Source: **Stella-Jones Inc.**

Contacts:
Silvana Travaglini, CPA, CA
Senior Vice-President and Chief Financial Officer
Stella-Jones
Tel.: (514) 940-8660
stravaglini@stella-jones.com

Pierre Boucher, CPA, CMA
Jennifer McCaughey, CFA
MaisonBrison Communications
Tel.: (514) 731-0000
pierre@maisonbrison.com
jennifer@maisonbrison.com

STELLA-JONES REPORTS RECORD FOURTH QUARTER AND 2020 ANNUAL RESULTS

20th consecutive year of sales growth

- **Sales in 2020 increased to $2.6 billion**
- **EBITDA rose 23% to a record $385 million, a margin of 15.1%**
- **Net income reached $210 million or $3.12 per share**
- **Strong financial position with a net debt-to-EBITDA ratio of 1.9x**
- **Quarterly cash dividend increased 20% to $0.18 per share**
- **Amends Normal Course Issuer Bid to increase maximum shares to be repurchased**

Montreal, Quebec – March 10, 2021 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and year ended December 31, 2020.

"Stella-Jones' record performance in 2020 exemplifies the resiliency of our business model, the strength of our continental network and our team's ability to effectively adapt and deliver strong results for stakeholders, despite the challenges faced throughout the year. Sales were up for the 20th consecutive year, reaching $2.6 billion, which drove the 23% increase in EBITDA to a record $385 million. The unprecedented rise in residential lumber demand and pricing, and the continued solid sales growth in utility poles and railway ties allowed us to generate cash from operations of $178 million which we deployed to invest in our network and return capital to shareholders. In line with our capital allocation strategy, today we announced a dividend increase of 20% and an increase to the maximum number of shares to be repurchased under the Normal Course Issuer Bid, demonstrating our confidence in Stella-Jones' strong cashflow generation," stated Éric Vachon, President and CEO of Stella-Jones.

"While the impact of the ongoing global pandemic on the demand for our products and operations remains uncertain, we are currently projecting organic sales growth in 2021, driven by our utility poles and residential lumber product categories. We continue to actively implement our strategy, focusing on network efficiencies, innovation and accretive acquisitions, in order to enhance our business resilience and the Company's long-term value creation. With ample financial flexibility we are well positioned to continue to drive growth and generate consistent value for shareholders," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q4-20**	**Q4-19**	**2020**	**2019**
Sales(1)	533	445	2,551	2,189
Gross profit(2)	85	70	446	358
Gross profit margin(2)	16.0%	15.7%	17.5%	16.4%
EBITDA(2)	70	59	385	313
EBITDA margin (2)	13.1%	13.3%	15.1%	14.3%
Operating income	50	41	309	242
Operating income margin(2)	9.4%	9.2%	12.1%	11.1%
Net income for the period	34	28	210	163
Earnings per share - basic and diluted	0.52	0.41	3.12	2.37
Weighted average shares outstanding (basic, in ‘000s)	66,654	67,898	67,260	68,761

(1) Prior period figures have been adjusted to conform to the current period presentation.
(2) 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.

FOURTH QUARTER RESULTS

Sales for the fourth quarter of 2020 amounted to $533 million, up from sales of $445 million for the same period in 2019. Excluding the negative impact of the currency conversion of $4 million, pressure-treated wood sales rose $78 million, or 19%, mainly driven by higher pricing and demand for residential lumber, volume gains for Class 1 railway ties customers and an improved sales mix for utility poles. The increase in logs and lumber sales stems mainly from the significant rise in the market price of lumber in the second half of 2020.

Pressure-treated wood products:

- **Utility poles**: Utility poles sales amounted to $201 million, up from $195 million for the same period last year. Excluding the negative currency conversion effect, sales increased 4%, primarily due to a healthier sales mix, including the impact of the value-added fire-resistant wrapped pole sales.

- **Railway ties**: Railway ties sales grew to $147 million, up from $134 million last year. Excluding the negative currency conversion effect, railway ties sales rose 11%, mainly driven by higher volumes for Class 1 customers.

- **Residential lumber**: Residential lumber sales reached $117 million, almost double the $61 million generated for the same period in 2019, due to the higher market price of lumber and continued strong demand for home improvement products.

- **Industrial products**: Industrial product sales amounted to $23 million, largely in line with the $24 million of sales generated a year ago.

Logs and lumber:

- **Logs and lumber**: Logs and lumber sales totalled $45 million, up 45% compared to the same period last year, driven by the higher market price of lumber.

The improvement in sales led to an increase in gross profit, which grew 21% to $85 million, compared to the prior year period, while operating income was $50 million, or 9.4% of sales, compared with $41 million, or 9.2% of sales last year. EBITDA rose to $70 million, up 19%, compared to $59 million reported in the fourth quarter of 2019. The increase was primarily driven by higher sales price for residential lumber, which exceeded the higher cost of lumber, and an improved sales mix for utility poles. Adjusting for other net losses, EBITDA for the fourth quarter ended December 31, 2020 and 2019 were $73 million and $60 million, representing EBITDA margins of 13.7% and 13.5%, respectively.

Net income totaled $34 million, or $0.52 per share, versus $28 million, or $0.41 per share last year.

2020 RESULTS

Sales for the year ended December 31, 2020 reached $2,551 million, up $362 million versus sales of $2,189 million in 2019. Excluding the positive impact of the currency conversion of $19 million, pressure-treated wood sales rose $309 million, or 15%, driven by volume and pricing gains in the Company's three core product categories, as well as a favourable sales mix for utility poles and railway ties. The increase in logs and lumber sales stems mainly from the significant rise in the market price of lumber.

Pressure-treated wood products:

- **Utility poles (35% of 2020 sales)**: Utility poles sales increased to $888 million in 2020 from sales of $797 million in 2019. Excluding the positive currency conversion effect, utility poles sales increased by $83 million, or 10%, driven by strong maintenance demand in the first quarter of 2020, more project-related volume and higher pricing. The pricing improvement stems from upward price adjustments in response to raw material cost increases and a more favourable sales mix, including the impact of value-added fire-resistant wrapped poles.

- **Railway ties (29% of 2020 sales)**: Railway ties sales were $733 million in 2020 compared to sales of $689 million in 2019. Excluding the positive currency conversion effect, railway ties sales increased $37 million, or 5%, largely due to greater volumes for Class 1 customers and a favourable sales mix.

- **Residential lumber (26% of 2020 sales)**: Sales in the residential lumber category rose to $665 million in 2020, up 41% from sales of $471 million in 2019. The significant increase in sales was driven by strong home improvement demand and the record rise in the market price of lumber.

- **Industrial products (4% of 2020 sales)**: Industrial product sales were $119 million in 2020, slightly down compared to sales of $120 million in 2019, primarily as a result of lower maintenance and project activities.

Logs and lumber:

- **Logs and lumber (6% of 2020 sales)**: Sales in the logs and lumber product category were $146 million in 2020, up 30% compared to $112 million in 2019, primarily attributable to the higher market price of lumber.

Driven by the strong sales growth, gross profit and operating income increased 25% and 28% to $446 million and $309 million, respectively, compared to last year. Similarly, EBITDA increased 23% to a record high of $385 million, or a margin of 15.1%, up from $313 million, or a margin of 14.3% last year. This increase was primarily driven by sales price increases for residential lumber in the second half of the year, which exceeded the higher cost of lumber, and stronger residential lumber demand. Favourable sales mix for utility poles as well as railway ties also contributed to the improvement. Adjusting for other net losses, comprised of realized losses related to the diesel and petroleum derivative commodity contracts and site remediation provisions, EBITDA for the years ended December 31, 2020 and 2019 were $397 million and $313 million, representing EBITDA margins of 15.6% and 14.3%, respectively.

Net income was $210 million, or $3.12 per share, versus net income of $163 million, or $2.37 per share, last year.

STRONG LIQUIDITY AND CAPITAL RESOURCES

Stella-Jones generated $178 million of cash from operations in 2020. It invested $55 million in its property, plant and equipment and intangible assets, and returned $100 million of capital to shareholders through the payment of dividends and the repurchase of shares. As at December 31, 2020, the Company maintained a strong financial position with a net debt-to-EBITDA ratio of 1.9x and available liquidity of $190 million.

Subsequent to year-end, the amount available under the demand loan facility was increased from US$50 million to US$100 million until June 30, 2021, providing the Company with additional flexibility to invest in the inventory required to support the anticipated sales growth in 2021.

NORMAL COURSE ISSUER BID

During the year, the Company's Board of Directors approved a normal course issuer bid ("NCIB") that permits the Company to purchase for cancellation, up to 2,500,000 common shares during the 12-month period commencing August 10, 2020 and ending August 9, 2021, representing 3.7 % of its issued and outstanding common shares as at July 31, 2020 (the "Reference Date"). In 2020, the Company repurchased 1,331,455 common shares for approximately $60 million under the NCIB, including 996,802 common shares in the fourth quarter. As at the close of business on March 9, 2021, Stella-Jones had repurchased a total of 801,261 common shares for approximately $37 million.

Subsequent to year-end, on March 9, 2021, the Company received approval from the Toronto Stock Exchange ("TSX") to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company during the 12-month period ending August 9, 2021, from 2,500,000 to 3,500,000 common shares, representing approximately 6.8 % of the public float of its common shares as at the Reference Date. The amendment to the NCIB will be effective on March 15, 2021 and will continue until August 9, 2021 or such earlier date as Stella-Jones has acquired the maximum number of common shares permitted under the NCIB.

All other terms and conditions of the NCIB remained unchanged. Purchases under the NCIB are made on behalf of Stella-Jones by a registered broker through the facilities of the TSX.

QUARTERLY DIVIDEND INCREASED 20% TO $0.18 PER SHARE

On March 9, 2021, the Board of Directors declared a quarterly dividend of $0.18 per share, representing an increase of 20% over the previous quarterly dividend, on the outstanding common shares of the Company, payable on April 24, 2021 to shareholders of record at the close of business on April 5, 2021. This dividend is designated to be an eligible dividend.

OUTLOOK

The Company is targeting to deliver EBITDA in the range of $385 to $410 million in 2021. This guidance anticipates a reduction of approximately $50 million in sales from the deterioration of the value of the U.S. dollar relative to the Canadian dollar.

Excluding the impact of the currency conversion, the Company is projecting sales growth in the low to mid-single digit range in 2021. Utility poles and residential lumber sales are expected to increase in the mid to high-single digit range compared to 2020, while railway ties and industrial product sales are projected to be relatively comparable to those generated in 2020. For utility poles, the sustained healthy replacement maintenance demand, including an increase in value-added fire-resistant wrapped pole sales, is expected to contribute to higher year-over-year sales. For residential lumber, the forecasted increase in sales is driven by the continued strong demand for home improvement projects, current estimates of higher pricing, as well as a projected increase in market reach.

The Company's financial guidance is based on its current outlook for 2021 and takes into account a number of economic and market assumptions. Please refer to management's discussion and analysis for a complete list of assumptions.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 10, 2021, at 10:00 a.m. Eastern Daylight Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 8518287. This recording will be available on Wednesday, March 10, 2021 as of 1:00 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Wednesday, March 17, 2021.

NON-IFRS FINANCIAL MEASURES

EBITDA (operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets), gross profit, and EBITDA margin are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these non-IFRS measures to be useful information to assist knowledgeable investors understand the Company's operating results, financial condition and cash flows as they provide an additional measure about its performance. Please refer to the non-IFRS financial measures described in the Management's Discussion and Analysis.

ABOUT STELLA-JONES

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.

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 factors may include, without excluding other considerations, general economic and business conditions (including the impact of the coronavirus pandemic), evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, changes in foreign currency rates, and the ability of the Company to raise capital. 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.

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Note to readers: The audited consolidated financial statements for the year ended December 31, 2020 and the condensed interim unaudited consolidated financial statements for the fourth quarter ended December 31, 2020 as well as management's discussion and analysis are available on Stella-Jones' website at www.stella-jones.com.

HEAD OFFICE	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	The Toronto Stock Exchange Stock Symbol: SJ **TRANSFER AGENT AND REGISTRAR** Computershare Investor Services Inc.	Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 940-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com

<u>NOTICE</u>

The figures for the fourth quarter ended December 31, 2020 have not been reviewed by the Company's external auditors.

(Signed)

Silvana Travaglini
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 9, 2021

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2020 and 2019

Stella-Jones Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in millions of Canadian dollars)

	Note	As at December 31, 2020 $	As at December 31, 2019 $
Assets			
Current assets			
Accounts receivable		208	179
Inventories		1,075	971
Income taxes receivable		-	6
Other current assets		36	36
		1,319	1,192
Non-current assets			
Property, plant and equipment		574	568
Right-of-use assets		135	116
Intangible assets		115	115
Goodwill		280	285
Derivative financial instruments	4	-	1
Other non-current assets		3	4
		2,426	2,281
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		137	136
Income taxes payable		19	1
Derivative financial instruments	4	2	2
Current portion of long-term debt		11	7
Current portion of lease liabilities		33	29
Current portion of provisions and other long-term liabilities		16	7
		218	182
Non-current liabilities			
Long-term debt		595	598
Lease liabilities		106	89
Deferred income taxes		104	101
Provisions and other long-term liabilities		15	12
Employee future benefits		15	11
		1,053	993
Shareholders' equity			
Capital stock	3	214	217
Retained earnings		1,079	968
Accumulated other comprehensive income		80	103
		1,373	1,288
		2,426	2,281
Subsequent event	7		

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity

(Unaudited)

For the twelve-month periods ended December 31, 2020 and 2019

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2020	217	968	191	(89)	1	103	1,288
Comprehensive income (loss)							
Net income for the period	-	210	-	-	-	-	210
Other comprehensive income (loss)	-	(3)	(12)	(9)	(2)	(23)	(26)
Comprehensive income (loss) for the period	-	207	(12)	(9)	(2)	(23)	184
Dividends on common shares	-	(40)	-	-	-	-	(40)
Employee share purchase plans	1	-	-	-	-	-	1
Repurchase of common shares (note 3)	(4)	(56)	-	-	-	-	(60)
	(3)	(96)	-	-	-	-	(99)
Balance –December 31, 2020	214	1,079	179	(98)	(1)	80	1,373

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity…*continued*
(Unaudited)
For the twelve-month periods ended December 31, 2020 and 2019

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$
Balance – January 1, 2019	221	909	252	(107)	6	151	1,281
Comprehensive income (loss)							
Net income for the period	-	163	-	-	-	-	163
Other comprehensive income (loss)	-	(2)	(61)	18	(5)	(48)	(50)
Comprehensive income (loss) for the period	-	161	(61)	18	(5)	(48)	113
Dividends on common shares	-	(38)	-	-	-	-	(38)
Employee share purchase plans	1	-	-	-	-	-	1
Repurchase of common shares (note 3)	(5)	(64)	-	-	-	-	(69)
	(4)	(102)	-	-	-	-	(106)
Balance –December 31, 2019	217	968	191	(89)	1	103	1,288

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Income
(Unaudited)

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

	Note	For the three-month periods ended December 31		For the twelve-month periods ended December 31	
		2020 $	2019 $	2020 $	2019 $
Sales	8	533	445	2,551	2,189
Expenses					
Cost of sales (including depreciation and amortization (3 months - $16 (2019 - $14) and 12 months - $62 (2019 - $56))	8	448	375	2,105	1,831
Selling and administrative (including depreciation and amortization (3 months - $4 (2019 - $4) and 12 months - $14 (2019 - $15))		32	28	125	116
Other losses, net		3	1	12	-
		483	404	2,242	1,947
Operating income		50	41	309	242
Financial expenses		5	6	25	24
Income before income taxes		45	35	284	218
Provision for income taxes					
Current		8	5	66	41
Deferred		3	2	8	14
		11	7	74	55
Net income for the period		34	28	210	163
Basic and diluted earnings per common share	3	0.52	0.41	3.12	2.37

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Comprehensive Income
(Unaudited)

(expressed in millions of Canadian dollars)

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2020 $	2019 $	2020 $	2019 $
Net income for the period	34	28	210	163
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income				
Net change in losses on translation of financial statements of foreign operations	(52)	(23)	(12)	(61)
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	9	5	(9)	18
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	1	1	(3)	(6)
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	-	(1)	1	1
Items that will not subsequently be reclassified to net income				
Remeasurements of post-employment benefit obligations	(1)	-	(4)	(3)
Income taxes on remeasurements of post-employment benefit obligations	-	1	1	1
	(43)	(17)	(26)	(50)
Comprehensive income	(9)	11	184	113

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)

(expressed in millions of Canadian dollars)

	Note	For the three-month periods ended December 31 2020 $	2019 $	For the twelve-month periods ended December 31 2020 $	2019 $
Cash flows provided by (used in)					
Operating activities					
Net income for the period		34	28	210	163
Adjustments for					
Depreciation of property, plant and equipment		8	6	26	24
Depreciation of right-of-use assets		10	9	38	33
Amortization of intangible assets		2	3	12	14
Gain on derivative financial instruments		(2)	(2)	(2)	(6)
Financial expenses		5	6	25	24
Current income taxes expense		8	5	66	41
Deferred income taxes		3	2	8	14
Provisions and other long-term liabilities		9	(1)	14	(5)
Other		1	2	5	3
		78	58	402	305
Changes in non-cash working capital components					
Accounts receivable		134	102	(32)	6
Inventories		(143)	(140)	(123)	(162)
Income taxes receivable		-	9	-	-
Other current assets		9	1	(2)	(2)
Accounts payable and accrued liabilities		(80)	11	1	12
		(80)	(17)	(156)	(146)
Interest paid		(4)	(4)	(26)	(24)
Income taxes paid		(17)	(20)	(42)	(45)
		(23)	17	178	90
Financing activities					
Net change in syndicated credit facilities		112	54	20	126
Increase in long-term debt		-	-	-	1
Repayment of long-term debt		(1)	(1)	(8)	(10)
Repayment of lease liabilities		(9)	(8)	(35)	(31)
Repayment of non-competes payable		-	-	(2)	(2)
Dividends on common shares		(10)	(9)	(40)	(38)
Repurchase of common shares	3	(45)	(35)	(60)	(71)
Proceeds from issuance of common shares		-	-	1	1
		47	1	(124)	(24)
Investing activities					
Decrease in other assets		-	-	-	1
Additions of intangible assets		(5)	(2)	(13)	(2)
Purchase of property, plant and equipment		(19)	(16)	(42)	(66)
Proceeds from disposal of assets		-	-	1	1
		(24)	(18)	(54)	(66)
Net change in cash and cash equivalents during the period		-	-	-	-
Cash and cash equivalents – Beginning of period		-	-	-	-
Cash and cash equivalents – End of period		-	-	-	-

The accompanying notes are an integral part of these interim consolidated financial statements.

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

1 Description of the business

Stella-Jones Inc. (with its subsidiaries, either individually or collectively, referred to as the "Company") 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. The Company also manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products which include marine and foundation pilings, construction timbers, wood for bridges and coal tar based products. The Company has treating and pole peeling facilities across Canada and the United States and sells its products primarily in these two countries. The Company's headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the *Canada Business Corporations Act*, and its common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol SJ.

2 Significant accounting policies

Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants Canada Handbook Accounting - Part I, applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on March 9, 2021.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2019, except as described below in the Changes in accounting policies section.

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of Stella-Jones Inc. and its controlled subsidiaries. Intercompany transactions and balances between these companies have been eliminated. All consolidated subsidiaries are wholly owned. The significant subsidiaries within the legal structure of the Company are as follows:

Subsidiary	Parent	Country of incorporation
Stella-Jones U.S. Holding Corporation	Stella-Jones Inc.	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States

Changes in accounting policies

The Company has adopted the following amendments during the current period:

Interest Rate Benchmark Reform

In August 2020, the International Accounting Standards Board issued *Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance contracts and IFRS 16 (Phase 2 Amendments).* The Phase 2 Amendments address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduce additional disclosure requirements.

The Phase 2 Amendments provide two key reliefs:

- Changes to contractual cash flows – an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. The Company currently has outstanding loans referencing LIBOR totaling US$425; and

- Hedge accounting – an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge accounting meets other hedge accounting criteria. All hedges contracted by the Company are scheduled to expire prior to December 31, 2021.

The Phase 2 Amendments are effective on January 1, 2021, with earlier adoption permitted. During the fourth quarter of 2020, the Company early adopted the Phase 2 Amendments. These amendments had no impact on the Company’s consolidated financial statements.

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

3 Capital stock

The following table provides the number of common shares outstanding for the twelve-month periods ended December 31:

	2020	**2019**
Number of common shares outstanding – Beginning of period	67,466,709	69,267,732
Stock option exercised	15,000	-
Employee share purchase plans	37,150	35,227
Common shares repurchased	(1,331,455)	(1,836,250)
Number of common shares outstanding – End of period	66,187,404	67,466,709

a) Capital stock consists of the following:

Authorized
An unlimited number of preferred shares issuable in series
An unlimited number of common shares

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

b) Earnings per share

The following table provides the reconciliation, as at December 31, between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2020	**2019**	**2020**	**2019**
Net income applicable to common shares	$35	$28	$210	$163
Weighted average number of common shares outstanding*	66.7	67.9	67.3	68.8
Effect of dilutive stock options*	-	-	-	-
Weighted average number of diluted common shares outstanding*	66.7	67.9	67.3	68.8
Basic and diluted earnings per common share **	$0.52	$0.41	$3.12	$2.37

* Number of shares is presented in millions.

** Basic and diluted earnings per common share are presented in dollars per share.

c) Normal Course Issuer Bid

On August 4, 2020 the TSX accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB"). The NCIB was initiated for a 12-month period starting on August 10, 2020. During this period, the Company may purchase for cancellation up to 2,500,000 common shares. The prior NCIB was in effect until December 19, 2019. During the twelve-month period ended December 31, 2020, the Company repurchased for cancellation 1,331,455 common shares (December 31, 2019 – 1,836,250 common shares cancelled under the NCIB then in effect), for a cash consideration of $60 (December 31, 2019 - $71, including $2 for common shares repurchased in 2018 and cancelled in 2019), representing an average price of $45.37 per common share (December 31, 2019 - $38.47). On March 9, 2021, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation during the 12-month period ending August 9, 2021. For additional information see Note 7, *Subsequent Events*.

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

4 Fair value measurement and financial instruments

The following table provides information about assets and liabilities measured at fair value in the statement of financial position:

	As at December 31, 2020 $	As at December 31, 2019 $
Non-current assets		
Interest rate swap agreements	-	1
	-	1
Current Liabilities		
Interest rate swap agreements	2	-
Derivative commodity contracts	-	2
	2	2

The fair value of these financial instruments has been estimated using the discounted future cash flow method and has been classified as Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*, as it is based mainly on observable market data, namely government bond yields and interest rates. A description of each level of the hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for these assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments which are not measured at fair value on the statement of financial position are represented by cash, restricted cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short-term nature. The long-term debt has a carrying value of $606 (December 31, 2019 – $605) and a fair value of $619 (December 31, 2019 – $611).

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

5 Seasonality

The Company's operations follow a seasonal pattern, with utility pole, railway tie and industrial product shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Residential lumber sales follow the same seasonal pattern. Inventory levels of utility poles, railway ties and residential lumber are typically highest in the first quarter in advance of the summer shipping season.

6 Segment information

The Company operates within two business segments which are the production and sale of pressure-treated wood and the procurement and sales of logs and lumber.

The pressure-treated wood segment includes utility poles, railway ties, residential lumber and industrial products.

The logs and lumber segment comprises of the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility poles. Also included in this segment is the sale of excess lumber to local home-building markets. Assets and net income related to the logs and lumber segment are nominal.

Operating plants are located in six Canadian provinces and nineteen American states. The Company also operates a large distribution network across North America.

Sales attributed to countries based on location of customer for the twelve-month periods ended December 31 are as follows:

	2020	**2019**
	$	**$**
Canada	810	659
U.S.	1,741	1,530
	2,551	2,189

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

Sales by product for the twelve-month periods ended December 31 are as follows:

	2020	**2019**
	$	**$**
Utility poles	888	797
Railway ties	733	689
Residential lumber	665	471
Industrial products	119	120
Pressure-treated wood	2,405	2,077
Logs and lumber	146	112
	2,551	2,189

Property, plant and equipment, right-of-use assets, intangible assets and goodwill attributed to the countries based on location are as follows:

	As at December 31, 2020	**As at December 31, 2019**
Property, plant and equipment	**$**	**$**
Canada	160	149
U.S.	414	419
	574	568
Right-of-use assets	**$**	**$**
Canada	18	17
U.S.	117	99
	135	116
Intangible assets		
Canada	40	31
U.S.	75	84
	115	115
Goodwill	**$**	**$**
Canada	19	19
U.S.	261	266
	280	285

(amounts expressed in millions of Canadian dollars, except as otherwise indicated)

7 Subsequent events

a) On February 15, 2021, the demand loan agreement was amended to increase the amount available under the credit facility from US$50 to US$100 until June 30, 2021. All terms and conditions remained unchanged.

b) On March 9, 2021, the Board of Directors declared a quarterly dividend of $0.18 per common share payable on April 24, 2021 to shareholders of record at the close of business on April 5, 2021.

c) On March 9, 2021, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation during the 12-month period ending August 9, 2021 from 2,500,000 to 3,500,000 common shares, representing approximately 6.8% of the public float of its common shares as at July 31, 2020. The amendment to the NCIB will be effective on March 15, 2021 and will continue until August 9, 2021 or such earlier date as the Company has acquired the maximum number of common shares permitted under the NCIB. All other terms and conditions of the NCIB remained unchanged.

8 Reclassification of prior period presentation

Certain prior period figures have been adjusted to conform to the current period presentation. An adjustment has been made to the consolidated statements of income to recognize customer freight revenues on a gross basis when the Company is the principal with respect to freight services. These amounts have been previously presented on a net basis against freight expenses in cost of sales. This change in classification does not affect previously reported operating income and net income in the consolidated statements of income. For the twelve-month period ended December 31, 2019, freight revenue of $20 has been reclassified from cost of sales to sales ($5 for the three-month period).