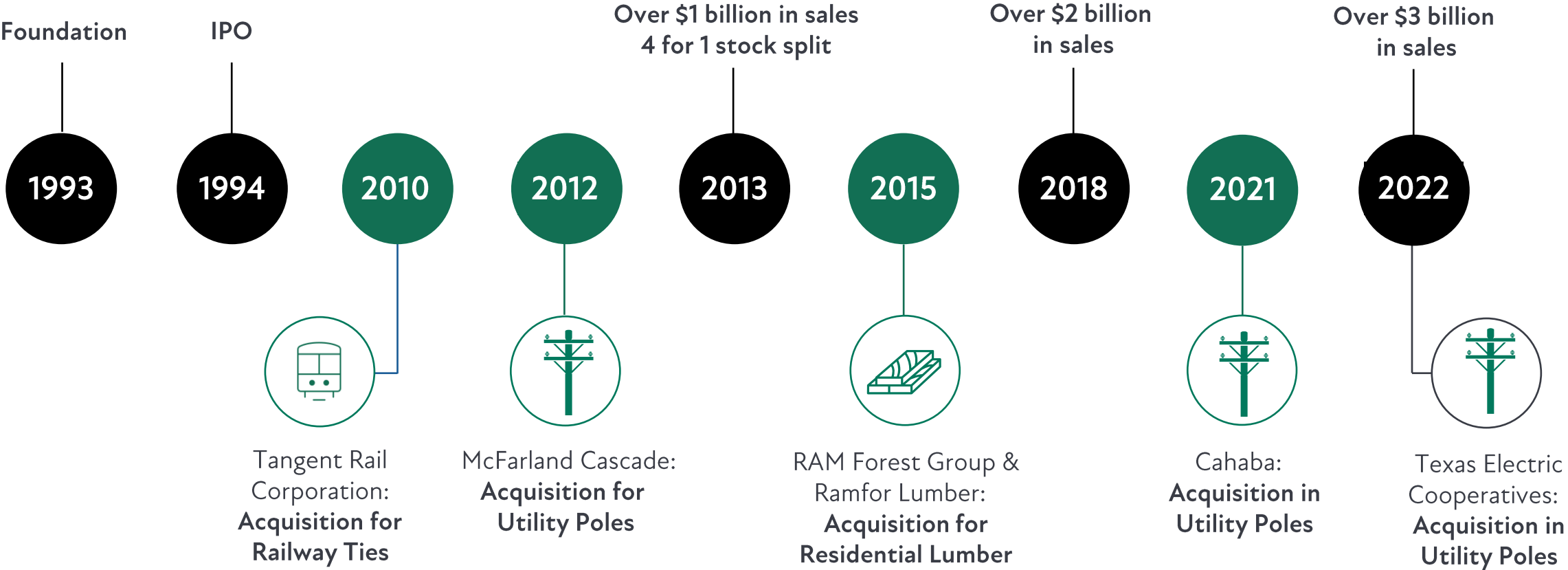
Gross profit, gross profit margin, operating income margin, earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA margin and net debt-to-EBITDA are non-GAAP and other financial measures, which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable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

The Company uses gross profit and gross profit margin to evaluate its ongoing operational performance. 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 latest MD&A, available at [www.sedar.com](http://www.sedar.com).

# 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.*

# Highlights | *Strong and Stable Position in Core Product Categories*



## Leader in Infrastructure Driven Markets

- Stella-Jones is a leading North American provider of utility poles and railway ties
- Products play a vital role in the basic continental transportation and electrical/telecommunication infrastructure
- Demand for utility poles and railroad ties primarily driven by replacement and maintenance
  - Provides for a stable and recurring revenue stream



## Prudent Capital Allocation and Balance Sheet Management

- History of a disciplined approach to capital allocation balancing growth investments and the return of capital to shareholders
- Focused on maintaining a prudent level of leverage with strong levels of available liquidity
- Long-term target is to maintain leverage within the range of 2.0x to 2.5x
  - 5-year (2018 to 2022) average Net Debt / EBITDA of 2.2x (Min: 2020 – 1.9x, Max: 2022 – 2.5x)



## Favorable Tailwinds

- Strong demand in utility poles expected to be sustained by multiple factors:
  - Deferred maintenance, grid enhancing and hardening and accelerating demand for broadband, amongst others
- Railway ties expected to benefit from U.S. Infrastructure Bill allocating \$102B and \$66B to rail infrastructure and advance appropriations, respectively

# 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*

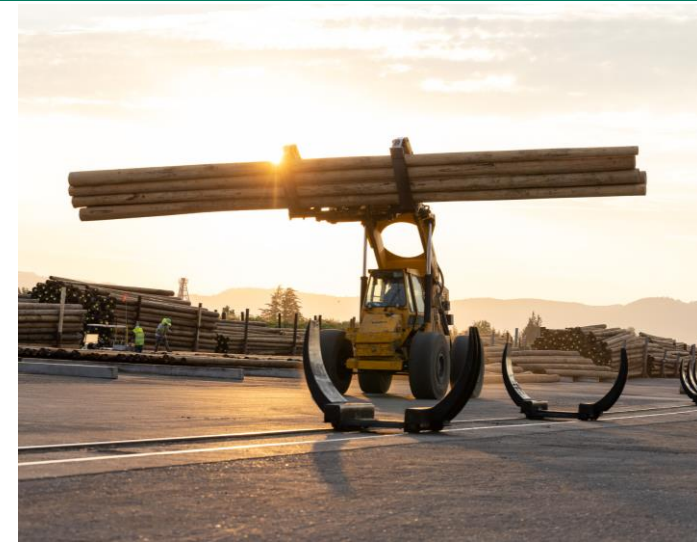
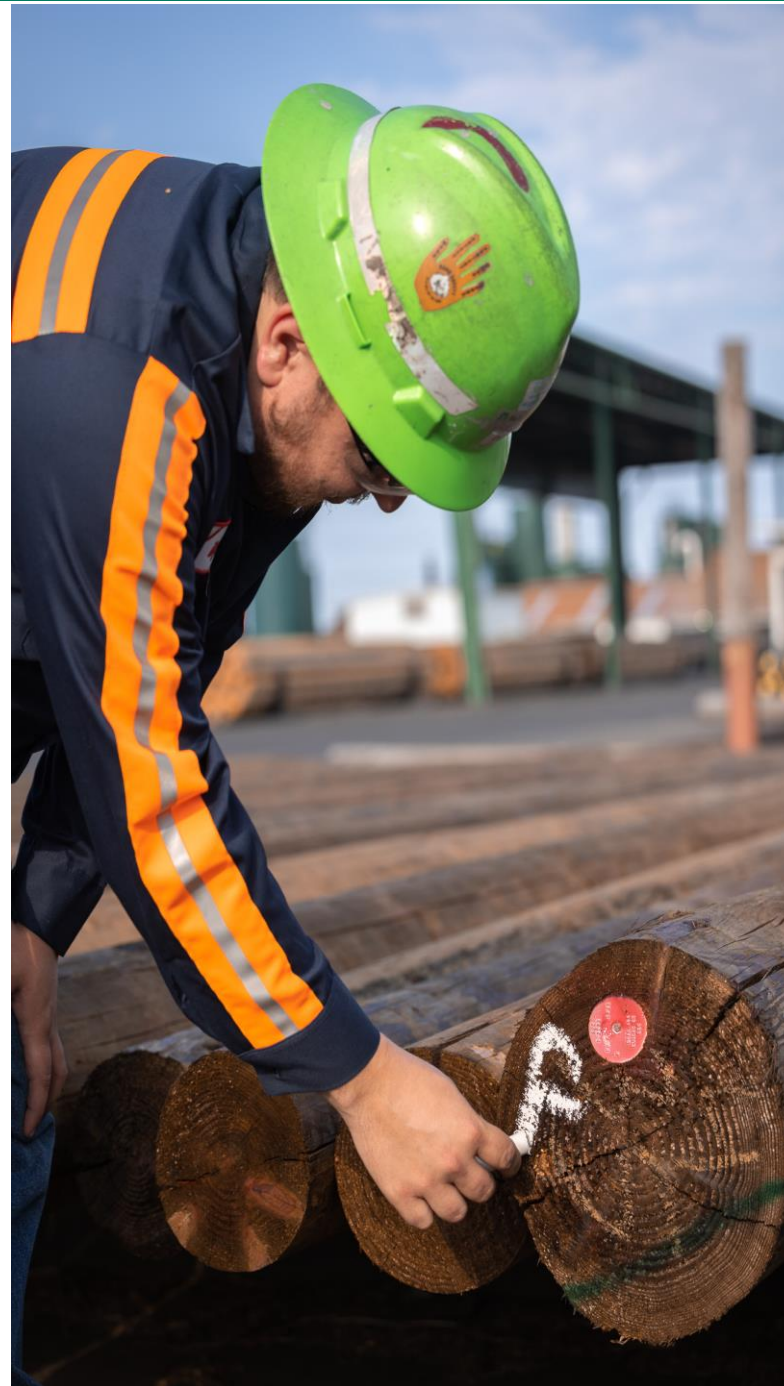
- Continued focus on wood treating
- Consideration given to complementary products or materials
- Subject to strict evaluation criteria
  - Accretive to margins and returns
  - Steady revenues and free cash flow
  - Seasoned management team





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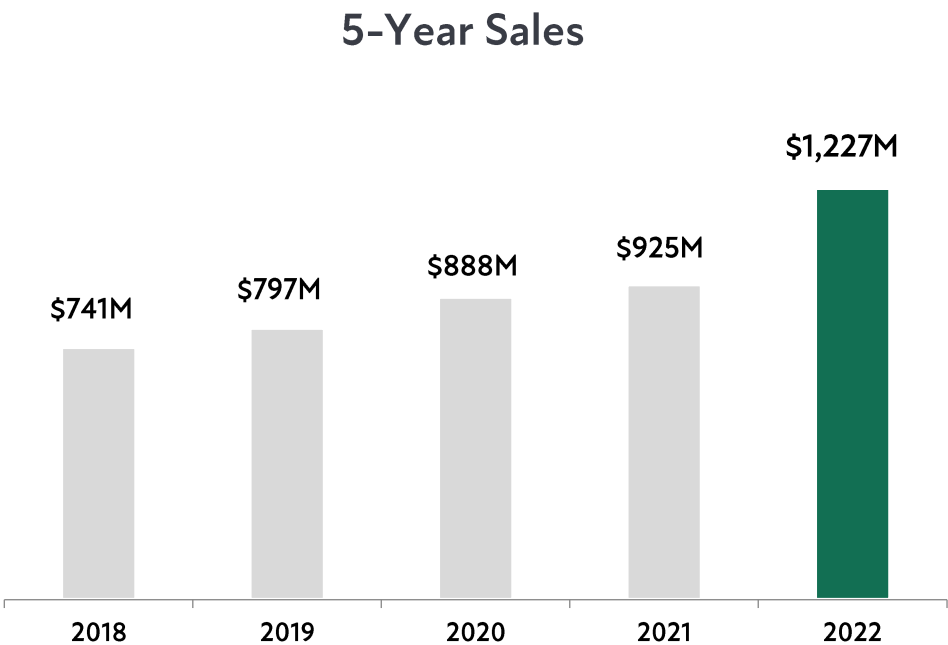
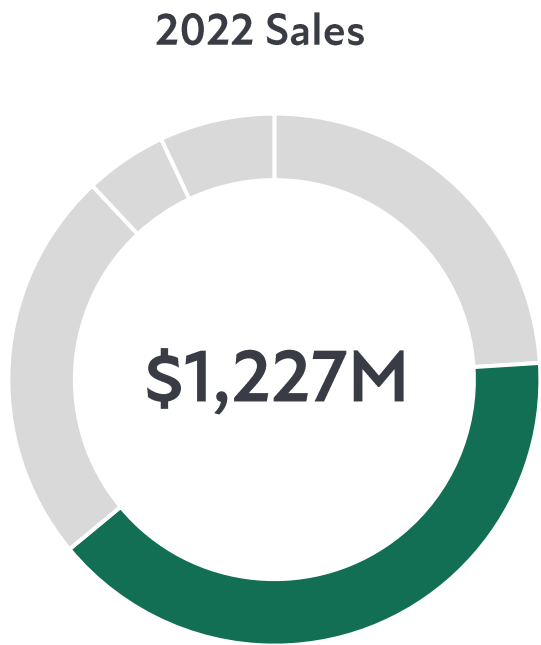
# Utility Poles



# Utility Poles: Overview

- Stella-Jones is a leading manufacturer of pressure-treated wood products supplying major electrical utilities and telecommunication companies with wood utility poles across North America
- Extensive network of distribution facilities to quickly respond to unforeseen demand and weather events
- 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
- 2

Prince George, BC
- 3

Galloway, BC
- 4

Carseland, AB
- 5

Neepawa, MB
- 6

Kirkland Lake, ON
- 7

Guelph, ON
- 8

Gatineau, QC
- 9

Rivière-Rouge, QC
- 10

Truro, NS
- 11

Arlington, WA
- 12

Tacoma, WA
- 13

Sheridan, OR
- 14

Eugene, OR
- 15

Silver Springs, NV
- 16

Lufkin, TX
- 17

Rison, AR
- 18

Converse, LA
- 19

Pineville, LA
- 20

Cameron, WI
- 21

Scooba, MS
- 22

Wiggins, MS
- 23

Bay Minette, AL
- 24

Brierfield, AL
- 25

Cordele, GA
- 26

Whitmire, SC
- 27

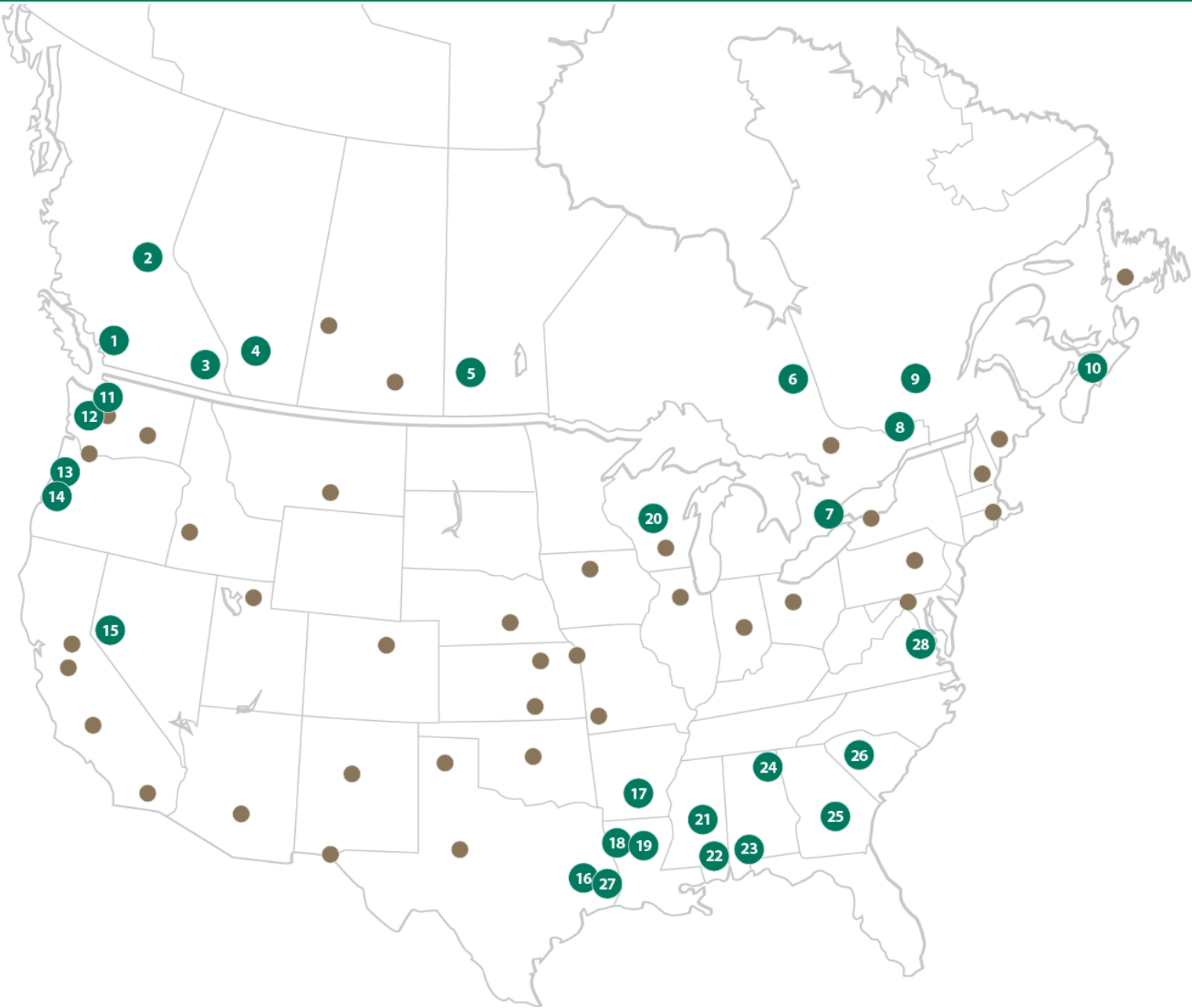
Jasper, TX
- 28

Warsaw, VA

## Product Category

- Pole Treating Facilities
- Finished Goods Yards

**28 Treating Facilities**  
10 in Canada  
18 in U.S.





# Competitive Strengths



Robust  
Procurement Network  
&  
Consistent Access  
to Wood Fibre

- Production facilities strategically located in various wood species resource areas
- Strong industry reputation and long-term relationships with wood suppliers assures access to wood fibre needed



Expansive  
Inventory

- Large inventories of treated and untreated wood to buffer unplanned pole demand



Manufacturing  
Network

- Vast network across North America to convert untreated inventory into customer-specific products quickly and efficiently



Extensive  
Transportation Network

- Provides broad, economical and just-in-time custom delivery service with its large lease railcar and truck fleet from its network of finished goods yards



Broad and Diversified  
Customer Base

- Over 1,000 customers across North America focused on electrical utility and telecommunications companies

# Growth Drivers



## Utility Pole Maintenance

- Biggest growth driver
- Utilities have not undergone significant capital investments for pole maintenance for approximately 70 years
- Average age of poles increasing, and utilities need to prioritize investments in distribution network



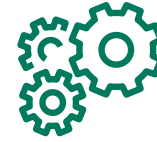
## Fire-Resistant Wrap Utility Poles

- 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



## Broadband Expansion

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



## Renewable Generation/Transmission Wheeling

- New power generation sources needed as alternatives to traditional fossil fuels
- New facilities are further away from existing transmission lines and require longer hook-ups
- Studies indicate robust demand for another 10-20 years



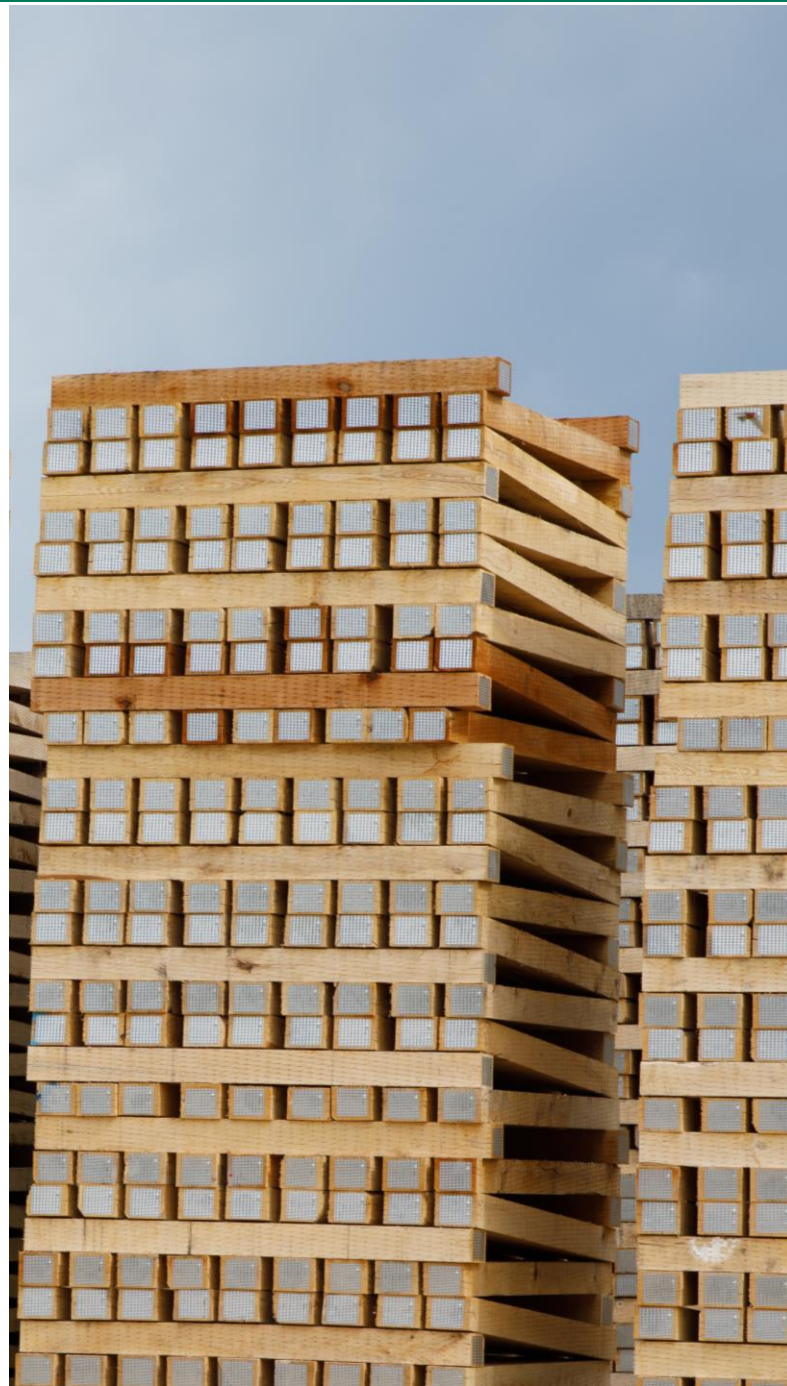
## Electric Vehicle Expansion

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

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# Railway Ties

Stella-JoneS  
 INC.





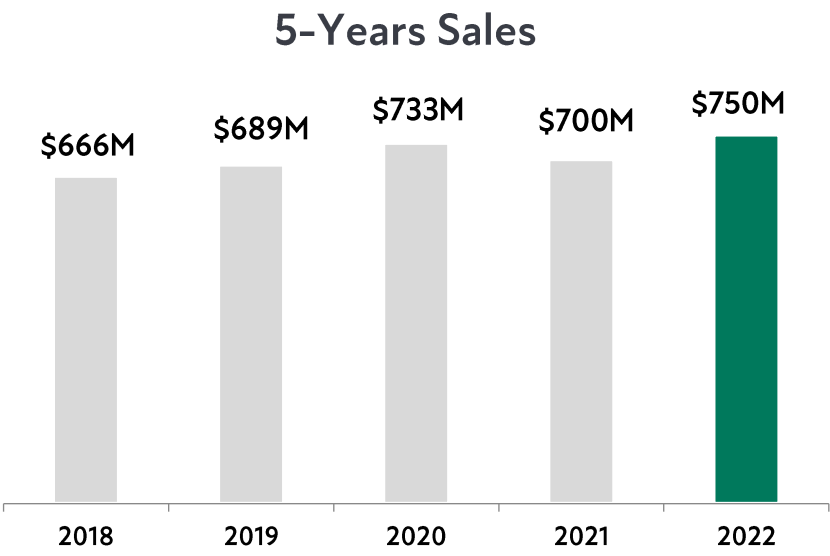
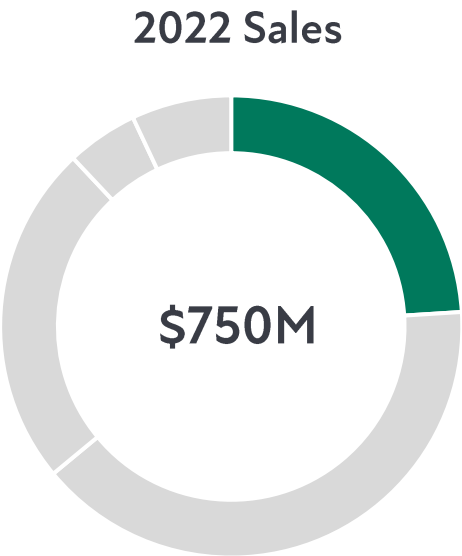
# Railway Ties: Overview

Industry leader in the manufacture and distribution of wood railway crossties, switch ties, bridge timbers, prefabricated bridges, crossing panels, and pre-plated products.

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 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



# Competitive Strengths



## Established Customer Relationships

- 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 requests



## 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 facilities on-line with Class I Railroad
- Procurement network provides steady raw material inflow



## Differentiated Product Offering

- Provides differentiated products:
  - Drill and fill dual-treated bridge ties
  - Automated pre-plate lines
  - Conversion of cylinders from creosote to copper naphthenate



## Robust Inventory Levels

- Robust inventory levels to meet customer demand

~65%

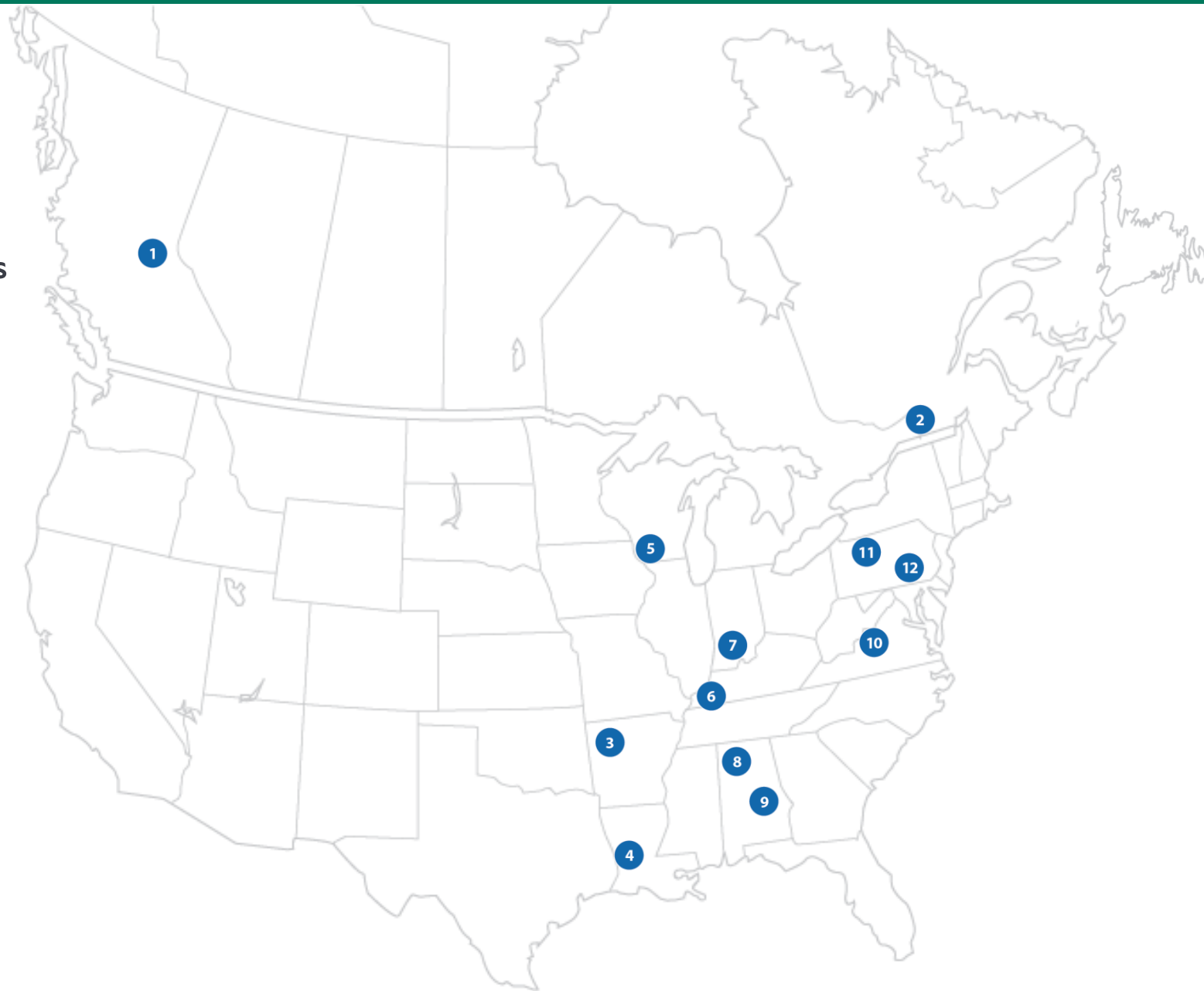
Class 1 railroad customers

# 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.



### Product Category

- Railway Ties



# Growth Drivers



## Increased Volumes

- Relationships with Class 1 Railroads
- Procurement Network
- Capacity Availability
- Optionality to Expand Operations



## Favourable Pricing Dynamics

- Long-term supply contacts with Class I railroads include price adjustment mechanisms to reflect added raw material costs
- New tools being developed to automate price adjustments and capture the benefits on a timely basis
- Opportunity to expand business with commercial customers to drive upside in margins



## Product Innovation and Expansion

- Differentiated product offering:
  - Drill and Fill Dual Treated Bridge Tie Process
  - Automated Pre-Plate Lines
  - Dual Treatment Capabilities
  - 4 Bridge and Fabrication Locations

### Positioned to benefit from U.S. Infrastructure Bill

**\$102B**  
in Rail Infrastructure Spending 2022-2026

**\$66B**  
in Advance Appropriations 2022-2026

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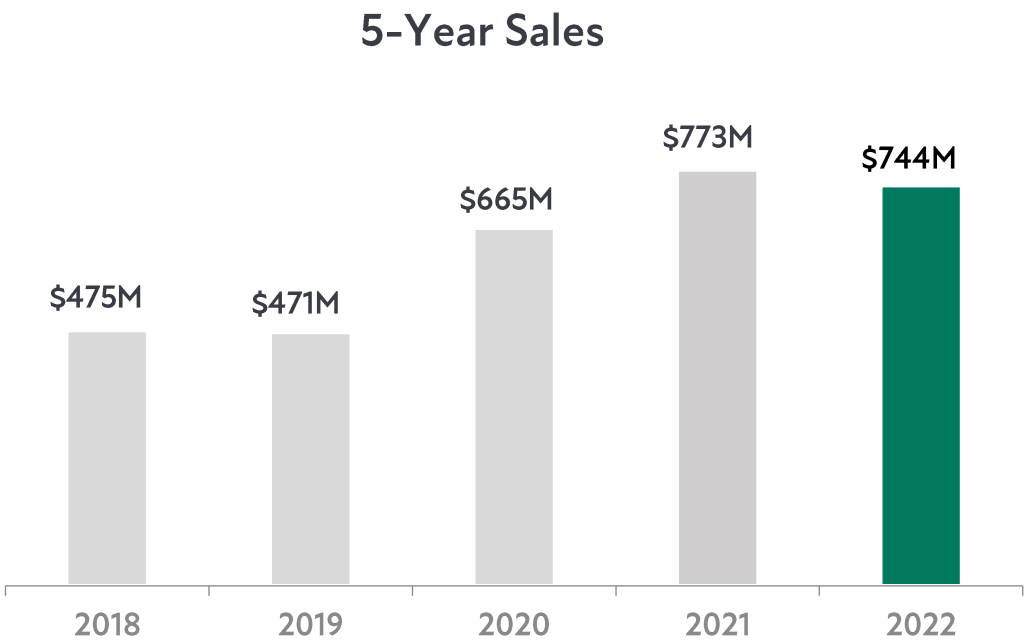
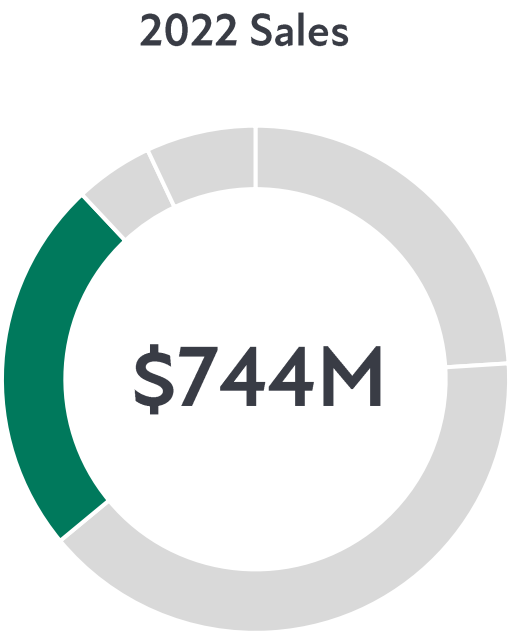
# Residential Lumber



# 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



# Competitive Strengths



## Premium-Quality Products

- Only premium grade lumber is offered to customers
- Lumber grade is enhanced by additional visual inspections, removing defects in the wood that the sawmill may have missed
- 80% of lumber procured is from a certified source
- Stella-Jones also distributes complementary products in all dimensions and lengths



## Always In-Stock

- Established relationships to ensure supply is always in stock for customers



## Speed to Market

- Dedicated logistics team
- Products shipped within 24-48 hours of order



## Strong Procurement Team

- Unique interconnected relationships with its sawmill vendor partners, procuring from suppliers that also produce railway ties and poles
- Measures taken to ensure continual supply, including sourcing premium lumber from Europe



## Dedicated Distribution Centres with Exceptional Service and Support

- Team works to increase sales through merchandising suggestions
- Focused on the importance of quick customer response times and providing high customer service

# Growth Drivers



## Product Expansion Through Retail Partners

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- Best-in-Class product
  - Growth in premium lumber treated program and complementary products
- 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



## Sourcing and Procurement Opportunities

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- 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



## Favourable Macro Trends

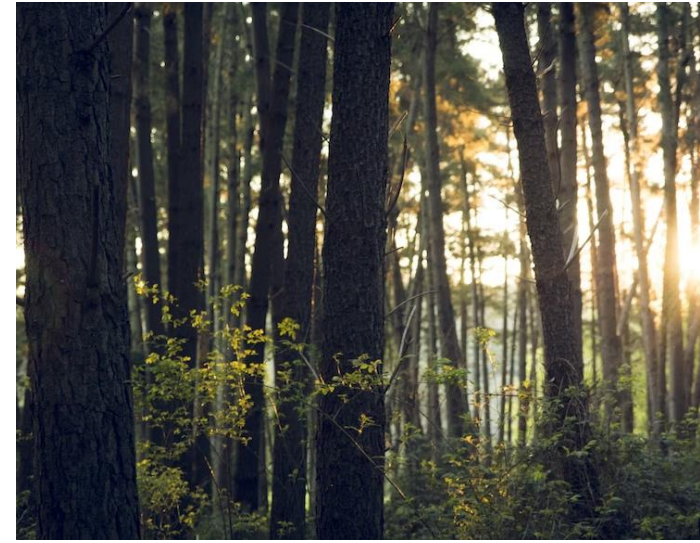
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- Home renovation driving sales, including the addition of outdoor living spaces
- Tailwinds from new home construction in rural communities with yard space
- Aging homes to support demand for lumber



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ESG



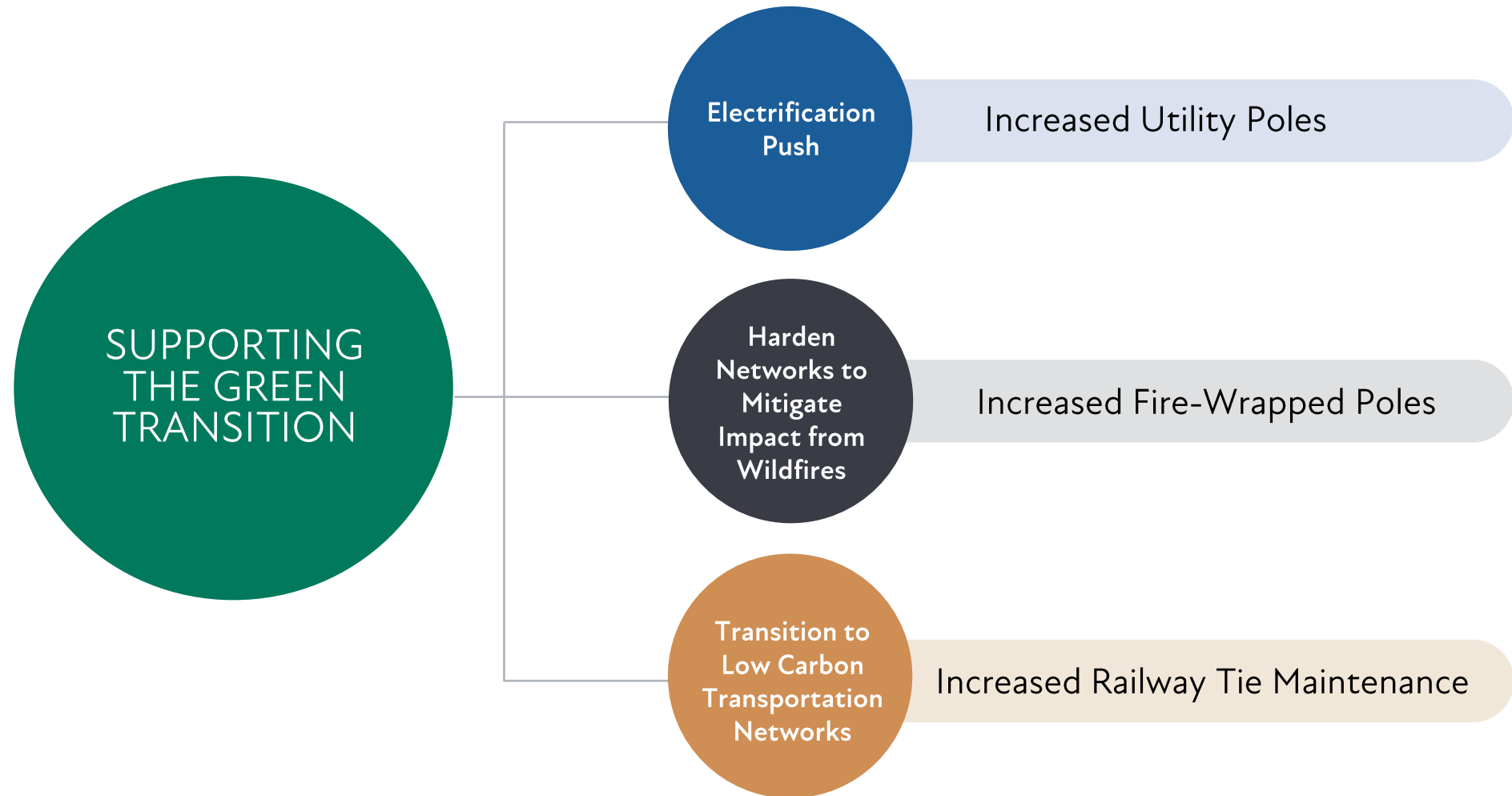


## Our products store significantly more carbon

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: Connecting our Sustainable Future



## Climate Change & GHG Emissions

We commit to reducing our emissions intensity and maximizing the carbon sequestered in our products.

## Health & Safety

We keep our people safe by reducing risks through a culture of teamwork, ownership, and continuous improvement.

## Our People

We attract and retain talented people by offering a positive work experience through inspired leadership, competitive working conditions and career development opportunities.



## Indigenous Peoples

We commit to building lasting and collaborative relationships with Indigenous Peoples where we operate.

## Responsible Supply Chain

We partner with responsible local suppliers to ensure the long-term sustainability of our wood supply.

## ESG Risk Governance

We empower our people to make informed and responsible decisions and deliver results through clear guidelines, disciplined processes and accountability.

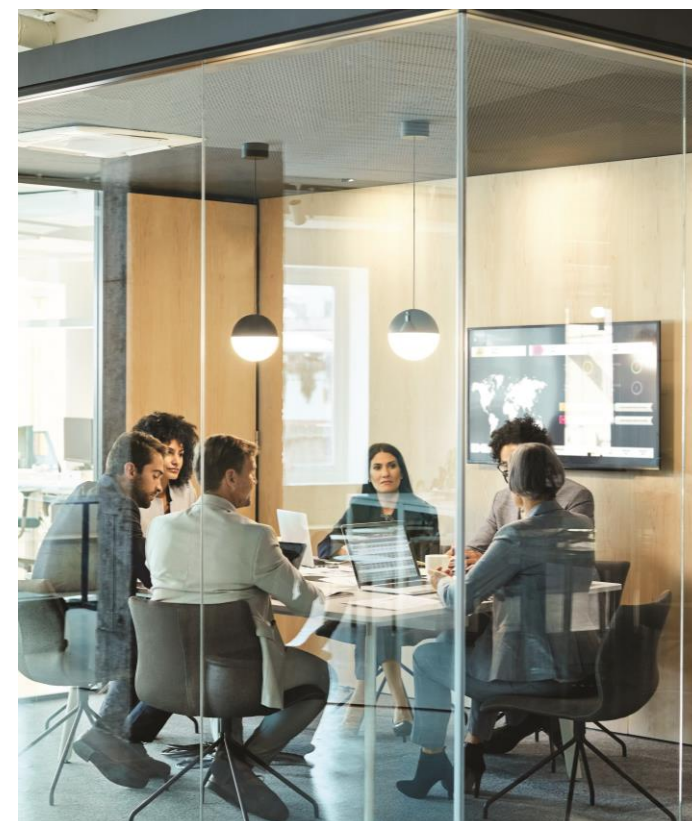


Click the thumbnail to view our 2022 ESG Report, strategy and targets



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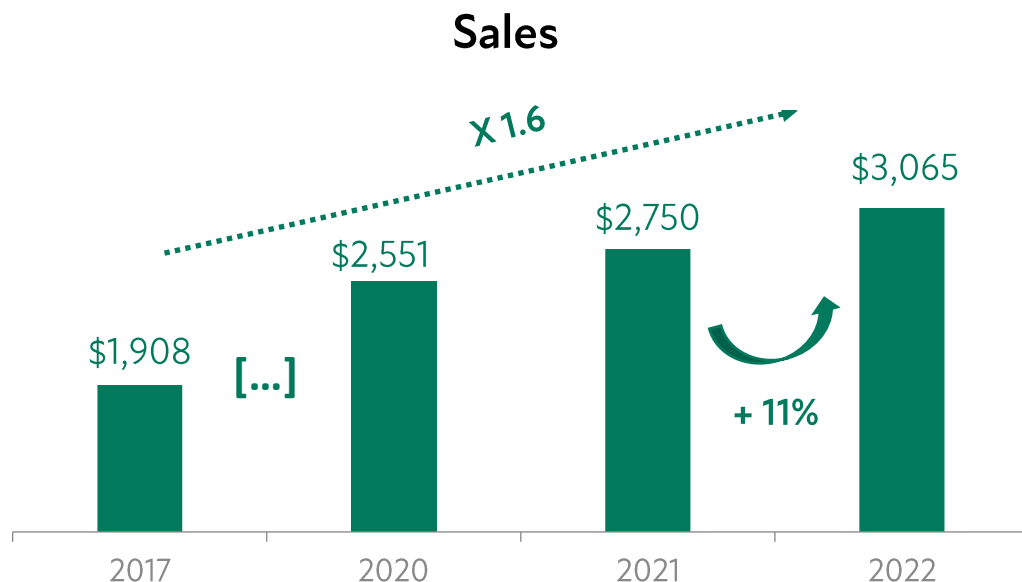
# Financial Outlook



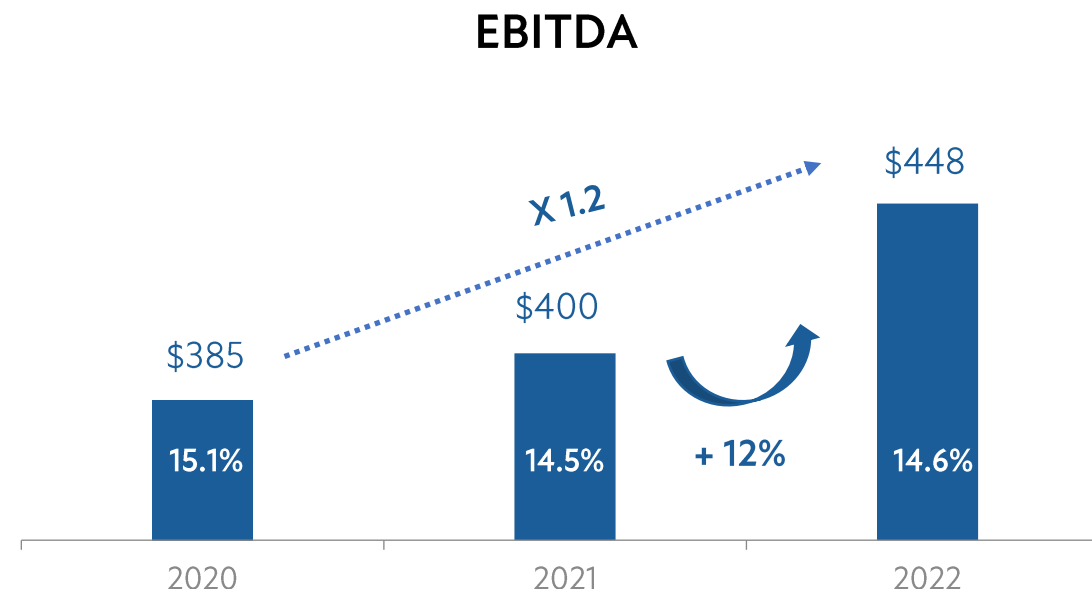


# Track Record of Sustainable and Profitable Growth

(in millions of dollars)



- Strong and steady maintenance-driven demand

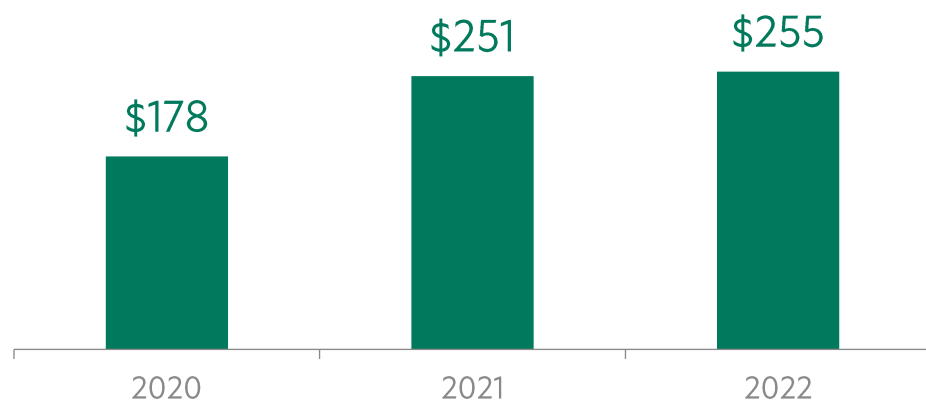


- EBITDA margin remained stable despite challenging macro-economic environment

# Strong Cash Flow Generation

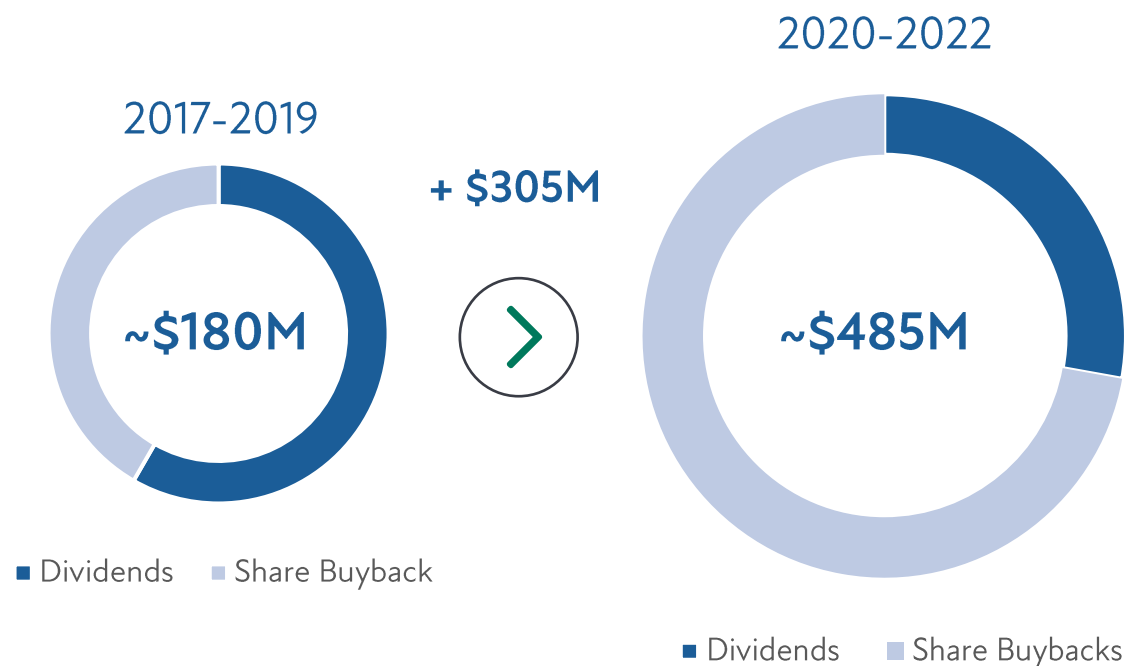
(in millions of dollars)

## 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

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>\$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**

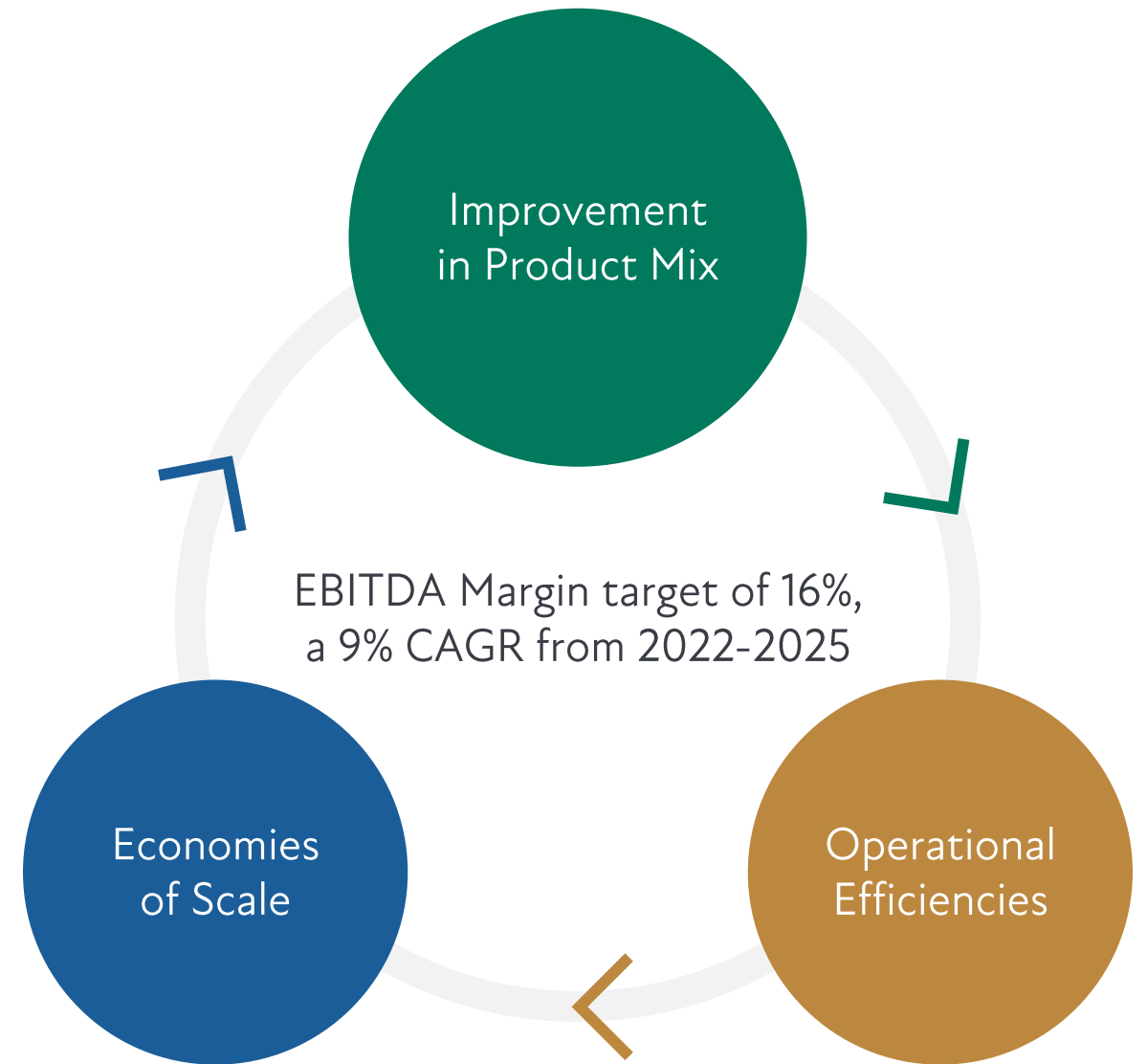
## Total sales:

- >\$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





# Appendix

# Q3 2023 - Financial Highlights

*(in millions of Canadian dollars, except per share data and margins)*

	Q3-23	Q3-22	Variation (\$)	Variation (%)
Sales	949	842	107	13%
Gross Profit	215	139	76	55%
Gross Profit margin	22.7%	16.5%	n/a	620 bps
EBITDA	193	119	74	62%
EBITDA Margin	20.3%	14.1%	n/a	620 bps
Operating income	166	98	68	69%
Operating income margin	17.5%	11.6%	n/a	590 bps
Net income	110	65	45	69%
Earnings per share – basic and diluted	1.91	1.07	0.84	79%
Weighted average shares outstanding (basic, in '000s)	57,690	60,682	(2,992)	(5%)

# YTD Q3 2023 - Financial Highlights

*(in millions of Canadian dollars, except per share data and margins)*

	YTD Q3-23	YTD Q3-22	Variation (\$)	Variation (%)
Sales	2,631	2,400	231	10%
Gross Profit	551	412	139	34%
Gross Profit margin	20.9%	17.2%	n/a	370 bps
EBITDA	488	361	127	35%
EBITDA Margin	18.5%	15.0%	n/a	350 bps
Operating income	410	298	112	38%
Operating income margin	15.6%	12.4%	n/a	320 bps
Net income	270	205	65	32%
Earnings per share – basic and diluted	4.63	3.30	1.33	40%
Weighted average shares outstanding (basic, in '000s)	58,258	62,078	(3,820)	(6%)

# 2022 – Financial Highlights

<i>(in millions of Canadian dollars, except per share data and margins)</i>	2022	2021	Variation (\$)	Variation (%)
Sales	3,065	2,750	315	11%
Gross Profit	524	456	68	15%
Gross Profit margin	17.1%	16.6%	n/a	50 bps
EBITDA	448	400	48	12%
EBITDA Margin	14.6%	14.5%	n/a	10 bps
Operating income	359	326	33	10%
Operating income margin	11.7%	11.9%	n/a	(20 bps)
Net income	241	227	14	6%
Earnings per share – basic and diluted	3.93	3.49	0.44	13%
Weighted average shares outstanding (basic, in ‘000s)	61,421	65,002	(3,581)	(6%)



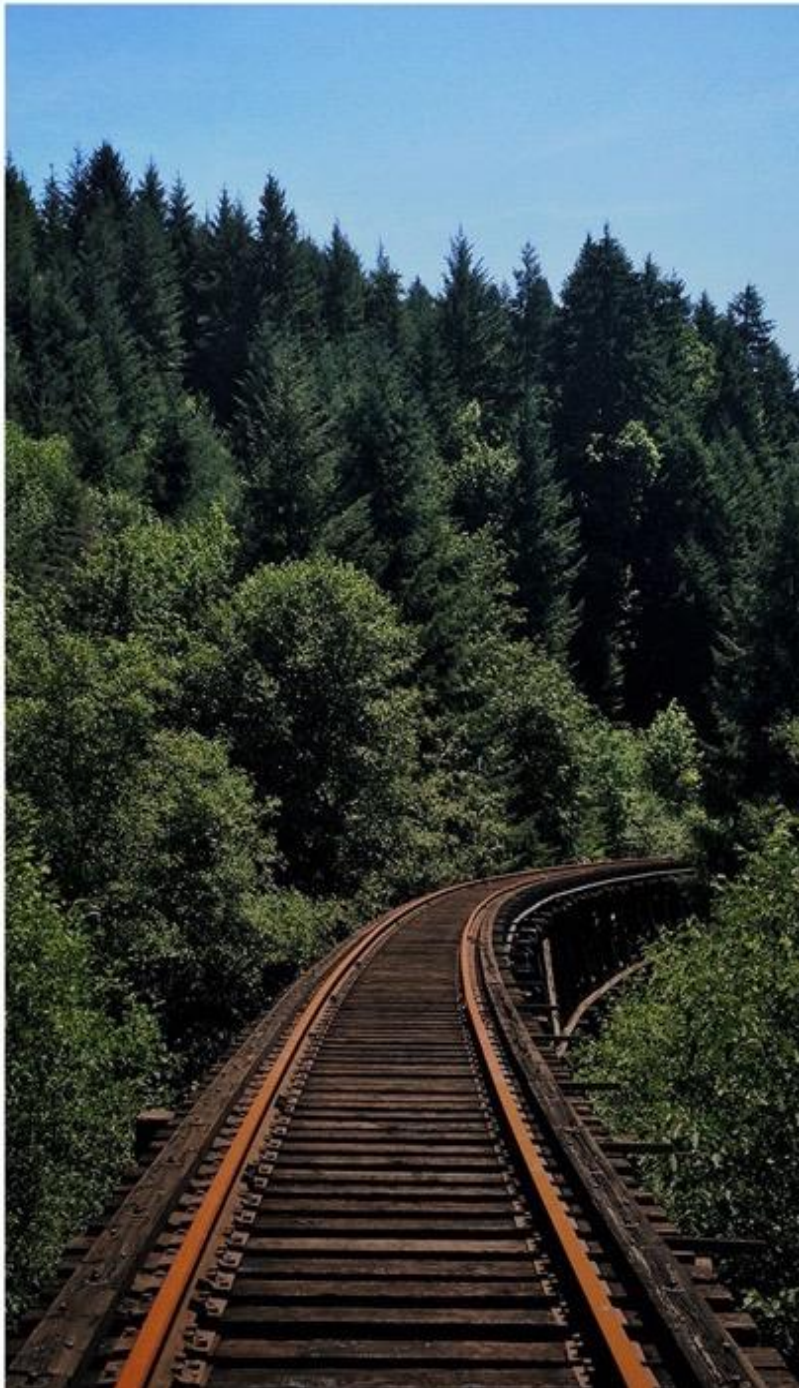
# Cash Flow and Capital Allocation

## Q3 2023 Liquidity Uses:

- Invest in network
- Expand production capacity
- Acquired Baldwin
- Returned capital to shareholders
  - Repurchased >2.2 million shares since November 2022

## Healthy Inventory Position

**Declared Quarterly Dividend  
of \$0.23 per Common Share**





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