



## The Westaim Corporation Reports Q2 2022 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 – August 11, 2022 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended June 30, 2022. Westaim recorded a GAAP net loss of \$1.6 million (\$0.01 loss per diluted share) for Q2 2022 compared to a GAAP net profit of \$10.9 million (\$0.08 earnings per diluted share) for Q2 2021. For the six months ended June 30, Westaim recorded a GAAP net profit of \$1.9 million (\$0.01 earnings per diluted share) for 2022 compared to \$20.0 million (\$0.14 earnings per diluted share) for 2021.

At June 30, 2021, Westaim’s consolidated shareholders’ equity was \$347.1 million and the Company had 141,386,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share was \$2.44 (C\$3.14) at June 30, 2022, compared to \$2.43 (C\$3.07) at December 31, 2021.

For the three months ended June 30, 2022, Westaim cancelled 1,300,000 Common Shares that it had acquired at a cost of \$2.5 million under its normal course issuer bid.

### Key Results for Q2 2022

#### Skyward Specialty \*

- Gross written premiums grew 24.2% versus the prior year’s quarter, or 33.6% excluding exited business lines. Each of Skyward Specialty’s eight underwriting divisions contributed double-digit premium growth during the quarter.
- Net written premiums grew 32.3%, driven by the growth in gross written premiums with lower reinsurance costs.
- The combined ratio for Q2 2022 was 91.8%, with a loss ratio of 62.8% and an expense ratio of 29.0%. This compares to a combined ratio of 94.2% in Q2 2021, with a loss ratio of 66.6% and an expense ratio of 27.6%.
- Net investment income of \$10.5 million, increased 52.6% over the second quarter of 2021 driven by enhanced yields and a larger invested asset base.
- Annualized return on equity (“ROE”)<sup>3</sup> of 4.8%, annualized adjusted ROE<sup>4</sup> of 15.5%.
- Skyward Specialty’s US GAAP stockholders’ equity at June 30, 2022 was \$419.6 million and \$426.1 million at December 31, 2021, and adjusted stockholders’ equity was \$426.6 million, a decline of 2.0% from \$435.2 million at December 31, 2021 primarily driven by unrealized losses from fixed income and equity securities recognized in the period.

At 100% Share (millions of U.S. dollars)	Three months ended June 30			Six months ended June 30		
	2022	2021 <sup>1</sup>	% Change	2022	2021 <sup>1</sup>	% Change
Gross written premium	\$ 326.2	\$ 262.7	24.2%	\$ 608.9	\$ 500.5	21.6%
Combined ratio	91.8%	94.2%	(2.4)%	91.9%	94.6%	(2.7)%
Net investment income	\$ 10.5	\$ 6.9	52.6%	\$ 25.7	\$ 12.5	105.3%
Net income	\$ 5.1	\$ 12.1	(58.2)%	\$ 21.4	\$ 27.0	(20.9)%
Adjusted operating income <sup>2</sup>	\$ 16.4	\$ 9.7	68.8%	\$ 36.2	\$ 17.6	106.2%
Annualized return-on-equity (“ROE”) <sup>3</sup>	4.8%	11.8%		10.1%	13.3%	
Annualized adjusted ROE <sup>4</sup>	15.5%	9.4%		17.1%	8.7%	
Annualized adjusted return-on-tangible-equity (“ROTE”) <sup>5</sup>	19.7%	12.3%		21.8%	11.1%	

- <sup>1</sup> Adjusted to conform to the presentation of the current period financial statements including restatement of net income of \$12.1 and \$27.0 compared to the previously reported comprehensive income of \$13.4 and \$27.0 for the three and six months ended June 30, 2021, respectively.
- <sup>2</sup> Adjusted operating income (loss) is defined as net income (loss) excluding the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, such as realized gains (losses) on invested assets, unrealized gains (losses) on equity securities, goodwill impairment, other income (expenses), and net impact of certain reinsurance agreements, net of tax impact. Refer to the reconciliation of non-GAAP measures below.
- <sup>3</sup> Annualized ROE is net income (loss) expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period.
- <sup>4</sup> Annualized adjusted ROE is adjusted operating income (loss) expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period.
- <sup>5</sup> Annualized adjusted ROTE is adjusted operating income (loss) expressed on an annualized basis as a percentage of average beginning and ending tangible stockholders' equity (refer to the reconciliation of non-GAAP measures below) during the period. Tangible stockholders' equity is GAAP stockholders' equity less goodwill and intangible assets at the end of the respective periods.

Westaim's share of Skyward Specialty's net income was \$2.2 million in Q2 2022 compared to \$5.9 million in Q2 2021. As in Q1 2022, Skyward experienced losses in their core fixed income portfolio (that is reported as a component of other comprehensive income (loss) rather than net income (loss)) of \$14.8 million after tax in Q2 2022 (gains of \$1.6 million in Q2 2021) due to increases in interest rates during the period. Primarily as a result, Westaim recorded a decrease in its valuation of Skyward Specialty of \$3.9 million in Q2 2022 compared to an increase of \$4.9 million in Q2 2021.

The carrying value of Westaim's investment in Skyward Specialty at June 30, 2022 was \$187.0 million.

#### **Arena FINCOs \***

- Net income from Arena FINCOs was \$3.7 million (+2.2% net return) for Q2 2022 compared to \$2.7 million (+1.6% net return) in Q2 2021. During Q2 2022, the Arena FINCOs were able to stay fully invested in attractive investments by utilizing available credit facilities.
- Arena FINCOs were able to distribute available accumulated earnings as dividends to Westaim in Q2 2022 of \$2.5 million.

#### **Arena Investors \***

- Arena Investors' investment performance has been solid across all strategies, and very favourable relative to market indices.
- Committed assets under management ("AUM") at June 30, 2022 was \$3.5 billion, increasing from \$2.8 billion at December 31, 2021 and from \$2.3 billion at June 30, 2021.
- Fee-paying AUM at June 30, 2022 was \$2.7 billion, increasing from \$2.4 billion at December 31, 2021 and from \$1.7 billion at June 30, 2021.
- During Q2 2022, Arena Investors surpassed \$4 billion of deployment into 335+ privately negotiated transactions since its launch in 2015.

#### Supplementary financial measures from Arena Investors' statement of profit and comprehensive income:

At 100% Share (millions of U.S. dollars)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Management fees	\$ 8.1	\$ 5.4	\$ 15.5	\$ 10.4
Asset servicing fees	2.9	1.6	5.3	3.0
Net gains on investments	-	0.1	0.1	0.2
<b>Total recurring income</b>	<b>11.0</b>	<b>7.1</b>	<b>20.9</b>	<b>13.6</b>
Operating expenses (excluding incentive fee compensation expense)	(10.1)	(8.1)	(18.7)	(15.8)
<b>Fee related earnings (loss)</b>	<b>0.9</b>	<b>(1.0)</b>	<b>2.2</b>	<b>(2.2)</b>
Incentive fees	0.7	7.5	14.4	13.2
Incentive fee compensation expense	(1.1)	(2.0)	(6.3)	(3.9)
<b>Net incentive fees</b>	<b>(0.4)</b>	<b>5.5</b>	<b>8.1</b>	<b>9.3</b>
<b>EBITDA</b>	<b>0.5</b>	<b>4.5</b>	<b>10.3</b>	<b>7.1</b>
Depreciation	-	-	(0.1)	(0.1)
Revolving loan interest expense paid to the Company	(0.4)	(0.3)	(0.7)	(0.7)
Taxes	(0.1)	-	(0.1)	-
<b>Profit and comprehensive income</b>	<b>\$ -</b>	<b>\$ 4.2</b>	<b>\$ 9.4</b>	<b>\$ 6.3</b>
Company's share of profit and comprehensive income of Arena Investors (51%)	\$ -	\$ 2.2	\$ 4.8	\$ 3.2

*“Westaim’s Q2 2022 reported earnings underscore the strong operating results of our businesses. Westaim’s management believes that the company is transitioning to an earnings growth platform based on the operating results delivered from Skyward Specialty, Arena FINCOs and Arena Investors. Specific to Skyward Specialty, it should be noted that consistent with many other property and casualty insurance companies, Westaim’s GAAP Net Loss of \$0.01 per share was negatively impacted by approximately \$0.04 per share due to declines in the equity securities in Skyward Specialty’s investment portfolio due to market volatility, and \$0.05 per share due to the mark-to-market of Skyward Specialty’s core fixed income portfolio due to rising interest rates in the quarter. Despite the decline, Skyward Specialty’s core fixed income portfolio is of very high credit quality (average AA credit rated) and of short average duration. We are very pleased with Skyward Specialty’s underwriting performance in the second quarter and year-to-date.”* said Cameron MacDonald, President and Chief Executive Officer of Westaim. *“Once again, Arena Investors and Arena FINCOs experienced a solid positive quarter despite the volatile market environment, demonstrating the underwriting resilience of Arena Investors’ strategy. Further details for each of Skyward Specialty, Arena FINCOs and Arena Investors are included for Westaim’s shareholders’ review in the Q2 2022 Investor Presentation posted on our website.”*

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 six months ended June 30, 2022 and 2021 (the “MD&A”) which were filed on SEDAR at [www.sedar.com](http://www.sedar.com). These documents and the Company’s Q2 2022 Investor Presentation can be found and on the Company’s website at [www.westaim.com](http://www.westaim.com).

\* Refer to the Supplementary Financial Measures sections of the MD&A: for Skyward Specialty in section 3.A.(ii), for Arena FINCOs in section 3.B.(ii), and for Arena Investors in section 3.C.(iii).

#### Non-GAAP Financial Measures

Westaim reports its interim consolidated financial statements using generally accepted accounting principles (“GAAP”) and accounting policies consistent with International Financial Reporting Standards (“IFRS”). Westaim uses both 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 the “MD&A” (available on SEDAR at [www.sedar.com](http://www.sedar.com)) which is incorporated by reference into this news release and discloses historical figures for book value per share, adjusted (loss) profit and comprehensive (loss) income excluding unusual items, and adjusted (loss) earnings per share – diluted in respect of the three and six months ended June 30, 2022 as well as additional disclosures regarding these measures. The Supplementary Financial Measures 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue and net change in unrealized value of investments	\$ 0.5	\$ 10.5	\$ 7.4	\$ 23.2
Net (expenses) recovery of expenses	(2.4)	0.4	(4.8)	(3.2)
Income tax recovery (expense)	0.3	-	(0.7)	-
GAAP (loss) profit and comprehensive (loss) income	\$ (1.6)	\$ 10.9	\$ 1.9	\$ 20.0
Adjusted (loss) profit and comprehensive (loss) income excluding unusual items <sup>1</sup>	\$ (1.6)	\$ 11.6	\$ 1.9	\$ 20.7
GAAP earnings (loss) per share – basic and diluted	\$ (0.01)	\$ 0.08	\$ 0.01	\$ 0.14
Adjusted (loss) earnings per share – diluted <sup>1</sup>	\$ (0.01)	\$ 0.08	\$ 0.01	\$ 0.14

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Cash	\$ 3.1	\$ 6.6
Income tax receivable	0.1	-
Other assets	0.5	0.8
Investments	395.5	394.3
	<u>\$ 399.2</u>	<u>\$ 401.7</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12.0	\$ 13.7
Income tax payable	-	0.2
Preferred securities	38.8	39.5
Derivative warrant liability	0.1	0.2
Deferred tax liability	1.2	0.4
	<u>52.1</u>	<u>54.0</u>
Shareholders' equity	347.1	347.7
Total liabilities and shareholders' equity	<u>\$ 399.2</u>	<u>\$ 401.7</u>
Number of common shares outstanding <sup>2</sup>	141,386,718	142,686,718
Book value per fully diluted share - in US\$ <sup>1</sup>	\$ 2.44	\$ 2.43
Book value per fully diluted share - in C\$ <sup>3</sup>	\$ 3.14	\$ 3.07

<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 June 30, 2022 and December 31, 2021, 10,428,337 stock options, 2,975,198 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](http://www.sedar.com).

<sup>3</sup> Period end exchange rates of USD to CDN: 1.28710 at June 30, 2022 and 1.26410 at December 31, 2021.

**Reconciliation of non-GAAP measures from Skyward Specialty's Supplementary Financial Measures**

## Skyward Specialty - Adjusted operating income (loss)

At 100% Share (millions of U.S. dollars)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net Income	\$ 5.1	\$ 12.1	\$ 21.4	\$ 27.0
Less:				
Net realized gains (losses) net of tax	0.2	0.1	0.9	0.7
Net unrealized (losses) gains on equity securities net of tax	(11.5)	3.7	(15.7)	8.1
Impact of LPT net of tax	-	-	-	-
Other net income (expenses) net of tax	-	0.1	-	2.8
Goodwill and other intangible impairment net of tax	-	(1.5)	-	(2.2)
Adjusted operating income	\$ 16.4	\$ 9.7	\$ 36.2	\$ 17.6

## Skyward Specialty - Tangible stockholders' equity

At 100% Share (millions of U.S. dollars)	June 30, 2022	December 31, 2021
Total stockholders' equity	\$ 419.6	\$ 426.1
Less:		
Goodwill and other intangible assets	90.6	91.3
Tangible stockholders' equity	\$ 329.0	\$ 334.8

The information provided herein does not constitute an offer or solicitation regarding any investment products offered by Arena Investors.

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