



The Westaim Corporation Reports Q4 and Full Year 2021 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 – April 14, 2022 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its audited financial results for the quarter and full year ended December 31, 2021. Westaim recorded a GAAP net profit of \$6.7 million (\$0.04 earnings per diluted share) and a GAAP net profit of \$28.3 million (\$0.19 earnings per diluted share) for Q4 and full year 2021, respectively, compared to a net loss of \$14.5 million (\$0.10 loss per diluted share) and a net loss of \$34.5 million (\$0.24 loss per diluted share) for Q4 and full year 2020, respectively.

Westaim’s adjusted earnings, excluding Skyward Specialty’s unusual items, was a net profit of \$11.9 million (\$0.08 earnings per diluted share) and a net profit of \$34.2 million (\$0.23 earnings per diluted share) for Q4 and full year 2021, respectively, compared to a net profit of \$4.9 million (\$0.03 earnings per diluted share) and a net profit of \$5.0 million (\$0.03 earnings per diluted share) in Q4 and full year 2020, respectively.

At December 31, 2021, Westaim’s consolidated shareholders’ equity was \$347.7 million and the Company had 142,686,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share was \$2.43 (C\$3.07) at December 31, 2021, compared to \$2.24 (C\$2.85) at December 31, 2020.

Key Results for Q4 and full year 2021 include:

- **Skyward Specialty:** Westaim recorded a net loss from Skyward Specialty of \$0.2 million and net income of \$11.3 million in Q4 and full year 2021, respectively, compared to a net loss of \$13.5 million and \$28.2 million in Q4 and full year 2020, respectively. Westaim’s share of Skyward Specialty’s net comprehensive income excluding unusual items was \$5.0 million and \$17.2 million in Q4 and full year 2021, respectively, compared to \$5.9 million and \$11.3 million in Q4 and full year 2020, respectively.

Skyward Specialty recorded net income for Q4 2021 of \$1.3 million compared to a net loss of \$32.9 million in Q4 2020. Excluding unusual items, Skyward Specialty’s adjusted net income for Q4 2021 was \$13.2 million compared to \$12.6 million in Q4 2020. 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 recorded net income for full year 2021 of \$38.3 million compared to a net loss of \$74.6 million for full year 2020. Excluding unusual items, adjusted net income for full year 2021 was \$49.5 million compared to \$16.8 million for full year 2020.

Skyward Specialty reported an increase in Gross Written Premium (“GWP”) of 14.2% to \$224.2 million in Q4 2021 versus \$196.4 in Q4 2020 which included a 37.7% increase for the continuing business, with the continuing business constituting approximately 97% of Q4 2021 GWP. GWP increased by 7.6% for full year 2021 to \$939.9 million versus \$873.6 million for full year 2020, and increased 33.9% for the continuing business with the continuing business constituting 92% of full year GWP. Underwriting performance continues to improve as demonstrated by the combined ratio excluding LPT of 94.7% for Q4 2021 compared to 96.3% for Q4 2020 and 94.6% for full year 2021 compared to 96.8% for full year 2020 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 2020 and 2021 continued in all underwriting divisions in Q4.

Skyward Specialty’s GAAP stockholders’ equity at December 31, 2021 was \$426.1 million. The carrying value of Westaim’s investment in Skyward Specialty at December 31, 2021 was \$192.1 million.

- **Arena FINCOs:** Net income from Arena FINCOs was \$0.5 million (+0.3% net return) for Q4 2021 compared to \$1.5 million (+0.9% net return) in Q4 2020. Full year 2021 net income was \$9.8 million (+6.1% net return) compared to a net loss of \$0.1 million (nominal net return) for full year 2020. 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:** Westaim recorded its share of net income from Arena Investors of \$5.8 million for Q4 2021 compared to \$1.4 million in Q4 2020. Full year 2021, Westaim recorded net income from Arena Investors of \$10.0 million compared to a net loss of \$0.1 million for full year 2020.

Arena Investors’ net income at 100% was \$11.3 million in Q4 2021 compared to \$2.8 million in Q4 2020. Full year 2021, Arena Investors’ net income was \$19.6 million compared to a net loss of \$0.2 million for full year 2020.

Arena Investors' committed assets under management ("AUM") at December 31, 2021 was \$2.8 billion, an increase from \$2.0 billion at December 31, 2020. Fee-paying AUM at December 31, 2021 was \$2.4 billion, an increase from \$1.3 billion at December 31, 2020. Through to March 1, 2022, Arena Investors' committed AUM has increased further to approximately \$3.4 billion.

"We are pleased to confirm our strong quarterly earnings in Q4 and for the full year 2021. Westaim's management believes the company is transitioning to an earnings growth platform based on the results delivered from Skyward Specialty, Arena FINCOs and Arena Investors. Further details for each of Skyward Specialty, Arena FINCOs and Arena Investors are included for Westaim's shareholders' review in the Q4 2021 Investor Presentation posted on our website." said Cameron MacDonald, President and Chief Executive Officer of Westaim.

"As previously shared, in Q4 2021, Westaim acquired 500,000 shares in the market under our NCIB. 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."

This press release should be read in conjunction with Westaim's audited consolidated financial statements and management's discussion and analysis for the three months and year ended December 31, 2021 and 2020 which were filed on SEDAR at www.sedar.com. These documents and the Company's Q4 2021 Investor Presentation can be found on the Company's website at www.westaim.com.

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 audited consolidated financial statements for the year ended December 31, 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 months and year ended December 31, 2021 as well as additional disclosures 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 audited consolidated financial statements for the year ended December 31, 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 December 31		Years ended December 31	
	2021	2020	2021	2020
Revenue and net change in unrealized value of investments	\$ 6.8	\$ (9.9)	\$ 33.8	\$ (26.0)
Net recovery of expenses (expenses)	0.1	(4.6)	(5.3)	(8.4)
Income tax expense	(0.2)	-	(0.2)	(0.1)
GAAP profit (loss) and comprehensive income (loss)	\$ 6.7	\$ (14.5)	\$ 28.3	\$ (34.5)
Adjusted profit and comprehensive income excluding unusual items ²	\$ 11.9	\$ 4.9	\$ 34.2	\$ 5.0
GAAP earnings (loss) per share – basic	\$ 0.05	\$ (0.10)	\$ 0.20	\$ (0.24)
GAAP earnings (loss) per share – diluted	\$ 0.04	\$ (0.10)	\$ 0.19	\$ (0.24)
Adjusted earnings per share – diluted ²	\$ 0.08	\$ 0.03	\$ 0.23	\$ 0.03

	December 31, 2021	December 31, 2020
Assets		
Cash	\$ 6.6	\$ 8.7
Income tax receivable	-	0.1
Other assets	0.8	1.6
Investments	394.3	366.9
	<u>\$ 401.7</u>	<u>\$ 377.3</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 13.0	\$ 11.0
Income tax payable	0.2	0.3
Preferred securities	39.5	39.2
Derivative warrant liability	0.2	1.0
Site restoration provision	0.7	4.9
Deferred tax liability	0.4	0.4
	<u>54.0</u>	<u>56.8</u>
Shareholders' equity	347.7	320.5
Total liabilities and shareholders' equity	<u>\$ 401.7</u>	<u>\$ 377.3</u>
Number of common shares outstanding ¹	142,686,718	143,186,718
Book value per fully diluted share - in US\$ ²	\$ 2.43	\$ 2.24
Book value per fully diluted share - in C\$ ²	\$ 3.07	\$ 2.85

¹ At December 31, 2021, 10,428,337 stock options, 2,975,198 RSUs and 14,285,715 warrants were also outstanding. At December 31, 2020, 10,428,337 stock options, 3,034,261 RSUs and 14,285,715 warrants were also outstanding. Details regarding these stock options, RSUs and warrants are disclosed in the Company's public filings including its annual financial statements which are available under the Company's profile on SEDAR at www.sedar.com.

² Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures. Period end exchange rates: 1.26410 at December 31, 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, including with respect to our next investor day. 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.