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
MaisonBrison Communications
Tel.: (514) 731-0000
pierre@maisonbrison.com

STELLA-JONES REPORTS FOURTH QUARTER AND 2021 ANNUAL RESULTS

- **Sales of $2,750 million, up 8%**
- **Record high EBITDA[(1)] of $400 million, or a margin[(1)] of 14.5%**
- **Net income reached $227 million, or $3.49 per share**
- **Acquired wood treating facilities in Alabama**
- **Quarterly cash dividend increased 11% to $0.20 per share**
- **Amends Normal Course Issuer Bid to increase maximum shares to be repurchased**
- **Company details its three-year financial outlook**

Montreal, Quebec – March 9, 2022 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and year ended December 31, 2021.

"Stella-Jones delivered a record performance on many fronts in 2021, resulting in increased sales, strong EPS growth and solid cashflows. We utilized our collective expertise and longstanding industry relationships to successfully navigate through complex procurement challenges and volatile lumber markets to produce yet another successful year," said Éric Vachon, President and CEO of Stella-Jones. "We remained focused on building on our strong fundamentals, completing two accretive acquisitions and investing in our network to strengthen our capability to supply the growing needs of our infrastructure customer base. The Company also continued to return capital to its shareholders and announced an 18th consecutive year of increased dividends."

"Looking to the next 3 years, we will focus on pursuing acquisitions to complement our infrastructure-related product offering and invest to increase capacity in utility poles production to meet anticipated growth in demand. Acknowledging the Company's strong cash flow generation, we plan to return approximately $500-$600 million to shareholders over the next 3 years, an increase of over 50% compared to cash returned over the past 3 years. Our efforts will be devoted to leveraging our solid business foundation to generate continued profitable growth, further solidifying our leadership position in our core product categories and enhancing shareholder value," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q4-21**	**Q4-20**	**2021**	**2020**
Sales	545	533	2,750	2,551
Gross profit[(1)]	65	85	456	446
Gross profit margin[(1)]	11.9%	15.9%	16.6%	17.5%
EBITDA[(1)]	52	70	400	385
EBITDA margin[(1)]	9.5%	13.1%	14.5%	15.1%
Operating income	32	50	326	309
Operating income margin[(1)]	5.9%	9.4%	11.9%	12.1%
Net income for the period	22	34	227	210
Earnings per share - basic and diluted	0.34	0.52	3.49	3.12
Weighted average shares outstanding (basic, in '000s)	64,292	66,654	65,002	67,260

(1) These are non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Please refer to the section "Non-GAAP and other financial measures" in this press release.

FOURTH QUARTER RESULTS

Sales for the fourth quarter of 2021 amounted to $545 million, up from sales of $533 million for the same period in 2020. Excluding the contribution from the acquisitions of Cahaba Pressure Treated Forest Products, Inc. ("Cahaba Pressure") and Cahaba Timber, Inc. ("Cahaba Timber") of six million dollars and the negative impact of the currency conversion of $14 million, pressure-treated wood sales rose $26 million, or 5%, mainly driven by higher volumes and pricing from utility poles as well as improved pricing for railway ties. This growth was partially offset by lower demand for residential lumber. The decrease in logs and lumber sales mainly stemmed from the lower market price of lumber.

On November 19, 2021, the Company acquired Cahaba Pressure and Cahaba Timber and included its results of operations as of the acquisition date. Cahaba Pressure manufactures, distributes and sells treated and untreated wood poles, crossties and posts and provides custom treating services. Cahaba Timber is a producer of treated poles and pilings and engages in raw material procurement.

Pressure-treated wood products:

- **Utility poles (42% of Q4-21 sales)**: Utility poles sales amounted to $227 million, up from $201 million for the same period last year. Excluding the contribution from acquisitions and the negative currency conversion effect, sales increased 13%, primarily due to increased maintenance and project-related demand and higher pricing.

- **Railway ties (27% of Q4-21 sales)**: Sales of railway ties amounted to $147 million, in line with last year. Excluding the negative currency conversion effect, railway ties sales rose 3%, mainly driven by improved pricing for both Class 1 and non-Class 1 business.

- **Residential lumber (20% of Q4-21 sales)**: Residential lumber sales totaled $107 million, down from $117 million of sales generated in the same period in 2020. Despite the lower market price of lumber in the fourth quarter of 2021, compared to the fourth quarter of 2020, pricing for residential lumber remained unchanged. The decrease in sales stems from lower sales volumes.

- **Industrial products (5% of Q4-21 sales)**: Industrial product sales amounted to $25 million, slightly up compared to the $23 million of sales generated a year ago, primarily due to the mix of project-related bridge work.

Logs and lumber:

- **Logs and lumber (6% of Q4-21 sales)**: Logs and lumber sales totaled $39 million, down 13% compared to the same period last year, mainly due to the lower market price of lumber.

Gross profit was $65 million in the fourth quarter of 2021, versus $85 million, in the fourth quarter of 2020, representing a margin of 11.9% and 15.9% respectively. The decrease was primarily attributable to the higher inventory cost of residential lumber at the end of the third quarter. Given the time lag in contractual price adjustments, the rise in costs during the quarter outpaced sales price increases across all product categories. This further contributed to the lower gross profit in the fourth quarter of 2021, compared to the same period last year.

Similarly, operating income totaled $32 million in the fourth quarter of 2021 versus operating income of $50 million in the corresponding period of 2020, while EBITDA decreased to $52 million, down 26%, compared to $70 million reported in the fourth quarter of 2020.

As a result, net income for the fourth quarter of 2021 was $22 million, or $0.34 per share, compared to net income of $34 million, or $0.52 per share, in the corresponding period of 2020.

2021 RESULTS

Sales for the year ended December 31, 2021 were up 8% to $2,750 million, compared to sales of $2,551 million in 2020, despite a $127 million negative impact from currency conversion. Excluding the impact of the currency conversion and the contribution from acquisitions, pressure-treated wood sales rose $232 million, or 10% and sales of logs and lumber increased by $88 million. The increase in sales was driven by organic growth across all product categories.

Pressure-treated wood products:

- **Utility poles (34% of 2021 sales)**: Utility poles sales increased to $925 million in 2021, compared to sales of $888 million in 2020. Excluding the contribution from the acquisition of Cahaba Pressure and Cahaba Timber in November 2021 and the currency conversion effect, utility poles sales increased by $83 million, or 9%, driven by strong maintenance demand for distribution poles, favourable price adjustments in response to raw material cost increases and a better sales mix, including the impact of incremental fire-resistant wrapped pole sales volumes. This growth was partially attenuated by less project-related volumes.

- **Railway ties (25% of 2021 sales)**: Railway ties sales were $700 million in 2021, compared to sales of $733 million in 2020. Excluding the currency conversion effect, railway ties sales increased $13 million, or 2%, largely attributable to higher non-Class 1 sales compared to 2020, as continued strong demand outweighed the pricing pressures in the first half of the year. Sales for Class 1 customers remained relatively stable year-over-year.

- **Residential lumber (28% of 2021 sales)**: Sales in the residential lumber category rose to $773 million in 2021, compared to sales of $665 million in 2020. Excluding the currency conversion effect, residential lumber sales increased $127 million, or 19%, driven by the exceptional rise in the market price of lumber during the first six months of the year. This increase was partially offset by lower sales volumes attributable to softer consumer demand compared to last year.

- **Industrial products (5% of 2021 sales)**: Industrial product sales were relatively unchanged at $121 million in 2021 compared to sales of $119 million in 2020. Excluding the currency conversion effect, industrial product sales increased $9 million or 8%, largely due to more timber and piling projects compared to 2020, offset in part by lower project-related bridge and crossing sales.

Logs and lumber:

- **Logs and lumber (8% of 2021 sales)**: Sales in the logs and lumber product category were $231 million in 2021, up 60% compared to $146 million in 2020. The increase is due to the exceptional rise in the market price of lumber in the first half of the year.

Driven by sales growth, gross profit grew to $456 million, compared to $446 million in 2020, and EBITDA increased to a record $400 million, from $385 million in 2020. The increase in gross profit and EBITDA was primarily driven by the rise in sales prices for residential lumber, which exceeded the higher cost of lumber, as well as, improved pricing, sales mix and volumes for utility poles. This increase was partially offset by a decrease in residential lumber demand, lower railway ties pricing and the unfavourable impact of the depreciation of the U.S. dollar. Given, however, the time lag in contractual sales price adjustments, the increase in costs outpaced price increases and EBITDA margin decreased to 14.5% compared to a margin of 15.1% in the prior year.

Net income in 2021 was $227 million, an increase of 8% versus net income of $210 million in 2020. Earnings per share in 2021 were $3.49, an increase of 12% compared to earnings per share of $3.12 in 2020. Earnings per share was positively impacted by the increase in net income and the Company's repurchase of shares through its normal course issuer bids.

STRONG LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2021, Stella-Jones generated operating cash flows of $251 million. The Company invested $129 million in strategic acquisitions, $64 million in its property, plant and equipment and intangible assets, and returned $155 million of capital to shareholders through the payment of dividends and the repurchase of shares. As at December 31, 2021, the Company maintained a healthy financial position with a net debt-to-EBITDA ratio of 2.2x and available liquidity of $329 million.

NORMAL COURSE ISSUER BID

On November 8, 2021, the Toronto Stock Exchange ("TSX") accepted Stella-Jones' Notice of Intention to Make a normal course issuer bid ("NCIB') to purchase for cancellation, up to 4,000,000 common shares during the 12-month period commencing November 12, 2021 and ending November 11, 2022, representing approximately 8% of the public float of its common shares. ("2021-2022" NCIB)

In the three-month period ended December 31, 2021, the Company repurchased 721,548 common shares for cancellation in consideration of $30 million, under its NCIB. In 2021, the Company repurchased in total 2,447,419 common shares for cancellation in consideration of $108 million, under the NCIB's then in effect.

Subsequent to year-end, on March 8, 2022, 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 by the Company during the 12-month period ending November 11, 2022, from 4,000,000 to 5,000,000 common shares, representing approximately 10% of the public float of its common shares as at the October 31, 2021. The amendment to the NCIB will be effective on March 14, 2022 and will continue until November 11, 2022 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 11% TO $0.20 PER SHARE

On March 8, 2022 the Board of Directors declared a quarterly dividend of $0.20 per common share, representing an increase of 11% over the previous quarterly dividend, on the outstanding common shares of the Company, payable on April 22, 2022 to shareholders of record at the close of business on April 4, 2022. This dividend is designated to be an eligible dividend.

OUTLOOK

To better reflect its business dynamics, the Company is shifting its financial guidance to a three-year outlook. Over the next 3 years, Stella-Jones anticipates continued sales and EBITDA growth. It expects to generate an annual sales growth rate in the mid-single digit range from the 2019 pre-pandemic levels and continues to target EBITDA margin of approximately 15% for the 2022-2024 period.

By core product categories for 2022-2024:

- The Company will expand its capital expenditure program and invest an additional $90 to $100 million to support the anticipated high single-digit organic growth in the utility poles category;
- The Company continues to project growth in the railway ties category in the low single-digits; and
- For residential lumber, the Company anticipates stable long-term demand but believes the market price of lumber will normalize. As a result, the Company expects its residential lumber sales to decrease compared to 2021 and assumes sales in the 2022-2024 period will be approximately 35% above the 2019 pre-pandemic levels.

With the anticipated normalization of lumber prices and expected growth in the Company's infrastructure-related businesses, the sales of utility poles, railway ties and industrial product categories are expected to represent 75-80% of total sales, while the relative proportion of residential lumber sales is projected to stabilize to 20-25% by 2024.

Based on its current business model, the Company projects returning to shareholders approximately $500 to $600 million in the 2022-2024 period.

The Company plans to pursue acquisitions that further support growth in its infrastructure-related products categories. It also plans to evaluate growth opportunities in adjacent businesses where it can leverage its core knowledge and key attributes to generate continued strong cash flow. For strategic acquisitions, the Company anticipates increasing its leverage to finance such opportunities. As per its capital allocation strategy, the Company targets a 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.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 9, 2022, at 10:00 a.m. Eastern Standard Time. Interested parties can join the call by dialing 1-438-803-0545 (Toronto or overseas) or 1-888-440-2194 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-770-2030 and entering the passcode 4899896. This recording will be available on Wednesday, March 9, 2022 as of 1:30 p.m. until 11:59 p.m. on Wednesday, March 16, 2022.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) 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, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Additionally, the Company manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network.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.

Note to readers: The audited consolidated financial statements for the year ended December 31, 2021 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

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

	For the three-month periods ended December 31,		For the years ended December 31,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Sales	545	533	2,750	2,551
Expenses				
Cost of sales (including depreciation and amortization (3 months - $17 (2020 - $16) and 12 months - $63 (2020 - $62))	480	448	2,294	2,105
Selling and administrative (including depreciation and amortization (3 months - $3 (2020 - $4) and 12 months - $11 (2020 - $14))	32	32	127	125
Other losses, net	1	3	3	12
	513	483	2,424	2,242
Operating income	32	50	326	309
Financial expenses	6	5	23	25
Income before income taxes	26	45	303	284
Provision for income taxes				
Current	(4)	8	64	66
Deferred	8	3	12	8
	4	11	76	74
Net income for the year	22	34	227	210
Basic and diluted earnings per common share	0.34	0.52	3.49	3.12

(expressed in millions of Canadian dollars)

	2021 $	2020 $
Assets		
Current assets		
Accounts receivable	230	208
Inventories	1,106	1,075
Income taxes receivable	9	—
Other current assets	43	36
	1,388	1,319
Non-current assets		
Property, plant and equipment	629	574
Right-of-use assets	138	135
Intangible assets	158	115
Goodwill	341	280
Derivative financial instruments	3	—
Other non-current assets	8	3
	2,665	2,426
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	162	137
Income taxes payable	1	19
Derivative financial instruments	—	2
Current portion of long-term debt	33	11
Current portion of lease liabilities	35	33
Current portion of provisions and other long-term liabilities	11	16
	242	218
Non-current liabilities		
Long-term debt	701	595
Lease liabilities	109	106
Deferred income taxes	137	104
Provisions and other long-term liabilities	15	15
Employee future benefits	13	15
	1,217	1,053
Shareholders' equity		
Capital stock	208	214
Retained earnings	1,161	1,079
Accumulated other comprehensive income	79	80
	1,448	1,373
	2,665	2,426

(expressed in millions of Canadian dollars)

	2021 $	2020 $
Cash flows provided by (used in)		
Operating activities		
Net income for the year	227	210
Adjustments for		
Depreciation of property, plant and equipment	25	26
Depreciation of right-of-use assets	38	38
Amortization of intangible assets	11	12
Gain on derivative financial instruments	—	(2)
Financial expenses	23	25
Current income taxes expense	64	66
Deferred income taxes	12	8
Provisions and other long-term liabilities	(7)	14
Other	(5)	5
	388	402
Changes in non-cash working capital components		
Accounts receivable	(19)	(32)
Inventories	(21)	(123)
Other current assets	(7)	(2)
Accounts payable and accrued liabilities	24	1
	(23)	(156)
Interest paid	(23)	(26)
Income taxes paid	(91)	(42)
	251	178
Financing activities		
Proceeds from short-term debt	125	—
Repayment of short-term debt	(123)	—
Net change in revolving credit facilities	(13)	20
Proceeds from long-term debt	247	—
Repayment of long-term debt	(105)	(8)
Repayment of lease liabilities	(35)	(35)
Dividends on common shares	(47)	(40)
Repurchase of common shares	(108)	(60)
Other	1	(1)
	(58)	(124)
Investing activities		
Business acquisitions	(129)	—
Purchase of property, plant and equipment	(48)	(42)
Additions of intangible assets	(16)	(13)
Other	—	1
	(193)	(54)
Net change in cash and cash equivalents during the year	—	—
Cash and cash equivalents – Beginning of year	—	—
Cash and cash equivalents – End of year	—	—

NON-GAAP AND OTHER FINANCIAL MEASURES

This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of "specified financial measures" (as defined therein).

Non-GAAP financial measures include:
- **Gross profit**: Sales less cost of sales
- **EBITDA**: Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **Net debt:** Sum of long-term debt and lease liabilities (including the current portion)

Non-GAAP ratios include:
- **Gross profit margin**: Gross profit divided by sales for the corresponding period
- **EBITDA margin**: EBITDA divided by sales for the corresponding period
- **Net debt-to-EBITDA**: Net debt divided by EBITDA

Other specified financial measures include:
- **Operating income margin**: Operating income divided by sales for the corresponding period

Management considers these non-GAAP and other financial measures to be useful information to assist knowledgeable investors to understand the Company's operating results, financial position and cash flows as they provide a supplemental measure of its performance. Management uses these non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and to assess the Company's ability to meet future debt service, capital expenditure and working capital requirements. Management uses net debt to calculate the Company's indebtedness level, future cash needs and financial leverage ratios.

The following tables present the reconciliations of non-GAAP financial measures to their most comparable GAAP measures.

Reconciliation of operating income to EBITDA (in millions of dollars)	**Three-month periods ended December 31,**		**Years ended December 31,**	
	2021	**2020**	**2021**	**2020**
Operating income	32	50	326	309
Depreciation and amortization	20	20	74	76
EBITDA	52	70	400	385

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**Years ended December 31,**	
	2021	**2020**
Long-term debt, including current portion	734	606
Add:		
Lease liabilities, including current portion	144	139
Net Debt	878	745
EBITDA	400	385
Net Debt-to-EBITDA	2.2	1.9