



## **The Westaim Corporation Reports 2021 Third Quarter Results**

Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted.  
The financial results are reported under International Financial Reporting Standards, except as otherwise noted.

Toronto, Canada – November 18, 2021 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended September 30, 2021. Westaim recorded a net profit of \$1.6 million (\$0.01 earnings per diluted share) and a net profit of \$21.6 million (\$0.15 earnings per diluted share) for the three and nine months ended September 30, 2021, respectively, compared to a net profit of \$0.6 million (\$0.00 earnings per diluted share) and a net loss of \$20.0 million (\$0.14 loss per diluted share) in the three and nine months ended September 30, 2020, respectively.

Westaim’s adjusted earnings, excluding unusual items, was a net profit of \$1.6 million (\$0.01 earnings per diluted share) and a net profit of \$22.3 million (\$0.16 earnings per diluted share) for the three and nine months ended September 30, 2021, respectively, compared to a net profit of \$0.9 million (\$0.01 earnings per diluted share) and a net profit of \$0.1 million (\$0.01 loss per diluted share) in the three and nine months ended September 30, 2020, respectively.

At September 30, 2021, Westaim’s consolidated shareholders’ equity was \$342.1 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share was \$2.39 (C\$3.02) at September 30, 2021, compared to \$2.24 (C\$2.85) at December 31, 2020, an increase of 6.7% YTD 2021.

### **Key Results for the three months ended September 30, 2021 include:**

- **Skyward Specialty:** Skyward Specialty reported net income of \$7.7 million in Q3 2021 compared to \$6.4 million in Q3 2020 (excluding unusual items, \$6.7 million in Q3 2020). Westaim recorded net income from its share of Skyward Specialty of \$3.0 million in the quarter compared to \$3.3 million in Q3 2020. Q3 2021 catastrophe losses (“CAT”) impacted the underwriting performance measured by a combined ratio of 96.4% in Q3 2021 compared to 95.9% in Q3 2020. Underwriting result improvements, primarily from strategic actions taken over the past year to re-underwrite the portfolio and improved industry market conditions, are reflected in the combined ratio excluding CATs of 91.6% in Q3 2021 compared to 92.6% in Q3 2020. Skyward Specialty’s investment income continued to deliver consistent results in Q3 2021 at \$6.8 million compared to \$5.8 million in Q3 2020. The year-to-date result from investment income is notable at \$32.4 million in 2021 compared to \$1.5 million in 2020.
- **Arena FINCOs:** Arena FINCOs recorded a net loss of \$0.8 million (-0.4% net return) for Q3 2021 compared to net income of \$0.4 million (+0.2% net return) in Q3 2020. The year-to-date net income is \$9.3 million (+5.8%) compared to a net loss in 2020 of \$1.6 million (-0.9%). The Arena FINCOs were able to stay fully invested in attractive investments by utilizing available credit facilities to minimize cash balances and increase invested assets to \$229.7 million from \$212.6 million at Q2 2021 and \$180.3 million at Q4 2020.
- **Arena Investors:** Arena Investors’ net income was \$2.0 million in Q3 2021 versus a loss of \$0.7 million in Q3 2020. Westaim recorded its share of net income from Arena Investors of \$1.0 million in the quarter compared to a net loss of \$0.3 million in Q3 2020. Committed assets under management (“AUM”) at September 30, 2021 of \$2.6 billion was an increase from \$2.0 billion at December 31, 2020. The increase in net income was primarily the result of an 76% increase in revenue in the quarter over the prior year due to stronger incentive fees from higher returns in the managed funds and stronger management and servicing fees from an increase in fee-paying AUM compared to Q3 2020. Fee-paying AUM at September 30, 2021 was \$2.0 billion compared to \$1.2 billion at September 30, 2020.

*“We are pleased to report continued quarterly earnings by following our strong performance in the first two quarters of 2021. We are supporting the continued strategic actions that the management teams at Skyward Specialty and Arena Investors are executing on.” said Cameron MacDonald, President and Chief Executive Officer of Westaim.*

*“With respect to Skyward Specialty, we are very encouraged by the growth and profitability of the continuing businesses, which excludes businesses exited by the company as its portfolio was repositioned over the past year. For example, 94% of Q3 2021 net written premium was related to continuing businesses and grew 43% over the prior year. We believe, these metrics are leading indicators of future margin expansion given the earnings profile of continuing businesses compared to those discontinued over the past year.”*

*“With respect to Arena FINCOs, investment income for Q3 2021 was solid, partially offset by unrealized investment losses in the quarter, a small retracement from substantial investment gains in the first half of the year. YTD 2021 performance continues to be strong, and with proper financing now in place, we are very comfortable with the positioning of the FINCOs portfolio as we move into Q4 2021 and 2022.”*

*“With respect to Arena Investors, the AUM pipeline remains strong with several product offerings marketing to a well diversified base of sophisticated investors from all constituents – insurance companies, pension funds, endowment funds, foundations and other investors – which combined with strong investment performance is key for Arena Investors to demonstrate operating leverage as the business grows.”*

*“We are encouraged by the positive business momentum and pipeline of opportunities at Skyward Specialty, Arena FINCOs and Arena Investors to continue to enhance shareholder value.”*

*Cameron MacDonald continued with comments about activity at Westaim, “As noted with our Q2 results release Westaim was approved to repurchase, on an opportunistic basis, up to 10% of the public float at the commencement of the NCIB (11,331,704 Common Shares). Following the close of the third quarter, Westaim repurchased and cancelled 500,000 Common Shares for approximately \$1 million.”*

*“Finally, as in past quarters, details from each of Skyward Specialty, Arena FINCOs and Arena Investors are included for Westaim’s shareholders’ review in the Q3 2021 “Investor Presentation” posted on our website. I look forward to presenting the 2021 full year results to shareholders with our expected results release on March 24, 2022.”*

This press release should be read in conjunction with Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three and nine months ended September 30, 2021 and 2020 which were filed on SEDAR at [www.sedar.com](http://www.sedar.com). These documents and the Company’s Q3 2021 [Investor Presentation](#) can be found and on the Company’s website at [www.westaim.com](http://www.westaim.com).

#### Non-GAAP Financial Measures

Westaim uses both International Financial Reporting Standards (“IFRS”) and non-generally accepted accounting principles (“non-GAAP”) measures to assess performance. The Company cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. Book value per share, adjusted profit and comprehensive income excluding unusual items, and adjusted earnings per share – diluted are non-GAAP measures. Readers are urged to review Section 15 *Non-GAAP Measures* in Westaim’s Management’s Discussion and Analysis in respect of its audited consolidated financial statements for the nine months ended September 30, 2021 and 2020 (the “MD&A”) for additional disclosure regarding these measures. The financial information relating to Skyward Specialty, Arena Investors and Arena FINCOs contained in the MD&A is unaudited and has been derived from the financial statements of the related entities. Readers are cautioned that the Skyward Specialty financial information and certain Arena Investors and Arena FINCO financial information, including any non-GAAP measures contained therein, has not been reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

#### About Westaim

Westaim is a Canadian investment company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. The Company invests, directly and indirectly, through acquisitions, joint ventures and other arrangements, with the objective of providing its shareholders with capital appreciation and real wealth preservation. Westaim’s strategy is to pursue investment opportunities with a focus towards the financial services industry and grow shareholder value over the long term. Westaim’s investments include significant interests in Skyward Specialty, Arena Investors and Arena FINCOs. Skyward Specialty, the HIIG Partnership, Arena FINCOs, and Arena Investors are defined in the notes to Westaim’s unaudited consolidated financial statements for the nine months ended September 30, 2021 and 2020 and the MD&A. Westaim’s Common Shares are listed on the TSX Venture Exchange under the trading symbol WED.

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## The Westaim Corporation

### Financial Highlights

(millions of U.S. dollars except share and per share data)

Highlights	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Revenue and net change in unrealized value of investments	\$ 3.8	\$ 4.0	\$ 27.0	\$ (16.1)
Net expenses	(2.2)	(3.4)	(5.4)	(3.8)
Income tax expense	-	-	-	(0.1)
GAAP profit (loss) and comprehensive income (loss)	\$ 1.6	\$ 0.6	\$ 21.6	\$ (20.0)
Adjusted profit and comprehensive income excluding unusual items <sup>1</sup>	\$ 1.6	\$ 0.9	\$ 22.3	\$ 0.1
GAAP earnings (loss) per share – basic and diluted	\$ 0.01	\$ 0.00	\$ 0.15	\$ (0.14)
Adjusted earnings (loss) per share – diluted <sup>1</sup>	\$ 0.01	\$ 0.01	\$ 0.16	\$ (0.01)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Cash	\$ 8.7	\$ 8.7
Income tax receivable	0.1	0.1
Other assets	0.6	1.6
Investments	388.1	366.9
	<u>\$ 397.5</u>	<u>\$ 377.3</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12.7	\$ 11.0
Income tax payable	-	0.3
Preferred securities	39.5	39.2
Derivative warrant liability	0.6	1.0
Site restoration provision	2.2	4.9
Deferred tax liability	0.4	0.4
	<u>55.4</u>	<u>56.8</u>
Shareholders' equity	342.1	320.5
Total liabilities and shareholders' equity	<u>\$ 397.5</u>	<u>\$ 377.3</u>
Number of common shares outstanding <sup>2</sup>	143,186,718	143,186,718
Book value per fully diluted share - in US\$ <sup>1</sup>	\$ 2.39	\$ 2.24
Book value per fully diluted share - in C\$ <sup>1</sup>	\$ 3.02	\$ 2.85

<sup>1</sup> Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

<sup>2</sup> At September 30, 2021 and December 31, 2020, an aggregate of 3,034,261 RSUs, 10,428,337 stock options and 14,285,715 warrants were also outstanding. Details regarding these RSUs, stock options and warrants are disclosed in the Company's public filings including its quarterly and annual financial statements which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Period end exchange rates: 1.26585 at September 30, 2021 and 1.27395 at December 31, 2020.

Except for statements of historical fact contained herein, information in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. Other than statements of historical fact, all statements that involve various known and unknown risks, uncertainties and other factors are "forward-looking statements". There can be no assurance that such statements will prove accurate. Results and future events could differ materially from those anticipated in such statements. Readers of this press release are cautioned not to place undue reliance on these "forward-looking statements". Except as otherwise required by applicable law, Westaim expressly disclaims any intention or obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise. The information provided herein does not constitute an offer or solicitation regarding any investment products offered by Arena Investors.

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