

INVESTOR FACT SHEET

Stella-Jones

Q3 2022

ENDED SEPTEMBER 30

TSX: SJ (as at October 31, 2022)

Price: **\$41.03**

High: **\$46.00**

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

Number of Shares Outstanding:
59,525,467 (November 8, 2022)

THIRD QUARTER HIGHLIGHTS

- Sales increased 24% to \$842 million, driven by all product categories
- EBITDA⁽¹⁾ rose by \$50 million to \$119 million, a margin of 14.1%
- Net income reached \$65 million or \$1.07 per share
- Completed acquisition of wood utility pole manufacturing business of Texas Electric Cooperatives, Inc.
- Returned \$180 million to shareholders in the first nine months of 2022
- Announced a Normal Course Issuer Bid for 2022-2023

Stella-Jones Inc. (TSX:SJ) Stella-Jones is North America's leading producer of pressure-treated wood products. 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 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 delivered strong results this quarter, reflecting the robust growth of our infrastructure-related product sales and the normalization of residential lumber sales. Our performance demonstrates Stella-Jones' ability to capitalize on growing utility poles demand, amplified by increased infrastructure spend and broadband network expansion programs. It also highlights the stability of our railway ties business and unique value proposition we deliver to our residential lumber customers. It is this resilience, in the face of inflationary pressures and supply chain constraints, that reaffirms the power of our business model and extensive network.

Subsequent to this quarter, we concluded the acquisition of Texas Electric Cooperatives, Inc.'s utility wood pole manufacturing business, adding a 43rd wood-treating facility to our network. We also published our 2021 Environmental, Social and Governance ("ESG") Report, highlighting our progress towards continuous improvement in ESG. We remain confident in our free cash flow generation and commitment to return value to our shareholders, as evidenced by the announcement of our 2022-2023 Normal Course Issuer Bid this morning. Based on our robust performance so far this year, we are favourably positioned to attain the objectives set forth in our three-year plan.

Éric Vachon
President and CEO
November 9, 2022

FINANCIAL HIGHLIGHTS

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

	Quarters ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2022	2021	2022	2021
Sales	842	679	2,400	2,205
Gross profit ⁽¹⁾	139	82	412	391
Gross profit margin ⁽¹⁾	16.5%	12.1%	17.2%	17.7%
EBITDA ⁽¹⁾	119	69	361	348
EBITDA margin ⁽¹⁾	14.1%	10.2%	15.0%	15.8%
Operating income	98	51	298	294
Operating income margin ⁽¹⁾	11.6%	7.5%	12.4%	13.3%
Net income for the period	65	34	205	205
Earnings per share – basic and diluted (\$)	1.07	0.52	3.30	3.14
Weighted average shares outstanding (basic, in '000s)	60,682	64,664	62,078	65,238

⁽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

October 26, 2022 — Stella-Jones published its 2021 ESG Report, highlighting its progress towards continuous improvement in ESG. The report can be found in the Investor Relations section of the Company's website.

November 1, 2022 — The Company completed the acquisition of substantially all of the assets of the wood utility pole manufacturing business of Texas Electric Cooperatives, Inc., located in Jasper County Texas. Total consideration associated with the acquisition was US\$32 million, including inventories estimated at four million dollars US.

November 2, 2022 — Stella-Jones amended its syndicated credit agreement to increase the amount available under the unsecured revolving credit facility to US\$400 million from US\$325 million.

November 8, 2022 — The Board of Directors declared a quarterly dividend of \$0.20 per common share payable on December 16, 2022 to shareholders of record at the close of business on December 1, 2022. This dividend is designated to be an eligible dividend.

November 9, 2022 — The Company announced that the Toronto Stock Exchange accepted its Notice of Intention to Make a Normal Course Issuer Bid ("Notice"). Pursuant to the Notice, the Company may, during the twelve-month period commencing November 14, 2022 and ending November 13, 2023, purchase for cancellation, up to 5,000,000 common shares, representing approximately 9.6% of the public float of its common shares.

5-YEAR FINANCIAL REVIEW

(in millions of Canadian dollars, except per share data and margins)	Trailing 12 months	2021	2020	2019	2018 ⁽²⁾
Sales	2,945	2,750	2,551	2,189	2,144
EBITDA ⁽¹⁾	413	400	385	313	244
EBITDA margin ⁽¹⁾	14.0%	14.5%	15.1%	14.3%	11.4%
Operating income	330	326	309	242	206
Operating income margin ⁽¹⁾	11.2%	11.9%	12.1%	11.1%	9.6%
Net income for the period	227	227	210	163	138
Earnings per common share – basic and diluted (\$)	3.62	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

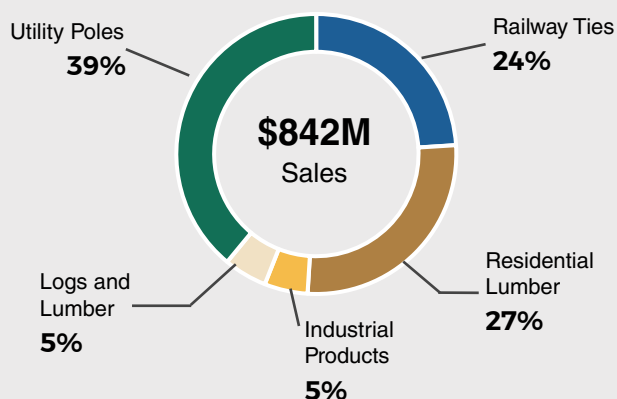
To better reflect its business dynamics, the Company provided, in March 2022, its financial objectives for 2022 to 2024. Key Highlights:

- 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.

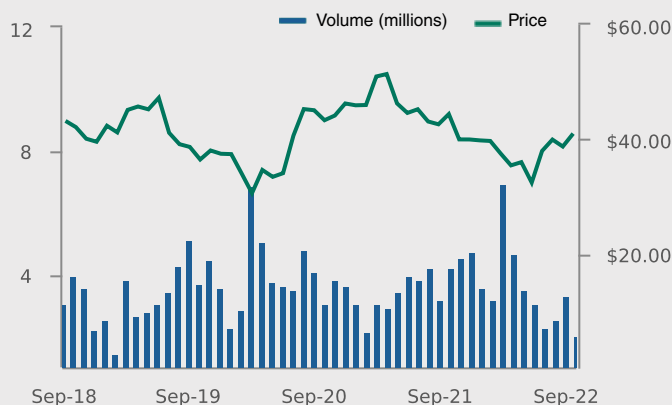
Management remains confident in the achievement of its three-year strategic guidance.

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 Q3 2022 sales)



STOCK PERFORMANCE



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ANALYST COVERAGE

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Benoit Poirier	Desjardins Securities
Maxim Sytchev	National Bank Financial
Benoit Laprade	Scotia Capital
Walter Spracklin	RBC Capital Markets
Michael Tupholme	TD Securities