

INVESTOR FACT SHEET

Stella-Jones


Q1 2022

ENDED MARCH 31

TSX: SJ (as at April 30, 2022)

Price: **\$35.50**

High: **\$54.09**

Low: **\$34.01**
(52 weeks ended April 30, 2022)

Number of Shares Outstanding:

62,476,308 (May 10, 2022)

FIRST QUARTER HIGHLIGHTS

- Sales of \$651 million, up 4%
- Strong organic sales growth in infrastructure-related businesses
- EBITDA⁽¹⁾ of \$88 million, or a margin⁽¹⁾ of 13.5%
- Net income reached \$46 million, or \$0.73 per share

Stella-Jones Inc. (TSX:SJ) Stella-Jones is North America's leading producer of pressure-treated wood products. It supplies all 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 and manufactures and distributes premium residential lumber and accessories. The Company's common shares are listed on the Toronto Stock Exchange.

A WORD FROM MANAGEMENT

With 2022 underway, we are pleased to report first quarter results that delivered on our expectations. Sales increased quarter-over-quarter primarily due to strong organic growth in our infrastructure-related businesses and contributions from the recent Cahaba acquisitions. This growth was largely offset by lower residential lumber sales which, coupled with increasing input costs, pressured our margins. While contractual price adjustments are being implemented to cover escalating costs across the industry supply chain, we anticipate a certain degree of lag until the cost environment stabilizes.

In terms of market dynamics, customer demand for utility poles remains robust, based on planned infrastructure investments as well as ongoing replacement programs by utility and telecommunication companies. The trend for railway ties is also positive for 2022, although we are experiencing longer than expected tightness in the market supply for untreated ties. Residential lumber sales in the first quarter were higher than expected, but the peak summer season will be more telling as to the overall performance of this business for the year. In short, we are laying the foundation to achieve our three-year strategic plan and our performance for the first quarter provides a good start.

Éric Vachon
President and CEO
May 11, 2022

FINANCIAL HIGHLIGHTS

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

	Quarters ended	
	March 31,	
	(unaudited)	
	2022	2021
Sales	651	623
Gross profit ⁽¹⁾	100	112
Gross profit margin ⁽¹⁾	15.4%	18.0%
EBITDA ⁽¹⁾	88	99
EBITDA margin ⁽¹⁾	13.5%	15.9%
Operating income	67	82
Operating income margin ⁽¹⁾	10.3%	13.2%
Net income for the period	46	56
Earnings per share – basic and diluted	0.73	0.85
Weighted average shares outstanding (basic, in '000s)	63,272	65,711

⁽¹⁾ These 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. Please refer to the non-GAAP and other financial measures in the Company's Management's Discussion and Analysis.

RECENT EVENTS

May 10, 2022 — The Board of Directors declared a quarterly dividend of \$0.20 per common share payable on June 22, 2022 to shareholders of record at the close of business on June 1, 2022. This dividend is designated to be an eligible dividend.

5-YEAR FINANCIAL REVIEW

(in millions of Canadian dollars, except per share data and margins)	Trailing 12 months	2021	2020	2019	2018 ⁽²⁾
Sales	2,778	2,750	2,551	2,189	2,144
EBITDA ⁽¹⁾	389	400	385	313	244
EBITDA margin ⁽¹⁾	14.0%	14.5%	15.1%	14.3%	11.4%
Operating income	311	326	309	242	206
Operating income margin ⁽¹⁾	11.2%	11.9%	12.1%	11.1%	9.6%
Net income for the period	217	227	210	163	138
Per common share – diluted	3.37	3.49	3.12	2.37	1.98

⁽¹⁾ These 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.

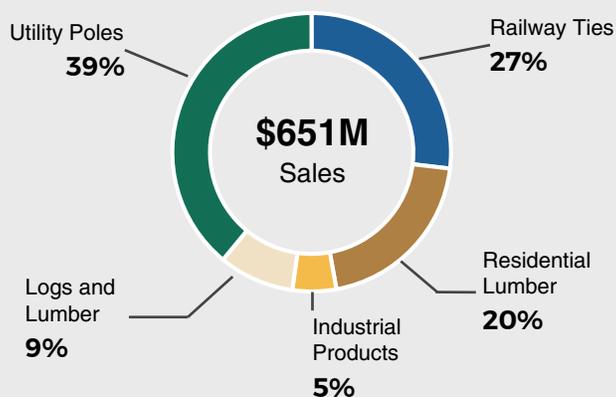
⁽²⁾ Results for fiscal 2018 were not restated as permitted by IFRS 16, Leases.

OUTLOOK

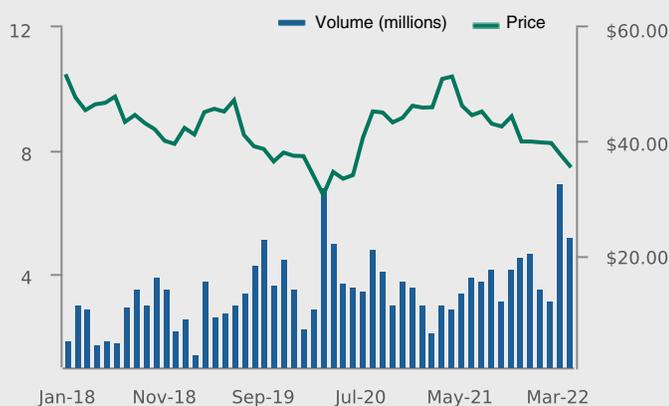
- To better reflect its business dynamics, the Company has shifted its financial guidance to a three-year outlook.
- For the 2022-2024 period, the Company expects to generate a compound annual sales growth rate in the mid-single digit range from 2019 pre-pandemic levels to 2024 and continues to target EBITDA margin of approximately 15%.
- By core product categories for the 2022-2024 period:
 - Utility poles: the Company projects organic growth in the high single-digits;
 - Railway ties: the Company expects growth in the low single-digits;
 - Residential lumber: the Company anticipates stable long-term demand but believes the market price of lumber will normalize. As a result, the Company expects sales to decrease versus 2021 and assumes sales will be approximately 35% above 2019 pre-pandemic levels.
- By 2024, the relative proportion of infrastructure-related sales (utility poles, railway ties and industrial products) is expected to represent 75-80% of total sales with the relative proportion of residential lumber sales projected to stabilize to 20-25%.
- The Company expects capital investment of \$90 to \$100 million to support the growing demand of its infrastructure-related customer base, in addition to the \$50 to \$60 million of annual capital expenditures.
- The Company projects returning to shareholders approximately \$500 to \$600 million in the 2022-2024 period.
- The Company plans to pursue acquisitions in its infrastructure-related products categories and to evaluate growth opportunities in adjacent businesses.
- The Company targets leverage ratio of 2.0x-2.5x and may temporarily deviate and exceed its target to pursue acquisitions.

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 Q1 2022 sales)



STOCK PERFORMANCE



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INVESTOR RELATIONS

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ANALYST COVERAGE

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