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STELLA-JONES ANNOUNCES FIRST QUARTER RESULTS
A strong start to the year following record financial performance in 2023

- **Sales of \$775 million, up 9%, driven by organic sales growth in infrastructure product categories**
- **Record first quarter EBITDA up 30% to \$156 million, a margin of 20.1%**
- **Net income of \$77 million or \$1.36 per share, up 32% from Q1 2023 EPS**

Montreal, Quebec – May 8, 2024 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its first quarter ended March 31, 2024.

“I am pleased with our performance in the first quarter, which marks a strong start to the year and builds upon the momentum we generated in 2023,” said Eric Vachon, President and Chief Executive Officer of Stella-Jones. “Our Q1 performance reflects the ongoing robust fundamental market trends in our infrastructure product categories and an improvement over our solid fourth quarter results. Although we noted a softer pace of purchases by utilities in recent quarters, we are confident that incremental multi-year volume commitments secured from new and existing customers will be realized, highlighting the enduring growth potential of our business.”

“The sustained strength of our results is a testament to our focus on growing our infrastructure business and leveraging our unique competitive advantages. We are drawing on the strength of our customer relationships and expansive network to capitalize on growth opportunities and deliver on our strategic objectives,” concluded Mr. Vachon.

Financial Highlights	Q1-24	Q1-23
(in millions of Canadian dollars, except per share data and margins)		
Sales	775	710
Gross profit ⁽¹⁾	172	136
Gross profit margin ⁽¹⁾	22.2%	19.2%
EBITDA ⁽¹⁾	156	120
EBITDA margin ⁽¹⁾	20.1%	16.9%
Operating income	124	95
Operating income margin ⁽¹⁾	16.0%	13.4%
Net income for the period	77	60
Earnings per share ("EPS") - basic and diluted	1.36	1.03
Weighted average shares outstanding (basic, in '000s)	56,786	58,801

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

FIRST QUARTER RESULTS

Sales in the first quarter of 2024 were up 9% to \$775 million, compared to \$710 million last year. Excluding the contribution from the acquisition of Baldwin Pole and Piling Company, Inc., Baldwin Pole Mississippi, LLC and Baldwin Pole & Piling, Iowa Corporation (collectively, “Baldwin”), sales were up \$51 million, or 7%. The increase was driven by a 10% organic sales growth of the Company’s infrastructure businesses, namely utility poles, railway ties and industrial products, partially offset by lower residential lumber and logs and lumber sales when compared to the same period last year. All infrastructure product categories benefited from higher year-over-year sales prices, while residential lumber sales were unfavourably impacted by the decrease in the market price of lumber when compared to the same period last year.

Pressure-treated wood products:

- **Utility poles (52% of Q1-24 sales):** Utility poles sales increased to \$402 million in the first quarter of 2024, compared to sales of \$362 million in the corresponding period last year. Excluding the contribution from the acquisition of the Baldwin assets, utility poles sales increased by \$26 million, or 7%, driven by higher pricing. While sales volumes were higher compared to the previous quarter, volumes were below levels realized in the first quarter of last year. Incremental multi-year commitments were secured from new and existing customers but the growth in volumes continued to be impacted and deferred by the slower pace of utility poles purchases by certain contract customers.
- **Railway ties (29% of Q1-24 sales):** Railway ties sales increased by \$32 million, or 16%, to \$227 million in the first quarter of 2024, compared to sales of \$195 million in the same period last year. The increase was largely attributable to higher volumes for non-Class 1 business due to the replenished level of ties inventory, as well as sales price increases to cover higher costs, when compared to the same period last year.
- **Residential lumber (11% of Q1-24 sales):** Sales in residential lumber decreased by three million dollars, or 3%, to \$87 million in the first quarter of 2024, compared to sales of \$90 million in the corresponding period last year. This decrease was mainly driven by lower pricing attributable to the decrease in the market price of lumber.
- **Industrial products (5% of Q1-24 sales):** Industrial product sales were \$36 million in the first quarter of 2024, unchanged compared to the corresponding period last year.

Logs and lumber:

- **Logs and lumber (3% of Q1-24 sales):** Logs and lumber sales totaled \$23 million, down 15% compared to the same period last year. The decrease in sales compared to the first quarter last year was largely attributable to less lumber trading activity. Logs sales remained stable as higher log sales activity was offset by the lower market price of logs.

Gross profit was \$172 million in the first quarter of 2024 compared to \$136 million in the corresponding period last year, representing a margin of 22.2% and 19.2%, respectively. The increase in gross profit in absolute dollars and as a percentage of sales was largely due to the margin expansion of the Company’s infrastructure product categories, particularly attributable to the favourable pricing realized for utility poles and railway ties.

Similarly, operating income totaled \$124 million in the first quarter of 2024 versus operating income of \$95 million in the corresponding period of 2023, while EBITDA increased to \$156 million, or a margin of 20.1%, compared to \$120 million, or a margin of 16.9% reported in the first quarter of 2023.

Net income for the first quarter of 2024 was \$77 million, or \$1.36 per share, compared to net income of \$60 million, or \$1.03 per share, in the corresponding period of 2023.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ended March 31, 2024, Stella-Jones used its liquidity to support the seasonal increase in working capital requirements, maintain its assets, expand production capacity, as well as repurchase \$15 million of shares. During the quarter, the Company also declared a dividend totaling \$16 million.

During the first quarter of 2024, the Company amended and restated the syndicated credit agreement in order to increase the amount available under the unsecured revolving credit facility to US\$600 million and extend the term of the US\$475 million tranche to February 27, 2028, and the US\$125 million tranche to February 27, 2026.

As at March 31, 2024, the net debt-to-EBITDA⁽¹⁾ ratio was above the target range, at 2.7x, largely explained by the seasonal increase in working capital requirements in the first quarter of each year.

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

QUARTERLY DIVIDEND

On May 7, 2024, the Board of Directors declared a quarterly dividend of \$0.28 per common share payable on June 21, 2024 to shareholders of record at the close of business on June 3, 2024. This dividend is designated to be an eligible dividend.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Stella-Jones will hold its Annual and Special Meeting of Shareholders on May 8, 2024, at 10:00 a.m. Eastern Daylight Time ("EDT"). Interested parties may attend in-person at: 1250 René-Lévesque Blvd. West, suite 3610 Montréal, Québec or virtually by webcast at: <https://web.lumiagm.com/499511552> entering the password: stella2024 (case-sensitive).

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 8, 2024, at 1:30 p.m. EDT. 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/411019516>. This recording will be available on Wednesday, May 8, 2024, as of 4:30 p.m. until 11:59 p.m. on Wednesday, May 15, 2024.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading North American manufacturer of pressure-treated wood products, focused on supporting infrastructure that is essential to the delivery of electrical distribution and transmission, and the operation and maintenance of railway transportation systems. 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' infrastructure product categories also include industrial products, namely 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.

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, operational disruption, 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 first quarter ended March 31, 2024 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)

For the three-month periods ended March 31, 2024 and 2023

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

	2024	2023
Sales	775	710
Expenses		
Cost of sales (including depreciation and amortization of \$28 (2023 - \$21))	603	574
Selling and administrative (including depreciation and amortization of \$4 (2023 - \$4))	47	41
Other losses, net	1	—
	<u>651</u>	<u>615</u>
Operating income	<u>124</u>	<u>95</u>
Financial expenses	<u>22</u>	<u>14</u>
Income before income taxes	<u>102</u>	<u>81</u>
Income tax expense		
Current	24	24
Deferred	1	(3)
	<u>25</u>	<u>21</u>
Net income	<u>77</u>	<u>60</u>
Basic and diluted earnings per common share	<u>1.36</u>	<u>1.03</u>

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in millions of Canadian dollars)

	As at March 31, 2024	As at December 31, 2023
Assets		
Current assets		
Accounts receivable	398	308
Inventories	1,723	1,580
Income taxes receivable	12	11
Other current assets	42	48
	<u>2,175</u>	<u>1,947</u>
Non-current assets		
Property, plant and equipment	934	906
Right-of-use assets	291	285
Intangible assets	168	169
Goodwill	383	375
Derivative financial instruments	25	21
Other non-current assets	7	5
	<u>3,983</u>	<u>3,708</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	234	204
Income taxes payable	18	—
Current portion of long-term debt	1	100
Current portion of lease liabilities	56	54
Current portion of provisions and other long-term liabilities	32	26
	<u>341</u>	<u>384</u>
Non-current liabilities		
Long-term debt	1,444	1,216
Lease liabilities	245	240
Deferred income taxes	181	175
Provisions and other long-term liabilities	29	31
Employee future benefits	9	10
	<u>2,249</u>	<u>2,056</u>
Shareholders' equity		
Capital stock	189	189
Retained earnings	1,376	1,329
Accumulated other comprehensive income	169	134
	<u>1,734</u>	<u>1,652</u>
	<u>3,983</u>	<u>3,708</u>

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three-month periods ended March 31, 2024 and 2023

(expressed in millions of Canadian dollars)

	2024	2023
Cash flows from (used in)		
Operating activities		
Net income	77	60
Adjustments for		
Depreciation of property, plant and equipment	11	9
Depreciation of right-of-use assets	16	12
Amortization of intangible assets	5	4
Financial expenses	22	14
Income tax expense	25	21
Other	3	2
	<u>159</u>	<u>122</u>
Changes in non-cash working capital components		
Accounts receivable	(94)	(103)
Inventories	(117)	(138)
Other current assets	7	(2)
Accounts payable and accrued liabilities	11	11
	<u>(193)</u>	<u>(232)</u>
Interest paid	(22)	(15)
Income taxes paid	(6)	(7)
	<u>(62)</u>	<u>(132)</u>
Financing activities		
Net change in revolving credit facilities	41	217
Proceeds from long-term debt	168	—
Repayment of long-term debt	(102)	—
Repayment of lease liabilities	(15)	(11)
Repurchase of common shares	(15)	(30)
Other	—	(1)
	<u>77</u>	<u>175</u>
Investing activities		
Business combinations	—	(13)
Purchase of property, plant and equipment	(23)	(28)
Property insurance proceeds	10	—
Additions of intangible assets	(2)	(2)
	<u>(15)</u>	<u>(43)</u>
Net change in cash and cash equivalents during the period	<u>—</u>	<u>—</u>
Cash and cash equivalents – Beginning of period	<u>—</u>	<u>—</u>
Cash and cash equivalents – End of period	<u>—</u>	<u>—</u>

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 and are used to evaluate senior management’s 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 March 31,	
	2024	2023
Operating income	124	95
Depreciation and amortization	32	25
EBITDA	156	120

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	As at March 31, 2024	As at December 31, 2023
Long-term debt, including current portion	1,445	1,316
Add:		
Lease liabilities, including current portion	301	294
Net Debt	1,746	1,610
EBITDA (TTM)	644	608
Net Debt-to-EBITDA	2.7x	2.6x