Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS ROBUST SECOND QUARTER RESULTS

- **Sales increased to $907 million, despite the normalization of residential lumber sales**
- **10% organic growth for infrastructure-related businesses**
- **EBITDA[(1)] 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**

Montreal, Quebec – August 10, 2022 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its second quarter ended June 30, 2022.

"Stella-Jones recorded solid results in the second quarter, above market performance, delivering sequentially higher margins and generating significant cash," said Éric Vachon, President and CEO of Stella-Jones. "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," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margins)	**Q2-22**	**Q2-21**	**YTD Q2-22**	**YTD Q2-21**
Sales	907	903	1,558	1,526
Gross profit[(1)]	173	197	273	309
Gross profit margin[(1)]	19.1%	21.8%	17.5%	20.2%
EBITDA[(1)]	154	180	242	279
EBITDA margin[(1)]	17.0%	20.0%	15.5%	18.3%
Operating income	133	161	200	243
Operating income margin[(1)]	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

(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.

SECOND QUARTER RESULTS

Sales for the second quarter of 2022 amounted to $907 million, up from $903 million for the same period in 2021. Excluding the $22 million favourable impact of currency conversion and the contribution from the acquisitions of Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. (collectively "Cahaba") of $15 million, pressure-treated wood sales were unchanged compared to last year, while sales of logs and lumber decreased by $33 million. The pressure-treated wood sales attributable to the Company’s infrastructure-related businesses, namely utility poles, railway ties and industrial products, increased 10% compared to the second quarter of 2021 but was entirely offset by the lower residential lumber sales.

Pressure-treated wood products:

- **Utility poles (35% of Q2-22 sales)**: Utility poles sales amounted to $316 million in the second quarter of 2022, up from $236 million for the same period last year. Excluding the currency conversion effect and the contribution from the Cahaba acquisitions, sales increased 23%, driven by the upward price adjustments in response to cost increases, the continued improvement in maintenance and project-related demand.

- **Railway ties (24% of Q2-22 sales)**: Sales of railway ties amounted to $215 million in the second quarter of 2022, versus $216 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties decreased by 4%, mainly attributable to the reduced maintenance demand of certain Class 1 customers, offset in part by favourable sales price adjustments, largely to cover higher fibre costs.

- **Residential lumber (32% of Q2-22 sales)**: Residential lumber sales totaled $286 million in the second quarter of 2022, down from $330 million in the second quarter of 2021. Excluding the currency conversion effect, sales decreased 14% as a result of lower sales volume, largely stemming from a slower start to the season due to unfavourable weather conditions and lower pricing compared to the record high market price of lumber in the second quarter of 2021.

- **Industrial products (4% of Q2-22 sales)**: Industrial product sales amounted to $38 million in the second quarter of 2022, slightly up compared to the $36 million of sales generated a year ago, largely due to higher pricing for projects related to railway bridges and crossings.

Logs and lumber:

- **Logs and lumber (5% of Q2-22 sales)**: Logs and lumber sales totaled $52 million in the second quarter of 2022, down from $85 million compared to the same period last year. The decrease in sales is largely due to less lumber trading activity compared to same period last year.

Gross profit was $173 million in the second quarter of 2022, versus $197 million, in the second quarter of 2021, representing a margin of 19.1% and 21.8% respectively. The decrease in gross profit was primarily driven by the normalization of residential lumber gross profit, which outweighed the pricing gains and resulting gross profit margin expansion for utility poles and railway ties.

Similarly, operating income totaled $133 million in the second quarter of 2022 versus operating income of $161 million in the corresponding period of 2021, and EBITDA decreased to $154 million, compared to $180 million reported in the second quarter of 2021.

As a result, net income for the second quarter of 2022 was $94 million, or $1.51 per share, compared to net income of $115 million, or $1.76 per share, in the corresponding period of 2021.

SIX-MONTH RESULTS

For the first six months of 2022, sales amounted to $1,558 million, versus $1,526 million for the corresponding period last year. Excluding the positive impact of the currency conversion of $22 million and the contribution from the Cahaba acquisitions of $30 million, pressure-treated wood sales rose by $21 million, or 2%, and logs and lumber sales dropped by $41 million. The year-over-year sales growth in pressure-treated wood stemmed from upward price adjustments and increased maintenance and project-related demand for utility poles, as well as higher pricing for railway ties. These factors were largely offset by a decrease in residential lumber volumes and pricing, as well as lower railway ties volumes, particularly for Class 1 business.

Gross profit decreased to $273 million, or 17.5% of sales, from $309 million, or 20.2% of sales, in the corresponding period last year. Operating income amounted to $200 million, versus $243 million a year ago, while EBITDA was $242 million, compared to $279 million in the prior year.

Net income in the first six months of 2022 was $140 million, or $2.23 per share, versus net income of $171 million, or $2.61 per share, in the corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

During the second quarter ended June 30, 2022, Stella-Jones used the cash generated from operations of $228 million to reduce indebtedness related to the seasonal investment in working capital in the first quarter by $130 million, invest in capital expenditures of $20 million and return capital to shareholders with dividends and share repurchases totaling $69 million.

The Company’s long-term debt, including the current portion, stood at $820 million as at June 30, 2022 with a net debt-to-EBITDA of 2.7x, primarily driven by the lower trailing 12-month EBITDA.

ACQUISITION OF TRANSPORTATION ASSETS

Subsequent to quarter-end, Stella-Jones completed the acquisition of substantially all of the operating assets of the Dinsmore Trucking group (“Dinsmore”), a specialty poles and logs carrier and transportation business. Dinsmore’s operations are principally located in Ontario and Alberta and their services extend across Canada and to parts of the United-States. Total consideration associated with the acquisition was approximately $9 million. As much of the Company's business relies on sound logistics, securing trucking assets through this acquisition will help the Company better serve its network and customers through increased control and flexibility of transport operations.

NORMAL COURSE ISSUER BID

In the three-month period ended June 30, 2022, the Company repurchased 1,286,804 common shares for cancellation in consideration of $45 million under the Normal Course Issuer Bid commencing November 12, 2021 and ending November 11, 2022 ("2021-2022 NCIB"). For the six-month period ended June 30, 2022, the Company repurchased 2,286,186 common shares for cancellation in consideration of $85 million. Since the beginning of the 2021-2022 NCIB, the Company has repurchased a total of 3,007,734 common shares for cancellation in consideration of $115 million.

QUARTERLY DIVIDEND

On 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.

OUTLOOK

Stella-Jones' sales are primarily to critical infrastructure-related businesses. While all product categories can be impacted by short-term fluctuations, the 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. Management remains confident in the achievement of its three-year strategic guidance.

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.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on August 10, 2022, at 10:00 a.m. Eastern Daylight Time. Interested parties can join the call by dialing 1-416-764-8646 (Toronto or overseas) or 1-888-396-8049 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-877-674-7070 and entering the passcode 969499. This recording will be available on Wednesday, August 10, 2022 as of 1:00 p.m. until 11:59 p.m. on Wednesday, August 17, 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 treated 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 second quarter ended June 30, 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) 934-8660 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 June 30,		For the six-month periods ended June 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Sales	907	903	1,558	1,526
Expenses				
Cost of sales (including depreciation and amortization (3 months - $18 (2021 - $16) and 6 months - $35 (2021 - $30))	734	706	1,285	1,217
Selling and administrative (including depreciation and amortization (3 months - $3 (2021 - $3) and 6 months - $7 (2021 - $6))	39	35	72	65
Other losses, net	1	1	1	1
	774	742	1,358	1,283
Operating income	133	161	200	243
Financial expenses	6	6	12	12
Income before income taxes	127	155	188	231
Provision for income taxes				
Current	29	37	42	59
Deferred	4	3	6	1
	33	40	48	60
Net income for the period	94	115	140	171
Basic and diluted earnings per common share	1.51	1.76	2.23	2.61

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

(expressed in millions of Canadian dollars)

	As at June 30, 2022 $	As at December 31, 2021 $
Assets		
Current assets		
Accounts receivable	378	230
Inventories	1,113	1,106
Income taxes receivable	—	9
Other current assets	60	43
	1,551	1,388
Non-current assets		
Property, plant and equipment	659	629
Right-of-use assets	142	138
Intangible assets	157	158
Goodwill	346	341
Derivative financial instruments	21	3
Other non-current assets	8	8
	2,884	2,665
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	211	162
Income taxes payable	6	1
Current portion of long-term debt	1	33
Current portion of lease liabilities	37	35
Current portion of provisions and other long-term liabilities	10	11
	265	242
Non-current liabilities		
Long-term debt	819	701
Lease liabilities	112	109
Deferred income taxes	152	137
Provisions and other long-term liabilities	17	15
Employee future benefits	4	13
	1,369	1,217
Shareholders' equity		
Capital stock	201	208
Retained earnings	1,206	1,161
Accumulated other comprehensive income	108	79
	1,515	1,448
	2,884	2,665

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(expressed in millions of Canadian dollars)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Cash flows from (used in)				
Operating activities				
Net income for the period	94	115	140	171
Adjustments for				
Depreciation of property, plant and equipment	8	6	15	12
Depreciation of right-of-use assets	10	9	20	18
Amortization of intangible assets	3	4	7	6
Financial expenses	6	6	12	12
Current income taxes expense	29	37	42	59
Deferred income taxes	4	3	6	1
Provisions and other long-term liabilities	—	(6)	—	(5)
Other	—	(3)	—	(3)
	154	171	242	271
Changes in non-cash working capital components				
Accounts receivable	8	27	(144)	(144)
Inventories	65	36	5	(63)
Other current assets	(9)	(1)	(16)	1
Accounts payable and accrued liabilities	34	(25)	46	30
	98	37	(109)	(176)
Interest paid	(5)	(3)	(13)	(11)
Income taxes paid	(19)	(32)	(28)	(52)
	228	173	92	32
Financing activities				
Proceeds from short-term debt	—	62	—	125
Repayment of short-term debt	—	(123)	—	(123)
Net change in revolving short-term facility	—	(74)	—	—
Net change in revolving credit facilities	(192)	(84)	47	42
Proceeds from long-term debt	63	121	63	121
Repayment of long-term debt	(1)	(11)	(33)	(74)
Repayment of lease liabilities	(9)	(9)	(19)	(17)
Dividends on common shares	(25)	(24)	(25)	(24)
Repurchase of common shares	(44)	(14)	(83)	(51)
	(208)	(156)	(50)	(1)
Investing activities				
Purchase of property, plant and equipment	(17)	(10)	(37)	(20)
Additions of intangible assets	(3)	(6)	(5)	(10)
Other	—	(1)	—	(1)
	(20)	(17)	(42)	(31)
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 June 30,**		**Six-month periods ended June 30,**	
	2022	**2021**	**2022**	**2021**
Operating income	133	161	200	243
Depreciation and amortization	21	19	42	36
EBITDA	**154**	**180**	**242**	**279**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at June 30, 2022**	**As at December 31, 2021**
Long-term debt, including current portion	820	734
Add:		
Lease liabilities, including current portion	149	144
Net Debt	**969**	**878**
EBITDA (TTM)	363	400
Net Debt-to-EBITDA	**2.7**	**2.2**