



**Source:** Stella-Jones Inc.

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**STELLA-JONES REPORTS RECORD FIRST QUARTER RESULTS; GROWTH PLAN IS IN ACTION**  
**The Company to hold hybrid Annual Meeting of Shareholders this morning at 10:00 AM EDT, followed by Q1 conference call at 1:30 PM EDT**

- **Sales of \$710 million for the first quarter**
- **Strong 18% organic sales growth in infrastructure-related businesses**
- **Record EBITDA<sup>(1)</sup> of \$120 million, or a margin<sup>(1)</sup> of 16.9%, up from 13.5% in Q1 2022**
- **Net income of \$60 million, or \$1.03 per share, up 41% from EPS in Q1 2022**

**Montreal, Quebec – May 10, 2023** - Stella-Jones Inc. (TSX: SJ) (“Stella-Jones” or the “Company”) today announced financial results for its first quarter ended March 31, 2023.

“The Company had an excellent start to the year, propelled by the momentum of our growth in 2022,” said Eric Vachon, President and Chief Executive Officer of Stella-Jones. “Our record results in Q1 featured strong sales, higher EBITDA and margin, and were marked by an out-performance of our utility poles product category, which saw a 29% organic sales increase. Our first quarter results also reflected steady sales growth in railway ties, aligned with our expectations for this product category, and an anticipated pullback in residential lumber sales compared to 2022.”

“Stella-Jones’ performance in the first quarter further evidenced our ongoing proactivity in securing fibre supply and increasing pole production capacity, and our financial strength to support growth. We are executing on our plan to grow our infrastructure-related businesses, and deliver on our commitment to return capital to shareholders. As we continue to invest in our business and seek expansion opportunities, we are fulfilling or exceeding the objectives laid out in our 3-year plan and I am proud of our business for continuously delivering such a high standard of service to our customers,” he concluded.

<b>Financial Highlights</b>	<b>Q1-23</b>	<b>Q1-22</b>
(in millions of Canadian dollars, except per share data and margins)		
Sales	710	651
Gross profit <sup>(1)</sup>	136	100
Gross profit margin <sup>(1)</sup>	19.2%	15.4%
EBITDA <sup>(1)</sup>	120	88
EBITDA margin <sup>(1)</sup>	16.9%	13.5%
Operating income	95	67
Operating income margin <sup>(1)</sup>	13.4%	10.3%
Net income for the period	60	46
Earnings per share ("EPS") - basic and diluted	1.03	0.73
Weighted average shares outstanding (basic, in ‘000s)	58,801	63,272

<sup>(1)</sup> Refer to the section "Non-GAAP and other financial measures" in this press release.

## FIRST QUARTER RESULTS

Sales in the first quarter of 2023 were up 9% to \$710 million, compared to \$651 million last year. Excluding the contribution from the acquisition of the utility pole manufacturing business of Texas Electric Cooperatives, Inc. (“TEC”) and the positive effect of currency conversion, sales were up nine million dollars or 1%. The increase was driven by an 18% organic sales growth of the Company’s infrastructure-related businesses, namely utility poles, railway ties and industrial products, offset in large part by lower residential lumber and logs and lumber sales when compared to the same period last year. Led by the strong organic sales growth, particularly for the Company’s largest product category, utility poles, EBITDA<sup>(1)</sup> increased to \$120 million in the first quarter of 2023 compared to \$88 million in the first quarter last year and EBITDA margin<sup>(1)</sup> expanded from 13.5% in 2022 to 16.9%.

### Pressure-treated wood products:

- **Utility poles (51% of Q1-23 sales):** Utility poles sales amounted to \$362 million, up from \$254 million for the same period last year. Excluding the contribution from the acquisition of TEC assets and the currency conversion effect, utility poles sales increased by \$73 million, or 29%, driven by higher pricing. While the market demand for utility poles remained strong, sales volume gains were limited by the Company’s current production capacity, which was impacted in part by ongoing capital projects.
- **Railway ties (27% of Q1-23 sales):** Sales of railway ties amounted to \$195 million, versus \$175 million in the corresponding period last year. Excluding the currency conversion effect, sales of railway ties increased by nine million dollars, or 5%, attributable to favourable sales price adjustments, largely to cover higher costs. This increase was offset in part by a decrease in volumes for non-Class 1 customers due to the reduced level of treated ties inventory following the limited fibre supply availability in 2022.
- **Residential lumber (13% of Q1-23 sales):** Sales in residential lumber decreased \$42 million to \$90 million in the first quarter of 2023, compared to sales of \$132 million in the corresponding period last year. Excluding the currency conversion effect, residential lumber sales decreased \$44 million, or 33%. This decrease was attributable to lower volumes and pricing compared to the stronger demand and the rise in the market price of lumber in the same quarter last year.
- **Industrial products (5% of Q1-23 sales):** Industrial product sales were \$36 million in the first quarter of 2023, compared to sales of \$33 million in the corresponding period last year. The increase was largely due to higher volumes related to bridge projects.

### Logs and lumber:

- **Logs and lumber (4% of Q1-23 sales):** Sales in the logs and lumber product category were \$27 million in the first quarter of 2023, as compared to \$57 million in the corresponding period last year. The decrease in sales was attributable to lower lumber trading volumes and pricing compared to the first quarter last year.

Gross profit<sup>(1)</sup> was \$136 million in the first quarter of 2023 compared to \$100 million in the corresponding period last year, representing a margin<sup>(1)</sup> of 19.2% and 15.4%, respectively. The increase in gross profit in absolute dollars was largely due to the margin expansion of the Company’s infrastructure-related product categories, particularly stemming from the favourable price adjustments realized for utility poles and railway ties. This improvement was offset in part by a decrease in the gross profit of residential lumber, mainly due to lower pricing. As a percentage of sales, the gross profit margin also benefited from a better product mix, led by the strong growth of utility poles sales.

Similarly, operating income totaled \$95 million in the first quarter of 2023 versus operating income of \$67 million in the corresponding period of 2022 while EBITDA<sup>(1)</sup> increased to \$120 million, compared to \$88 million reported in the first quarter of 2022.

<sup>(1)</sup> Refer to the section "Non-GAAP and other financial measures" in this press release.

Net income for the first quarter of 2023 was \$60 million, or \$1.03 per share, compared to net income of \$46 million, or \$0.73 per share, in the corresponding period of 2022.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the quarter ended March 31, 2023, Stella-Jones used its liquidity to support the seasonal increase in working capital requirements, invest to maintain the quality of its assets, and expand and secure its production capacity, including acquiring the pole peeling and drying assets of IndusTREE Pole & Piling, LLC (“IndusTREE”), as well as return capital to shareholders.

In the three-month period ended March 31, 2023, the Company repurchased 608,709 common shares for cancellation in consideration of \$30 million, under its current Normal Course Issuer Bid (“NCIB”). Since the beginning of the NCIB on November 14, 2022, the Company has repurchased 1,026,569 common shares for cancellation in consideration of \$50 million.

As at March 31, 2023, the Company had a total of \$309 million available under its credit facilities and its net debt-to-EBITDA ratio<sup>(1)</sup> increased to 2.8x due to the Company’s typical working capital requirements in the first quarter of each year.

## **QUARTERLY DIVIDEND**

On May 9, 2023, the Board of Directors declared a quarterly dividend of \$0.23 per common share payable on June 23, 2023 to shareholders of record at the close of business on June 5, 2023. This dividend is designated to be an eligible dividend.

<sup>(1)</sup> Refer to the section “Non-GAAP and other financial measures” in this press release.

## 2022-2024 FINANCIAL OBJECTIVES: CONTINUED PROGRESS

The Company continues to be favourably positioned to meet or exceed the financial objectives set for 2024, as summarized in the table below. Driven by the out-performance of utility poles, sales in 2024 are now expected to exceed the target range. By 2024, utility poles sales are projected to grow at a compound annual rate of 20% from 2022 and the Company's EBITDA margin is expected to exceed the 15% target by approximately 100 basis points.

(in millions of dollars, except percentages)	2022-2024 Financial Objectives <i>published March 9, 2022</i> <sup>(1)</sup>	Trailing 12-month Q1 2023	Result
Sales	\$2,700-\$3,000	\$3,124	✓
Infrastructure-Related Businesses	75-80% of sales	72%	↗
Residential Lumber	20-25% of sales	22%	✓
EBITDA margin <sup>(2)</sup>	≥ 15%	15.4%	✓
Utility Poles Growth Capex: cumulative	\$90-\$100	\$49 <sup>(3)</sup>	↗
Return to Shareholders: cumulative	\$500-\$600	\$273 <sup>(3)</sup>	↗
Net Debt-to-EBITDA <sup>(2)</sup>	2.0x-2.5x	2.8x <sup>(4)</sup>	✓



**Target range met or exceeded**



**Progressing toward target range**

<sup>(1)</sup> Refer to the 2021 Annual Management's Discussion and Analysis for further details and assumptions used in preparing the 2022-2024 financial objectives.

<sup>(2)</sup> Refer to the section entitled "Non-GAAP and Other Financial Measures" of this press release for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

<sup>(3)</sup> Cumulative amount for the period 2022 to Q1 2023.

<sup>(4)</sup> As per its capital allocation policy, the Company may deviate from its leverage target to fund its seasonal working capital requirements.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

Stella-Jones will hold its Annual General Meeting of Shareholders on May 10, 2023, at 10:00 a.m. Eastern Daylight Time ("EDT"). Interested parties may attend in-person at: 1250 René-Lévesque Blvd. West, suite 3610 Montréal, Québec or virtually by webcast at: <https://web.lumiagm.com/409221430> entering the password: stella2023.

## CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 10, 2023, at 1:30 p.m. EDT. Interested parties can join the call by dialing 1-844-491-1187. A live audio webcast of the conference call will be available on the Company's website, on the Investor relations section's home page or here: <https://web.lumiagm.com/415184831>. This recording will be available online on Wednesday, May 10, 2023, as of 4:30 p.m. until 11:59 p.m. on Wednesday, May 17, 2023.

## INVESTOR DAY

The Company will hold an investor day on May 25, 2023 for institutional investors and research analysts in Toronto, Ontario at 8 a.m. EDT. A link to the webcast of the event will be available the morning of May 25<sup>th</sup> at <http://www.stella-jones.com/en/investor-relations>. An investor presentation will also be made available on the Investor Relations, Events and Presentations page of the Company's website.

## ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is North America's leading producer of pressure-treated wood products. It supplies the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Approximately 70%-75% of the Company's sales are typically derived from these infrastructure-related product categories. 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 Canadian customers 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 items include, among others: general political, economic and business conditions, evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, climate change, failure to recruit and retain qualified workforce, information security breaches or other cyber-security threats, changes in foreign currency rates, the ability of the Company to raise capital and factors and assumptions referenced herein and in the Company's continuous disclosure filings. 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, 2023 as well as management's discussion and analysis are available on Stella-Jones' website at [www.stella-jones.com](http://www.stella-jones.com).

<b>Head Office</b> 3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	<b>Exchange Listings</b> The Toronto Stock Exchange Stock Symbol: SJ  <b>Transfer Agent and Registrar</b> Computershare Investor Services Inc.	<b>Investor Relations</b> Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 934-8660 Fax: (514) 934-5327 <a href="mailto:stravaglini@stella-jones.com">stravaglini@stella-jones.com</a>
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**Stella-Jones Inc.**

Condensed Interim Consolidated Statements of Income

(Unaudited)

**For the three-month periods ended March 31, 2023 and 2022**

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

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Sales</b>	710	651
<b>Expenses</b>		
Cost of sales (including depreciation and amortization of \$21 (2022 - \$17))	574	551
Selling and administrative (including depreciation and amortization of \$4 (2022 - \$4))	41	33
	615	584
<b>Operating income</b>	95	67
<b>Financial expenses</b>	14	6
<b>Income before income taxes</b>	81	61
<b>Income tax expense</b>		
Current	24	13
Deferred	(3)	2
	21	15
<b>Net income</b>	60	46
<b>Basic and diluted earnings per common share</b>	1.03	0.73

# Stella-Jones Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in millions of Canadian dollars)

	As at March 31, 2023	As at December 31, 2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable	390	287
Inventories	1,376	1,238
Income taxes receivable	4	—
Other current assets	58	58
	<u>1,828</u>	<u>1,583</u>
<b>Non-current assets</b>		
Property, plant and equipment	781	755
Right-of-use assets	167	160
Intangible assets	169	171
Goodwill	376	369
Derivative financial instruments	24	29
Other non-current assets	6	6
	<u>3,351</u>	<u>3,073</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	225	201
Income taxes payable	28	7
Current portion of long-term debt	103	1
Current portion of lease liabilities	41	41
Current portion of provisions and other long-term liabilities	11	9
	<u>408</u>	<u>259</u>
<b>Non-current liabilities</b>		
Long-term debt	1,054	940
Lease liabilities	134	126
Deferred income taxes	153	158
Provisions and other long-term liabilities	26	26
Employee future benefits	8	7
	<u>1,783</u>	<u>1,516</u>
<b>Shareholders' equity</b>		
Capital stock	192	194
Retained earnings	1,210	1,192
Accumulated other comprehensive income	166	171
	<u>1,568</u>	<u>1,557</u>
	<u>3,351</u>	<u>3,073</u>

**Stella-Jones Inc.**

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

**For the three-month periods ended March 31, 2023 and 2022**

(expressed in millions of Canadian dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Net income	60	46
Adjustments for		
Depreciation of property, plant and equipment	9	7
Depreciation of right-of-use assets	12	10
Amortization of intangible assets	4	4
Financial expenses	14	6
Income tax expense	21	15
Other	2	—
	<u>122</u>	<u>88</u>
Changes in non-cash working capital components		
Accounts receivable	(103)	(152)
Inventories	(138)	(60)
Other current assets	(2)	(7)
Accounts payable and accrued liabilities	11	12
	<u>(232)</u>	<u>(207)</u>
Interest paid	(15)	(8)
Income taxes paid	(7)	(9)
	<u>(132)</u>	<u>(136)</u>
<b>Financing activities</b>		
Net change in revolving credit facilities	217	239
Repayment of long-term debt	—	(32)
Repayment of lease liabilities	(11)	(10)
Repurchase of common shares	(30)	(39)
Other	(1)	—
	<u>175</u>	<u>158</u>
<b>Investing activities</b>		
Business combinations	(13)	—
Purchase of property, plant and equipment	(28)	(20)
Additions of intangible assets	(2)	(2)
	<u>(43)</u>	<u>(22)</u>
<b>Net change in cash and cash equivalents during the period</b>	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents – Beginning of period</b>	<u>—</u>	<u>—</u>
<b>Cash and cash equivalents – End of period</b>	<u>—</u>	<u>—</u>



## 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).

The below-described non-GAAP measures have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. The Company’s method of calculating these measures may differ from the methods used by others, and, accordingly, the definition of these non-GAAP financial measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

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, to assess the Company’s ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management’s performance. More specifically:

- **Gross profit and gross profit margin:** The Company uses these financial measures to evaluate its ongoing operational performance.
- **EBITDA and EBITDA margin:** The Company believes these measures provide investors with useful information because they are common industry measures, used by investors and analysts to measure a company’s ability to service debt and to meet other payment obligations, or as a common valuation measurement. These measures are also key metrics of the Company’s operational and financial performance.
- **Net debt and net debt-to EBITDA:** The Company believes these measures are indicators of the financial leverage of the Company.

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

<b>Reconciliation of operating income to EBITDA</b> (in millions of dollars)	<b>Three-month periods ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating income	95	67
Depreciation and amortization	25	21
<b>EBITDA</b>	<b>120</b>	<b>88</b>

<b>Reconciliation of Long-Term Debt to Net Debt</b> (in millions of dollars)	<b>As at</b>	<b>As at</b>
	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Long-term debt, including current portion	1,157	941
Add:		
Lease liabilities, including current portion	175	167
<b>Net Debt</b>	<b>1,332</b>	<b>1,108</b>
EBITDA (TTM)	480	448
<b>Net Debt-to-EBITDA</b>	<b>2.8x</b>	<b>2.5x</b>