



The Westaim Corporation Provides an Update on Unaudited Q4 and Full Year 2021 Results and Announces AGM

Note: All dollar amounts in this press release are expressed in U.S. dollars, except as otherwise noted.

Toronto, Canada – March 24, 2022 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) is today providing preliminary unaudited Q4 and full year 2021 operating metrics and earnings expectations for the quarter and full year ended December 31, 2021. Westaim plans to release Q4 and full year 2021 audited results on or before April 7, 2022. As Westaim and Skyward Specialty prepare for future strategic opportunities to enhance shareholder value, Ernst & Young LLP (“EY”) was engaged to complete Skyward Specialty’s independent audit for the years ended December 31, 2020 and 2021. Westaim expects EY’s audit of Skyward Specialty to be completed shortly. Following the completion of Skyward Specialty’s audit, both Skyward Specialty and Westaim’s final audited financial statements will be made available on SEDAR. At this time, prior to the audited results being available, Westaim would like to provide the following preliminary Q4 and full year 2021 operating metrics and earnings expectations for Westaim, Skyward Specialty, the Arena FINCOs, and Arena Investors. All numbers are preliminary and subject to possible adjustments. Final reported results could differ from these preliminary results following the completion of quarter-end and year-end accounting procedures, final adjustments and other developments arising between now and the time that the audited financial results are finalized, and such changes could be material.

Westaim’s GAAP net profit for Q4 2021 is expected to be in the range of \$5.7 million to \$6.6 million or \$0.03 to \$0.04 per diluted share. For the full year 2021 GAAP net profit is expected to be in the range of \$27.3 million to \$28.2 million or \$0.18 to \$0.19 per diluted share.

Westaim’s adjusted net profit for Q4 2021, excluding its share of Skyward Specialty’s unusual items, is expected to be in the range of \$10.9 million to \$11.8 million or \$0.06 to \$0.07 per diluted share and adjusted net profit for the full year 2021, excluding unusual items, is expected to be in the range of \$33.2 million to \$34.1 million or \$0.22 to \$0.23 per diluted share. Please see the section titled “Non-GAAP Measures” below for a reconciliation of adjusted net profit to GAAP net profit.

Preliminary results indicate Westaim’s consolidated shareholders’ equity at December 31, 2021 is expected to be in the range of \$346.7 million to \$347.6 million and the Company had 142,686,718 common shares (“Common Shares”) outstanding. Preliminary book value per fully diluted share is expected to be in the range of \$2.42 to \$2.43 (C\$3.06 to C\$3.07) at December 31, 2021.

Preliminary Key Results for Q4 and full year 2021 include:

- **Skyward Specialty:** Skyward Specialty net income for Q4 2021 is expected to be in the range of \$1 million to \$3 million. Excluding unusual items, adjusted net income for Q4 2021 is expected to be in the range of \$13 million to \$15 million. In Q4 2021, an LPT expense charge of \$12.7 million (after-tax) was incurred to strengthen reserves, following a ground up review of the open LPT claims. Westaim management believes that Skyward Specialty’s reserve position (inclusive of LPT, discontinued and continuing lines) at December 31, 2021 is the strongest it has been since Westaim invested in the company in July 2014.

Skyward Specialty net income for the full year 2021 is expected to be in the range of \$37 million to \$39 million. Excluding unusual items, adjusted net income for the full year 2021 is expected to be in the range of \$48 million to \$50 million. The full year net income was impacted primarily by the LPT expense charge noted above.

Please see the section titled “Non-GAAP Measures” below for a reconciliation of adjusted net income to GAAP net income.

Skyward Specialty is expected to report an increase in Gross Written Premium (“GWP”) of approximately 14% to \$224 million in Q4 2021 versus Q4 2020 and over 37% for the continuing business, with the continuing business constituting approximately 97% of Q4 2021 GWP. GWP is expected to increase by over 7% for the full year 2021 to \$940 million over the prior year, and increase approximately 34% for the continuing business with the continuing business constituting approximately 92% of full year GWP. Underwriting performance continues to improve as demonstrated by the combined ratio excluding LPT expected to be approximately 94.7% for Q4 2021 and approximately 94.6% for full year 2021 driven by the contribution of the more profitable continuing business. Overall, the positive growth, strong pricing, retention, and profitability trends visible over the course of 2021 continued in all underwriting divisions in Q4.

Skyward Specialty’s GAAP stockholders’ equity at December 31, 2021 is expected to be in the range of \$424 million and \$426 million. The carrying value of Westaim’s investment in Skyward Specialty at December 31, 2021 is expected to be in the range of \$191.1 million and \$192.0 million.

- **Arena FINCOs:** Arena FINCOs are expected to record net income of \$0.5 million (+0.3% net return) for Q4 2021. The full year net income is expected to be \$9.8 million (+6.1% net return). During 2021, the Arena FINCOs were able to stay fully invested in attractive investments by expanding on available credit facilities, while several investments were exited in late December enabling gains to be realized and increasing available cash to be redeployed in 2022.
- **Arena Investors:** Arena Investors' net income is expected to be \$11.3 million in Q4 2021. Westaim expects to record its share of net income from Arena Investors of \$5.8 million in the quarter. For the full year 2021, Arena Investors' net income is expected to be \$19.6 million. Westaim expects to record its full year share of net income from Arena Investors of \$10.0 million in 2021.

Committed assets under management ("AUM") at December 31, 2021 is expected to be \$2.8 billion. Fee-paying AUM at December 31, 2021 is expected to be \$2.4 billion. Through to March 1, 2022, Arena Investors' committed AUM has increased further to \$3.4 billion.

"We are pleased to announce preliminary quarterly earnings by following our strong performance in the first three quarters of 2021. In Q4, Westaim acquired 500,000 shares in the market under our NCIB. We look forward to sharing additional details of the continued strategic actions from the management teams at Skyward Specialty, Arena Investors and Westaim as our 2021 audited results are finalized. We will announce the details of our next Investor Day soon which will include a business overview and discussion with management from Westaim, Skyward Specialty and Arena Investors, followed by a question and answer session." said Cameron MacDonald, President and Chief Executive Officer of Westaim.

Westaim also announces that the Company will hold its Annual General and Special Meeting ("AGM") on Wednesday, May 18, 2022. The AGM will begin at 9:00 am ET and will be held "in person" at Vantage Venues, 150 King Street West, 27th Floor, Toronto, Ontario M5H 1J9. The AGM materials will be filed on SEDAR on or about April 25, 2022. Details regarding our next Investor Day will be provided at a later date.

Non-GAAP Financial Measures

Westaim reports its consolidated financial statements using generally accepted accounting principles ("GAAP") and accounting policies consistent with International Financial Reporting Standards ("IFRS"). 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 unaudited consolidated financial statements for the nine months ended September 30, 2021 and 2020 (the "MD&A") which discloses historical figures for book value per share, adjusted profit and comprehensive income excluding unusual items, and adjusted earnings per share – diluted in respect of the three and nine months ended September 30, 2021 as well as additional disclosures regarding these measures.

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

	Three months ended December 31		Year ended December 31	
	Low range	High range	Low range	High range
	2021	2021	2021	2021
Westaim profit and comprehensive income	\$ 5.7	\$ 6.6	\$ 27.3	\$ 28.2
Westaim's share of Skyward Specialty unusual items:				
Impact of LPT net of tax	5.6	5.6	5.6	5.6
Other unusual net expense recoveries net of tax	(0.4)	(0.4)	(0.4)	(0.4)
Goodwill impairment net of tax	-	-	0.7	0.7
Total of Westaim's share of unusual items	5.2	5.2	5.9	5.9
Westaim adjusted profit and comprehensive income excluding unusual items	\$ 10.9	\$ 11.8	\$ 33.2	\$ 34.1
	Three months ended December 31		Year ended December 31	
	Low range	High range	Low range	High range
	2021	2021	2021	2021
Westaim adjusted profit and comprehensive income excluding unusual items	\$ 10.9	\$ 11.8	\$ 33.2	\$ 34.1
Dilutive RSU recovery and related changes in foreign exchange	(0.6)	(0.6)	-	-
Adjusted profit and comprehensive income excluding unusual items on a diluted basis	\$ 10.3	\$ 11.2	\$ 33.2	\$ 34.1
Weighted average number of Common Shares outstanding	142,762,805	143,186,718	143,079,869	143,079,869
Weighted average dilutive impact of RSUs outstanding	3,014,359	3,014,359	3,029,245	3,029,245
Weighted average number of Common Shares outstanding on a diluted basis	145,777,164	145,777,164	146,109,113	146,109,113
Westaim adjusted earnings per share – diluted, excluding unusual items	\$ 0.06	\$ 0.07	\$ 0.22	\$ 0.23
	Three months ended December 31		Year ended December 31	
	Low range	High range	Low range	High range
	2021	2021	2021	2021
Skyward Specialty net income	\$ 1.0	\$ 3.0	\$ 37.0	\$ 39.0
Skyward Specialty unusual items:				
Impact of LPT net of tax	12.7	12.7	12.7	12.7
Other unusual net expense recoveries net of tax	(0.7)	(0.7)	(3.9)	(3.9)
Goodwill impairment net of tax	-	-	2.2	2.2
Total of Skyward Specialty unusual items	12.0	12.0	11.0	11.0
Skyward Specialty adjusted net income excluding unusual items	\$ 13.0	\$ 15.0	\$ 48.0	\$ 50.0

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.

For more information, contact:
J. Cameron MacDonald, President and Chief Executive Officer or
Robert T. Kittel, Chief Operating Officer
The Westaim Corporation
info@westaim.com
(416)969-3333