

Source: Stella-Jones Inc.

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**STELLA-JONES ANNOUNCES THIRD QUARTER RESULTS
AND UPDATES 2023-2025 FINANCIAL OBJECTIVES**

- **Sales of \$915 million compared to \$949 million in prior year quarter**
- **Operating income of \$130 million, a decrease of \$36 million year over year**
- **EBITDA⁽¹⁾ of \$162 million, or 17.7% margin⁽¹⁾**
- **Net income of \$80 million or \$1.42 per share**
- **Three-year objectives updated to sales of approximately \$3.6 billion and EBITDA margin > 17%**
- **Normal Course Issuer Bid announced for 2024-2025**

Montreal, Quebec – November 6, 2024 - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its third quarter ended September 30, 2024.

“Stella-Jones' strategy is, as always, rooted in the long-term growth of our resilient infrastructure business. In the third quarter, despite strong long-term demand tailwinds, we witnessed a slower pace of purchases by our utility customers. Though total sales were lower than anticipated, we delivered a solid quarter EBITDA margin of 17.7% and strong operating cashflows,” said Eric Vachon, President and Chief Executive Officer of Stella-Jones. “Year-to-date, sales were higher and our profit margins remained above target levels. Based on utilities' current purchasing behaviour and the Company's solid margin performance, we are updating our three-year financial objectives to sales of approximately \$3.6 billion by 2025 and an EBITDA margin of more than 17%.”

“Utilities continue to forecast meaningful increases in infrastructure investments, evidenced by the longer-term sales contracts secured from new and existing customers. These commitments support our confidence in the solid and sustained growth in demand for utility poles. With our compelling infrastructure offering, robust available capacity and strong balance sheet, we are enthusiastic about the opportunities for continued growth and enhanced profitability,” concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except ratios and per share data)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2024	2023	2024	2023
Sales	915	949	2,739	2,631
Gross profit ⁽¹⁾	188	215	586	551
Gross profit margin ⁽¹⁾	20.5%	22.7%	21.4%	20.9%
Operating income	130	166	422	410
Operating income margin ⁽¹⁾	14.2%	17.5%	15.4%	15.6%
EBITDA ⁽¹⁾	162	193	518	488
EBITDA margin ⁽¹⁾	17.7%	20.3%	18.9%	18.5%
Net income	80	110	267	270
Earnings per share (“EPS”) - basic and diluted	1.42	1.91	4.72	4.63
Weighted average shares outstanding (basic, in ‘000s)	56,293	57,690	56,554	58,258
As at	September 30, 2024		December 31, 2023	
Net debt-to-EBITDA ⁽¹⁾	2.5x		2.6x	

⁽¹⁾ These indicated terms have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. For more information, please refer to the section entitled “Non-GAAP and Other Financial Measures” of this press release for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

THIRD QUARTER RESULTS

Sales in the third quarter of 2024 were \$915 million, compared to sales of \$949 million for the corresponding period last year. Excluding the positive effect of currency conversion, sales were down \$44 million, or 5%. The decrease was driven by lower volumes across all product categories, partially offset by higher pricing to cover increased costs. Volumes for infrastructure product categories, namely utility poles, railway ties and industrial products, were impacted by the slower pace of purchases and a deferral in the execution of projects by utilities, and a reduction in the maintenance program of certain railroads, while residential lumber volumes were lower due to softer consumer demand.

Pressure-treated wood products:

- **Utility poles (49% of Q3-24 sales):** Utility poles sales increased to \$448 million in the third quarter of 2024, compared to sales of \$438 million in the corresponding period last year. Excluding the currency conversion effect, utility poles sales increased by four million dollars, or 1%. Higher pricing to cover increased costs more than offset the decrease in volumes when compared to the same period last year. The lower sales volumes in the third quarter were largely explained by the slower pace of purchases and a deferral in the execution of projects by utilities, largely influenced by economic factors, including inflation and utilities’ supply chain constraints, as well as timing of utilities’ rate-based funding.
- **Railway ties (22% of Q3-24 sales):** Railway ties sales decreased by \$25 million to \$205 million in the third quarter of 2024, compared to sales of \$230 million in the same period last year. Excluding the currency conversion effect, sales of railway ties decreased by \$28 million, or 12%, largely attributable to lower sales volumes explained by the reduction in the maintenance program of certain Class 1 customers and timing of shipments.
- **Residential lumber (21% of Q3-24 sales):** Sales in residential lumber decreased by \$11 million to \$191 million in the third quarter of 2024, compared to sales of \$202 million in the corresponding period last year. This decrease was mainly driven by lower sales volumes due to softer consumer demand.
- **Industrial products (4% of Q3-24 sales):** Industrial product sales were \$41 million, compared to \$42 million in the corresponding period last year.

Logs and lumber:

- **Logs and lumber (4% of Q3-24 sales):** Logs and lumber sales totaled \$30 million, compared to \$37 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 lower log sales activity was offset by the higher market price of logs.

Gross profit was \$188 million in the third quarter of 2024 compared to \$215 million in the corresponding period last year, representing a margin of 20.5% and 22.7%, respectively. The decrease in gross profit was largely driven by lower sales volumes across all product categories.

Similarly, operating income totaled \$130 million in the third quarter of 2024 versus operating income of \$166 million in the corresponding period of 2023. EBITDA totaled \$162 million, representing a margin of 17.7%, compared to \$193 million, or a margin of 20.3% reported in the corresponding period last year.

Net income for the third quarter of 2024 was \$80 million, or \$1.42 per share, compared to net income of \$110 million, or \$1.91 per share, in the corresponding period of 2023.

NINE-MONTH RESULTS

For the first nine months of 2024, sales amounted to \$2,739 million, versus \$2,631 million for the corresponding period 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 of \$25 million and the currency conversion of \$22 million, pressure-treated wood sales rose by \$79 million, or 3%, while logs and lumber sales decreased by \$18 million, or 19%. The pressure-treated wood sales growth was driven by the increase in infrastructure sales. Favourable pricing for utility poles and pricing and volumes gains for railway ties were only partially offset by lower utility poles volumes. The increase in infrastructure sales was largely offset by the softer demand for residential lumber and less logs sales and lumber trading activity compared to the same period last year.

Gross profit increased to \$586 million, or 21.4% of sales in the first nine months of 2024, from \$551 million or 20.9% of sales, in the corresponding period last year. Similarly, operating income amounted to \$422 million, versus \$410 million a year ago, while EBITDA was \$518 million, compared to \$488 million in the prior year and EBITDA margin expanded from 18.5% in 2023 to 18.9% in 2024.

Net income in the first nine months of 2024 was \$267 million, or \$4.72 per share, versus net income of \$270 million, or \$4.63 per share, in the corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter ended September 30, 2024, Stella-Jones used the cash generated from operations of \$186 million to maintain its assets and pursue its growth capital expenditure, as well as reduce long-term debt and return capital to shareholders.

During the first nine months of the year, the Company returned \$112 million to its shareholders, through dividends of \$47 million and share repurchases of \$65 million. Since the beginning of the Normal Course Issuer Bid (“NCIB”) on November 14, 2023, the Company repurchased a total of 1,015,670 common shares for cancellation in consideration of \$85 million.

As at September 30, 2024, the Company had a total of \$342 million available under its credit facilities and maintained a solid financial position with a net debt-to-EBITDA of 2.5x.

Subsequent to quarter-end, the Company issued \$400 million aggregate principal amount of 4.312% senior unsecured notes, due October 1st, 2031. The Company used the net proceeds of this offering to repay existing

indebtedness under its revolving credit facilities.

ANNOUNCEMENT OF NORMAL COURSE ISSUER BID

Given the highly cash generative nature of the Company's business, in November 2024, the Company's Board of Directors authorized a new NCIB for share repurchases. On November 6, 2024, 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.

UPDATED 2023-2025 FINANCIAL OBJECTIVES

The Company has updated its 2023-2025 financial objectives to reflect lower than expected organic sales growth and a higher EBITDA margin, compared with the financial objectives set in May 2023. The projections do not include the impact of potential future acquisitions and assume that foreign currency exchange rates remain generally consistent with current levels.

- Sales are now expected to be approximately \$3.6 billion by 2025, compared to organic sales greater than \$3.6 billion, previously set out in the three-year financial objectives. This update was driven by the lower-than-anticipated organic sales growth for utility poles, largely influenced by customers' current purchasing behaviour.
- EBITDA margin is expected to exceed 17% and compares with the prior projection of 16%. This reflects an 11% EBITDA compound annual growth rate for the 2023 to 2025 period, compared to the prior growth expectation of 9%.

QUARTERLY DIVIDEND

On November 5, 2024, the Board of Directors declared a quarterly dividend of \$0.28 per common share payable on December 20, 2024 to shareholders of record at the close of business on December 2, 2024. This dividend is designated to be an eligible dividend.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on November 6, 2024, at 10:00 a.m. Eastern Standard Time ("EST"). 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://meetings.lumiconnect.com/400-522-443-288>. This recording will be available on Wednesday, November 6, 2024, as of 1:00 p.m. EST until 11:59 p.m. EST on Wednesday, November 13, 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. It also supports infrastructure with 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 third quarter ended September 30, 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)

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Sales	915	949	2,739	2,631
Expenses				
Cost of sales (including depreciation and amortization (3 months - \$29 (2023 - \$23) and 9 months - \$85 (2023 - \$66))	727	734	2,153	2,080
Selling and administrative (including depreciation and amortization (3 months - \$3 (2023 - \$4) and 9 months - \$11 (2023 - \$12))	53	48	156	137
Other losses, net	5	1	8	4
	<u>785</u>	<u>783</u>	<u>2,317</u>	<u>2,221</u>
Operating income	<u>130</u>	<u>166</u>	<u>422</u>	<u>410</u>
Financial expenses	<u>23</u>	<u>17</u>	<u>65</u>	<u>47</u>
Income before income taxes	<u>107</u>	<u>149</u>	<u>357</u>	<u>363</u>
Income tax expense				
Current	24	40	84	95
Deferred	3	(1)	6	(2)
	<u>27</u>	<u>39</u>	<u>90</u>	<u>93</u>
Net income	<u>80</u>	<u>110</u>	<u>267</u>	<u>270</u>
Basic and diluted earnings per common share	<u>1.42</u>	<u>1.91</u>	<u>4.72</u>	<u>4.63</u>

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in millions of Canadian dollars)

	As at September 30, 2024	As at December 31, 2023
Assets		
Current assets		
Accounts receivable	370	308
Inventories	1,616	1,580
Income taxes receivable	1	11
Other current assets	55	48
	<u>2,042</u>	<u>1,947</u>
Non-current assets		
Property, plant and equipment	974	906
Right-of-use assets	305	285
Intangible assets	164	169
Goodwill	382	375
Derivative financial instruments	16	21
Other non-current assets	7	5
	<u>3,890</u>	<u>3,708</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	192	204
Income taxes payable	19	—
Current portion of long-term debt	1	100
Current portion of lease liabilities	60	54
Current portion of provisions and other long-term liabilities	26	26
	<u>298</u>	<u>384</u>
Non-current liabilities		
Long-term debt	1,283	1,216
Lease liabilities	257	240
Deferred income taxes	183	175
Provisions and other long-term liabilities	34	31
Employee future benefits	6	10
	<u>2,061</u>	<u>2,056</u>
Shareholders' equity		
Capital stock	188	189
Retained earnings	1,485	1,329
Accumulated other comprehensive income	156	134
	<u>1,829</u>	<u>1,652</u>
	<u>3,890</u>	<u>3,708</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,	
	2024	2023	2024	2023
Cash flows from (used in)				
Operating activities				
Net income	80	110	267	270
Adjustments for				
Depreciation of property, plant and equipment	11	9	34	28
Depreciation of right-of-use assets	17	14	49	38
Amortization of intangible assets	4	4	13	12
Financial expenses	23	17	65	47
Income tax expense	27	39	90	93
Other	5	(1)	5	4
	<u>167</u>	<u>192</u>	<u>523</u>	<u>492</u>
Changes in non-cash working capital components				
Accounts receivable	70	25	(68)	(98)
Inventories	27	(48)	(14)	(163)
Other current assets	—	(1)	(6)	(11)
Accounts payable and accrued liabilities	(34)	5	(13)	38
	<u>63</u>	<u>(19)</u>	<u>(101)</u>	<u>(234)</u>
Interest paid	(25)	(21)	(67)	(50)
Income taxes paid	(19)	(22)	(54)	(83)
	<u>186</u>	<u>130</u>	<u>301</u>	<u>125</u>
Financing activities				
Net change in revolving credit facilities	(83)	36	(117)	251
Proceeds from long-term debt	—	—	168	—
Repayment of long-term debt	(1)	—	(103)	(1)
Repayment of lease liabilities	(16)	(13)	(46)	(36)
Dividends on common shares	(15)	(13)	(47)	(40)
Repurchase of common shares	(30)	(45)	(65)	(105)
Other	1	1	1	1
	<u>(144)</u>	<u>(34)</u>	<u>(209)</u>	<u>70</u>
Investing activities				
Business combinations	(4)	(52)	(4)	(85)
Purchase of property, plant and equipment	(35)	(42)	(91)	(103)
Property insurance proceeds	—	—	10	—
Additions of intangible assets	(3)	(2)	(7)	(7)
	<u>(42)</u>	<u>(96)</u>	<u>(92)</u>	<u>(195)</u>
Net change in cash and cash equivalents during the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents – Beginning of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents – End of period	<u>—</u>	<u>—</u>	<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 financial measures, non-GAAP ratios and other financial 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 measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures, non-GAAP ratios and other 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 financial measures include:

- **Operating income margin:** Operating income divided by sales for the corresponding period

Management considers these non-GAAP and specified financial measures to be useful information to assist knowledgeable investors to understand the Company’s financial position, operating results 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 September 30,		Nine-month periods ended September 30,	
	2024	2023	2024	2023
Operating income	130	166	422	410
Depreciation and amortization	32	27	96	78
EBITDA	162	193	518	488

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	As at September 30, 2024	As at December 31, 2023
Long-term debt, including current portion	1,284	1,316
Add:		
Lease liabilities, including current portion	317	294
Net Debt	1,601	1,610
EBITDA (TTM)	638	608
Net Debt-to-EBITDA	2.5x	2.6x