

# INVESTOR FACT SHEET

**Stella-Jones**  


**Q2 2022**  
**ENDED JUNE 30**

**TSX: SJ** (as at July 31, 2022)

Price: **\$38.01**

High: **\$46.51**

Low: **\$30.54**  
 (52 weeks ended July 31, 2022)

Number of Shares Outstanding:  
**60,868,720** (August 9, 2022)

## SECOND QUARTER HIGHLIGHTS

- Sales increased to \$907 million, despite the normalization of residential lumber sales
- 10% organic growth for infrastructure-related businesses
- EBITDA<sup>(1)</sup> of \$154 million, or a healthy margin of 17.0%
- Net income of \$94 million, or \$1.51 per share
- Strong cash flow generation of \$228 million

**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 treated residential lumber and accessories. The Company's common shares are listed on the Toronto Stock Exchange.

## A WORD FROM MANAGEMENT

Stella-Jones recorded solid results in the second quarter, above market performance, delivering sequentially higher margins and generating significant cash. We are particularly pleased with the performance of our infrastructure-related businesses, which speaks highly to the wide reach of our expanded network and to our procurement and logistics capabilities to continue to meet strong demand. While inflationary pressures impacted costs of all product categories, we continued to successfully implement contractual price adjustments and generate healthy margins, underscoring the strength of our business model.

Based on the strong progress made in the first half of the year, we are confident that our efforts will contribute to the achievement of the objective we set for 2022. We are leveraging the timely acquisitions of Cahaba and expanding our capital investment program to support the continued growth in utility poles demand. For railway ties, demand remains stable and our leadership position places us at the forefront of new opportunities that may arise, while the reduction of residential lumber sales is in line with our expectations. Looking forward, the fundamentals in our core product categories remain strong. Coupled with our healthy balance sheet and resilient cashflows, we are well positioned to continue to generate robust returns for our shareholders.

Éric Vachon  
 President and CEO  
 August 10, 2022

## FINANCIAL HIGHLIGHTS

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

	Quarters ended		Six months ended	
	June 30, (unaudited)	June 30, (unaudited)	June 30, (unaudited)	June 30, (unaudited)
	2022	2021	2022	2021
Sales	907	903	1,558	1,526
Gross profit <sup>(1)</sup>	173	197	273	309
Gross profit margin <sup>(1)</sup>	19.1%	21.8%	17.5%	20.2%
EBITDA <sup>(1)</sup>	154	180	242	279
EBITDA margin <sup>(1)</sup>	17.0%	20.0%	15.5%	18.3%
Operating income	133	161	200	243
Operating income margin <sup>(1)</sup>	14.7%	17.8%	12.8%	15.9%
Net income for the period	94	115	140	171
Earnings per share – basic and diluted (\$)	1.51	1.76	2.23	2.61
Weighted average shares outstanding (basic, in '000s)	62,321	65,356	62,794	65,532

<sup>(1)</sup> 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

**July 22, 2022** — Stella-Jones completed the acquisition of substantially all of the operating assets of the Dinsmore Trucking group, a specialty poles and logs carrier and transportation business with a strong footprint in Ontario and Alberta and a reach across Canada and to parts of the United-States. Securing these transportation assets will support the Company's logistics strategy, allowing for better service through increased control and flexibility in transport operations. Total consideration associated with the acquisition was approximately \$9 million.

**August 9, 2022** — The Board of Directors declared a quarterly dividend of \$0.20 per common share payable on September 23, 2022 to shareholders of record at the close of business on September 6, 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 <sup>(2)</sup>
Sales	<b>2,782</b>	2,750	2,551	2,189	2,144
EBITDA <sup>(1)</sup>	<b>363</b>	400	385	313	244
EBITDA margin <sup>(1)</sup>	<b>13.0%</b>	14.5%	15.1%	14.3%	11.4%
Operating income	<b>283</b>	326	309	242	206
Operating income margin <sup>(1)</sup>	<b>10.2%</b>	11.9%	12.1%	11.1%	9.6%
Net income for the period	<b>196</b>	227	210	163	138
Earnings per common share – basic and diluted (\$)	<b>3.08</b>	3.49	3.12	2.37	1.98

<sup>(1)</sup> 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.

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

## OUTLOOK

To better reflect its business dynamics, the Company shifted its financial guidance to a three-year outlook in early 2022.

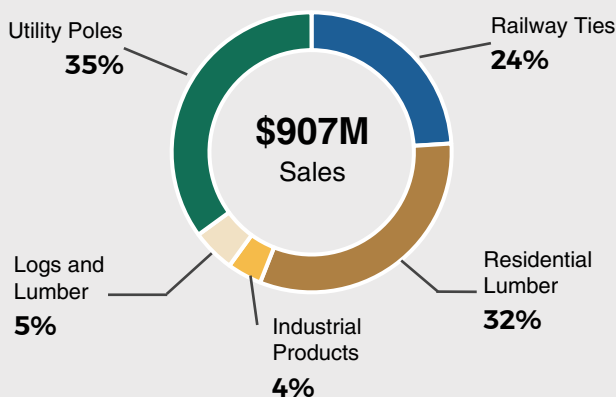
Key Highlights:

- Compound annual sales growth rate in the mid-single digit range from 2019 pre-pandemic levels to 2024;
- EBITDA margin of approximately 15% for the 2022-2024 period;
- 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;
- Residential lumber sales expected to stabilize between 20-25% of total sales while infrastructure-related businesses expected to grow and represent 75-80% of total sales by 2024;
- Anticipated returns to shareholders between \$500 and \$600 million during three-year outlook period;
- Leverage ratio of 2.0x-2.5x between 2022-2024, but may temporarily exceed range to pursue acquisitions.

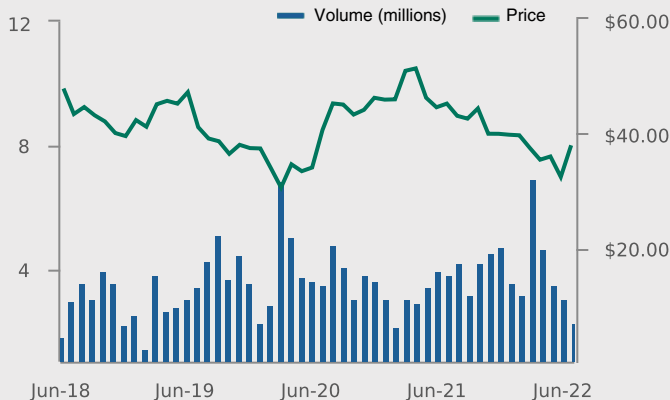
Management remains confident in the achievement of its three-year strategic guidance.

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 Q2 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
Benoit Laprade	Scotia Capital
Walter Spracklin	RBC Capital Markets
Michael Tupholme	TD Securities