

# INVESTOR FACT SHEET

**Stella-Jones**  


## Q3 2021

ENDED SEPTEMBER 30

**TSX: SJ** (as at November 9, 2021)

Price: **\$42.37**

High: **\$54.09**

Low: **\$39.95**

(52 weeks ended November 9, 2021)

Number of Shares Outstanding:  
**64,485,647** (September 30, 2021)

## THIRD QUARTER HIGHLIGHTS

- Sales of \$679 million, a decrease of 8%
- EBITDA of \$69 million, or a margin of 10.2%, including a \$7 million write-down provision for inventory
- Net income of \$34 million, or \$0.52 per share
- Revised 2021 EBITDA forecast to about \$400 million
- Acquisitions of wood treating facilities in Alabama expected to close before year-end
- Announced a Normal Course Issuer Bid
- Published Environmental, Social and Governance (“ESG”) Report

**Stella-Jones Inc. (TSX: SJ)** is a leading producer and marketer of pressure-treated wood products. The Company supplies North America's electrical utilities and telecommunication companies with utility poles, and the continent's railroad operators with railway ties and timbers. Stella-Jones also manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

## A WORD FROM MANAGEMENT

Our third quarter results reflect the impact of the normalization of lumber market conditions and the increase in the cost of untreated railway ties which outpaced price adjustments. With the improvement in pricing and demand for residential lumber in the latter part of the quarter and the continued strong sales growth for utility poles, we are confident that we will deliver solid EBITDA in 2021. We are also excited about the prospects for 2022. The recently-announced agreements to purchase wood treating facilities in the U.S. southeast will expand our capability to supply the needs of North America's utility pole industry and strengthen our leadership position in the product categories that we serve.

We continue to maintain a solid balance sheet, generating \$225 million of cash from operations during the quarter. Given the Company's strong cash flow generation, we announced today our intention to repurchase up to 4,000,000 of the Company's outstanding shares, under a Normal Course Issuer Bid, commencing on November 12, 2021. With our financial strength, scale and focus on execution and innovation, we continue to be well positioned to drive continued growth and generate solid returns for our shareholders.

**Éric Vachon**

President and CEO

November 9, 2021

## FINANCIAL HIGHLIGHTS

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

	Quarters ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2021	2020	2021	2020
Sales	679	742	2,205	2,018
Gross profit <sup>(1)</sup>	82	147	391	361
Gross profit margin <sup>(1)</sup>	12.1%	19.7%	17.7%	17.9%
EBITDA <sup>(1)</sup>	69	132	348	315
EBITDA margin <sup>(1)</sup>	10.2%	17.8%	15.8%	15.6%
Operating income	51	113	294	259
Operating income margin <sup>(1)</sup>	7.5%	15.2%	13.3%	12.8%
Net income for the period	34	79	205	176
Earnings per share – basic and diluted	0.52	1.17	3.14	2.60
Weighted average shares outstanding (basic, in '000s)	64,664	67,437	65,238	67,462

<sup>(1)</sup> This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

## RECENT EVENTS

**November 9, 2021** – Stella-Jones Inc. announced that the Toronto Stock Exchange has accepted its Notice of Intention to Make a Normal Course Issuer Bid (the “Notice”). Pursuant to the Notice, Stella-Jones may, during the 12-month period commencing November 12, 2021 and ending November 11, 2022, purchase for cancellation, up to 4,000,000 Common Shares, representing approximately 8% of the public float of its Common Shares.

**November 8, 2021** – The Board of Directors declared a quarterly dividend of \$0.18 per common share payable on December 17, 2021 to shareholders of record at the close of business on December 1, 2021. This dividend is designated to be an eligible dividend.

**November 3, 2021** – Stella-Jones, through its U.S. subsidiary, announced that it has entered into an agreement to purchase the shares of Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. for US\$66 million and US\$36.5 million, respectively, subject to post-closing working capital adjustments. Both transactions are scheduled to close prior to the end of December 2021.

## 5-YEAR FINANCIAL REVIEW

(in millions of Canadian dollars, except per share data and margins)	Trailing 12 months	2020	2019	2018 <sup>3</sup>	2017 <sup>3</sup>
Sales <sup>(1)</sup>	<b>2,738</b>	2,551	2,189	2,144	1,908
EBITDA <sup>(2)</sup>	<b>418</b>	385	313	244	243
EBITDA margin <sup>(2)</sup>	<b>15.3%</b>	15.1%	14.3%	11.4%	12.7%
Operating income	<b>344</b>	309	242	206	207
Operating income margin <sup>(2)</sup>	<b>12.6%</b>	12.1%	11.1%	9.6%	10.9%
Net Income for the period	<b>239</b>	210	163	138	168
Per common share – diluted	<b>3.65</b>	3.12	2.37	1.98	2.42

<sup>(1)</sup> Figures have been adjusted to conform to the current period presentation.

<sup>(2)</sup> This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

Please refer to the non-IFRS financial measures described in the Company’s management’s discussion and analysis.

<sup>(3)</sup> Results for fiscal 2018 and prior years were not restated as permitted by IFRS 16, *Leases*.

## UPDATED OUTLOOK

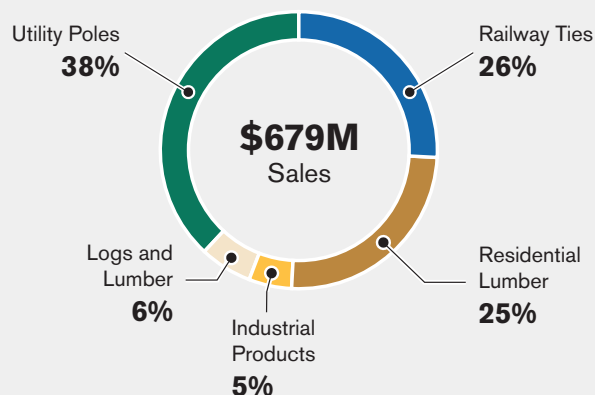
The Company now assumes EBITDA to be close to \$400 million, reflecting a greater than expected margin compression for residential lumber, higher untreated railway tie costs and anticipated softer demand from Class 1 railway tie customers. Excluding the impact of the currency conversion, the Company expects sales growth in 2021 compared to 2020 to be at the lower end of its previous assumption of an increase in the low-to-high teens range. Stella-Jones remains confident that it will deliver solid EBITDA in 2021 and that its EBITDA margin, as a percentage of sales, will be comparable to 2020.

This financial guidance for 2021 continues to anticipate a reduction of approximately \$130 million in sales from the depreciation of the value of the U.S. dollar relative to the Canadian dollar to C\$1.25 per U.S. dollar.

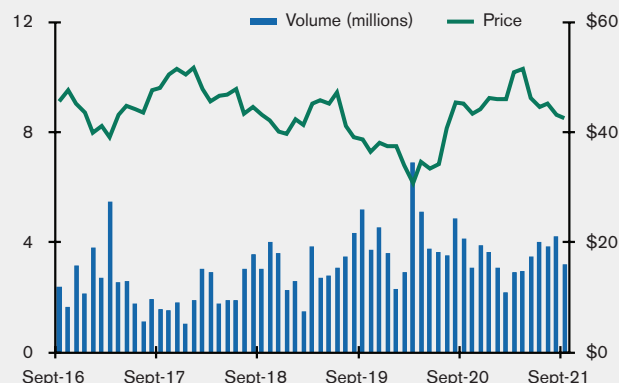
Based on current market conditions and assuming the conclusion of the acquisitions of Cahaba Pressure and Cahaba Timber, management is forecasting sales, EBITDA and EBITDA margin in 2022 to be comparable to the solid results expected in 2021. The Company anticipates that the robust demand for utility poles, the sustained railway ties maintenance demand and the contribution from the pending acquisitions will offset the normalization of residential lumber sales in 2022.

The Company’s financial guidance is based on its current outlook and takes into account a number of economic and market assumptions. Please refer to the Company’s Management’s Discussion and Analysis for a complete list of assumptions.

## PRODUCT CATEGORIES (in % of Q3 2021 sales)



## STOCK PERFORMANCE



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### INVESTOR RELATIONS

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### ANALYST COVERAGE

Troy Sun	Laurentian Bank Securities
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Hamir Patel	CIBC World Markets
Benoît Poirier	Desjardins Securities
Jim Byrne	Acumen Capital Finance Partners
Walter Spracklin	RBC Capital Markets
Michael Tupholme	TD Securities
Maxim Sytchev	National Bank Financial