Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS FIRST QUARTER RESULTS
Annual Meeting of Shareholders to be held later this morning

- **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**

Montreal, Quebec – May 11, 2022 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its first quarter ended March 31, 2022.

"With 2022 underway, we are pleased to report first quarter results that delivered on our expectations," stated Éric Vachon, President and CEO of Stella-Jones." 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," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q1-22**	**Q1-21**
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 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.

FIRST QUARTER RESULTS

Sales for the first quarter of 2022 amounted to $651 million, up from sales of $623 million for the same period in 2021. Excluding the contribution from the acquisitions of Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. of $15 million dollars, pressure-treated wood sales rose $21 million, or 4%, mainly driven by strong organic growth across the Company's infrastructure-related businesses, namely utility poles, railway ties and industrial products, offset in large part by a decrease in sales for residential lumber and logs and lumber product categories when compared to their exceptional sales growth in the first quarter of 2021.

Pressure-treated wood products:

- **Utility poles (39% of Q1-22 sales)**: Utility poles sales amounted to $254 million in the first quarter of 2022, up from $206 million for the same period last year. Excluding the contribution from acquisitions, sales increased 16%, driven by the continued improvement in maintenance demand, upward price adjustments in response to cost increases and a better sales mix, mainly due to the impact of additional fire-resistant wrapped pole sales volumes.

- **Railway ties (27% of Q1-22 sales)**: Sales of railway ties amounted to $175 million in the first quarter of 2022, up from $158 million for the corresponding period last year. The sales growth was almost all attributable to favourable sales price adjustments for Class 1 customers, largely to cover higher fibre costs, and higher pricing for non-Class 1 customers. Overall, volumes were relatively unchanged compared to the same period last year.

- **Residential lumber (20% of Q1-22 sales)**: Residential lumber sales totaled $132 million in the first quarter of 2022, down from $166 million of sales generated in the first quarter of 2021. This decrease was largely attributable to lower sales volume, offset in part by the higher market price of lumber. While sales in the first quarter of 2022 were lower compared to the strong sales realized in the same quarter last year, they exceeded the $58 million of sales generated in the first quarter of the pre-pandemic year 2019, due to both pricing and volume gains.

- **Industrial products (5% of Q1-22 sales)**: Industrial product sales amounted to $33 million in the first quarter of 2022, slightly up compared to the $28 million of sales generated a year ago, largely due to increased demand for pilings and timber.

Logs and lumber:

- **Logs and lumber (9% of Q1-22 sales)**: Logs and lumber sales totaled $57 million in the first quarter of 2022, down from $65 million compared to the same period last year. In the course of procuring residential lumber, excess lumber is obtained and resold. The decrease in sales is largely due to less lumber trading activity compared to same period last year.

Gross profit was $100 million in the first quarter of 2022, versus $112 million, in the first quarter of 2021, representing a margin of 15.4% and 18.0% respectively. The absolute dollar decrease in gross profit is largely explained by the lower sales volume for residential lumber, compared to the exceptionally strong demand in the corresponding period last year. The decrease in gross profit margin in the first quarter of 2022 was driven by cost increases, which outpaced sales price increases, largely due to the time lag in contractual price adjustments.

Similarly, operating income totaled $67 million in the first quarter of 2022 versus operating income of $82 million in the corresponding period of 2021, while EBITDA decreased to $88 million, down 11%, compared to $99 million reported in the first quarter of 2021.

As a result, net income for the first quarter of 2022 was $46 million, or $0.73 per share, compared to net income of $56 million, or $0.85 per share, in the corresponding period of 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the period ended March 31, 2022, Stella-Jones used its liquidity to support the seasonal increase in working capital requirements, invest in its property, plant and equipment and continue to repurchase shares. As at March 31, 2022, given the Company's seasonal working capital requirements, its net debt-to-EBITDA ratio[1] increased to 2.7x and it had available liquidity of $86 million (US$69 million).

NORMAL COURSE ISSUER BID

On November 8, 2021, the 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 ("2021-2022" NCIB).

On March 8, 2022, the Company received approval from the TSX to amend its 2021-2022 NCIB, effective as of March 14, 2022, 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. On May 10, 2022, the Board of Directors of the Company approved the replacement of the automatic share repurchase plan entered into on November 8, 2021 with its designated broker, allowing for share purchases during self-imposed blackout periods, by a new automatic share repurchase plan ("New Automatic Plan"). The New Automatic Plan will apply to the purchase of shares by the designated broker at all times throughout the remaining term of the 2021-2022 NCIB and takes effect on May 16, 2022.

In the three-month period ended March 31, 2022, the Company repurchased 999,382 common shares for cancellation in consideration of $40 million, under its NCIB 2021-2022. Since the beginning of the 2021-2022 NCIB on November 12, 2021, the Company repurchased 1,720,930 common shares for cancellation in consideration of $70 million.

QUARTERLY DIVIDEND

On 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.

OUTLOOK

Stella-Jones' sales are primarily to critical infrastructure-related businesses. While all product categories can be impacted by short-term fluctuations, the overall business is mostly based on replacement and maintenance-driven requirements, which are rooted in long-term planning. Corresponding to this longer-term horizon and to better reflect the expected sales run-rate for residential lumber and reduce the impact of commodity price volatility, the Company shifted its guidance to a three-year outlook in early 2022. Below are key highlights of the 2022-2024 outlook with a more comprehensive version, including management assumptions, available in the Company's MD&A.

Key Highlights:

a. Compound annual sales growth rate in the mid-single digit range from 2019 pre-pandemic levels to 2024;
b. EBITDA margin of approximately 15% for the 2022-2024 period;
c. 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;
d. 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;
e. Anticipated returns to shareholders between $500 and $600 million during three-year outlook period;
f. Leverage ratio of 2.0x-2.5x between 2022-2024, but may temporarily exceed range to pursue acquisitions.

ANNUAL GENERAL MEETING

Stella-Jones will hold its Annual General Meeting of Shareholders on May 11, 2022, at 10:00 a.m. Eastern Daylight Time. Interested parties may attend online via live audio webcast at the following link: https://web.lumiagm.com/457484504.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 11, 2022, at 13:30 p.m. Eastern Daylight 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, May 11, 2022 as of 4:30 p.m. until 11:59 p.m. on Wednesday, May 18, 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 political, 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: Condensed interim unaudited consolidated financial statements for the first quarter ended March 31, 2022 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

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Income

(Unaudited)

For the three-month periods ended March 31, 2022 and 2021

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

	2022	2021
	$	$
Sales	651	623
Expenses		
Cost of sales (including depreciation and amortization of $17 (2021 - $14))	551	511
Selling and administrative (including depreciation and amortization of $4 (2021 - $3))	33	30
	584	541
Operating income	67	82
Financial expenses	6	6
Income before income taxes	61	76
Provision for income taxes		
Current	13	22
Deferred	2	(2)
	15	20
Net income for the period	46	56
Basic and diluted earnings per common share	0.73	0.85

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in millions of Canadian dollars)

	March 31, 2022 $	December 31, 2021 $
Assets		
Current assets		
Accounts receivable	379	230
Inventories	1,156	1,106
Income taxes receivable	5	9
Other current assets	49	43
	1,589	1,388
Non-current assets		
Property, plant and equipment	635	629
Right-of-use assets	132	138
Intangible assets	155	158
Goodwill	336	341
Derivative financial instruments	15	3
Other non-current assets	7	8
	2,869	2,665
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	184	162
Income taxes payable	1	1
Current portion of long-term debt	1	33
Current portion of lease liabilities	35	35
Current portion of provisions and other long-term liabilities	11	11
	232	242
Non-current liabilities		
Long-term debt	929	701
Lease liabilities	103	109
Deferred income taxes	142	137
Provisions and other long-term liabilities	15	15
Employee future benefits	7	13
	1,428	1,217
Shareholders' equity		
Capital stock	205	208
Retained earnings	1,162	1,161
Accumulated other comprehensive income	74	79
	1,441	1,448
	2,869	2,665

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three-month periods ended March 31, 2022 and 2021

(expressed in millions of Canadian dollars)

	2022 $	2021 $
Cash flows from (used in)		
Operating activities		
Net income for the period	46	56
Adjustments for		
Depreciation of property, plant and equipment	7	6
Depreciation of right-of-use assets	10	9
Amortization of intangible assets	4	2
Financial expenses	6	6
Current income taxes expense	13	22
Deferred income taxes	2	(2)
Provisions and other long-term liabilities	—	1
	88	100
Changes in non-cash working capital components		
Accounts receivable	(152)	(171)
Inventories	(60)	(99)
Other current assets	(7)	2
Accounts payable and accrued liabilities	12	55
	(207)	(213)
Interest paid	(8)	(8)
Income taxes paid	(9)	(20)
	(136)	(141)
Financing activities		
Proceeds from short-term debt	—	63
Net change in revolving short-term facility	—	74
Net change in revolving credit facilities	239	126
Repayment of long-term debt	(32)	(63)
Repayment of lease liabilities	(10)	(8)
Repurchase of common shares	(39)	(37)
	158	155
Investing activities		
Purchase of property, plant and equipment	(20)	(10)
Additions of intangible assets	(2)	(4)
	(22)	(14)
Net change in cash and cash equivalents during the period	—	—
Cash and cash equivalents – Beginning of period	—	—
Cash and cash equivalents – End of period	—	—

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 trailing 12-month (TTM) 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 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**	
	March 31, 2022	**March 31, 2021**
Operating income	67	82
Depreciation and amortization	21	17
EBITDA	88	99

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at March 31, 2022**	**As at December 31, 2021**
Long-term debt, including current portion	930	734
Add:		
Lease liabilities, including current portion	138	144
Net Debt	1,068	878
EBITDA (TTM)	389	400
Net Debt-to-EBITDA	2.7	2.2