



## **The Westaim Corporation Reports Q4 and Full Year 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 – March 30, 2023 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its audited financial results for the quarter and full year ended December 31, 2022. Westaim recorded a GAAP net profit of \$32.8 million (\$0.23 diluted earnings per share) for Q4 2022 compared to a GAAP net profit of \$6.7 million (\$0.04 diluted earnings per share) for Q4 2021. For the full year 2022, Westaim recorded a GAAP net profit of \$18.0 million (\$0.12 diluted earnings per share) compared to \$28.3 million (\$0.19 diluted earnings per share) for 2021.

At December 31, 2022, Westaim’s consolidated shareholders’ equity was \$363.2 million and the Company had 141,386,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share<sup>1</sup> was \$2.56 (C\$3.46) at December 31, 2022, compared to \$2.43 (C\$3.07) at December 31, 2021.

<sup>1</sup> Book value per fully diluted share is a non-GAAP measure. Refer to the reconciliation of non-GAAP measures below.

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### **Key Results for Q4 2022**

#### ***Skyward Specialty*** \*

Skyward Specialty reported Q4 2022 net income of \$20.4 million, or \$0.63 per diluted share, compared to \$1.3 million, or \$0.04 per diluted share, for the same 2021 period. Adjusted operating income<sup>2</sup> for Q4 2022 was \$11.6 million, or \$0.36 per diluted share, compared to \$7.6 million, or \$0.23 per diluted share, for the same 2021 period.

Highlights for the Q4 2022 with comparisons to Q4 2021 included:

- Gross written premiums increased 18.1% to \$264.8 million compared to \$224.2 million.
- Adjusted combined ratio<sup>2</sup> of 92.8% compared to 94.8%.
- Net investment income increased 30.6% to \$5.3 million.

Highlights for the full year 2022 with comparisons to full year 2021 included:

- Gross written premium increased 21.7% to \$1,143.9 million compared to \$939.8 million.
- Net income of \$39.4 million compared to \$38.3 million.
- Adjusting operating income<sup>2</sup> was \$58.6 million compared to \$36.1 million.
- Adjusted combined ratio<sup>2</sup> 92.6% compared to 94.6%.
- Stockholders' equity decreased 1.0% to \$421.7 million from \$426.1 million, primarily due to unrealized losses in investments.

At December 31, 2022, the carrying value of Westaim’s investment in Skyward Specialty was \$218.9 million using a fair value of \$15.00 per Skyward Specialty common share. As a result, Westaim recorded an increase in its valuation of Skyward Specialty of \$40.5 million in Q4 2022 compared to a decrease of \$0.2 million in Q4 2021. For the full year 2022, Westaim recorded an increase in its valuation of Skyward Specialty of \$26.8 million compared to \$11.3 million in 2021.

<sup>2</sup> Refer to the reconciliation of non-GAAP measures below.

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

- Q4 2022 net loss from Arena FINCOs was \$6.1 million (-3.6% net return) compared to a net profit of \$0.5 million (+0.3% net return) in Q4 2021.
- Full year net loss from Arena FINCOs was \$2.4 million (-1.6% net return) compared to a net profit of \$9.8 million (+6.1% net return) in 2021.
- Arena FINCO full year 2022 results follow a re-adjustment of strong full year 2021 results based on market moves on publicly-marked positions held.
- Arena FINCOs provide a source of liquidity to Westaim which included distributions of \$2.4 million in Q4 2022 and \$10.3 million for the full year 2022.

## Arena Investors \*

- Arena Investors' achieved full year fee related earnings of \$4.9 million compared (\$0.1) million in 2021 due to the continued growth of management and asset servicing fees from its fee-paying assets under management ("AUM"). In 2022, incentive fees of \$4.5 million were lower than the \$34.3 million in 2021 reflecting lower positive fund performance.
- Committed AUM at December 31, 2022 was \$3.5 billion increasing \$0.7 billion during 2022 from \$2.8 billion.
- Fee-paying AUM at December 31, 2022 was \$2.6 billion increasing from \$2.4 billion at December 31, 2021.
- From inception through December 31, 2022, Arena Investors has deployed approximately \$4.7 billion into 350+ privately negotiated transactions.

### Supplementary financial measures from Arena Investors' financial statements:

At 100% Share (millions of U.S. dollars)	Three months ended December 31		Year ended December 31	
	2022	2021 <sup>5</sup>	2022 <sup>5</sup>	2021 <sup>5</sup>
Management fees	\$ 8.2	\$ 7.2	\$ 31.9	\$ 24.0
Asset servicing fees	2.4	2.1	10.6	7.0
Other income	1.3	0.2	1.2	0.5
Total recurring revenue	11.9	9.5	43.7	31.5
Operating expenses (excluding incentive fees compensation expense)	(11.3)	(7.0)	(38.8)	(31.6)
<b>Fee related earnings (loss)</b>	<b>0.6</b>	<b>2.5</b>	<b>4.9</b>	<b>(0.1)</b>
Incentive fees	(1.0)	15.4	4.5	34.3
Incentive fees compensation expense	1.1	(6.3)	(6.2)	(13.1)
<b>Net incentive fees</b>	<b>0.1</b>	<b>9.1</b>	<b>(1.7)</b>	<b>21.2</b>
<b>EBITDA</b>	<b>0.7</b>	<b>11.6</b>	<b>3.2</b>	<b>21.1</b>
Depreciation	(0.1)	-	(0.2)	(0.1)
Revolving loan interest expense paid to the Company	(0.3)	(0.3)	(1.3)	(1.4)
Taxes	-	-	(0.2)	-
<b>Profit and comprehensive income</b>	<b>0.3</b>	<b>11.3</b>	<b>1.5</b>	<b>19.6</b>
Company's share of profit and comprehensive income of Arena Investors (51%)	\$ 0.1	\$ 5.8	\$ 0.7	\$ 10.0

<sup>5</sup> Adjusted to conform to the presentation of the current period financial statements

AUM refers to the assets for which Arena Investors provides investment management, advisory or certain other investment-related services. AUM is generally based on the net asset value of the funds managed by Arena Investors plus any unfunded commitments. Arena Investors' calculation of AUM may differ from the calculations of other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers. Arena Investors' calculations of AUM are not based on any definition set forth in the governing documents of the investment funds and are not calculated pursuant to any regulatory definitions.

*"Early in 2022, the economic evidence of escalating inflation awakened monetary authorities to raise interest rates and, in doing so, ignited significant volatility across global bond and equity markets. Within this financial turbulence, Westaim's two businesses, The Arena Group ("Arena Investors" and "Arena FINCOs") and Skyward Specialty Insurance Group, Inc. ("Skyward Specialty") performed admirably."* said Cameron MacDonald, President and Chief Executive Officer of Westaim.

*"By many measures, 2022 was a transformative and pivotal year. Arena Investors continued to grow, achieve solid investment performance across all funds and increase their committed AUM to \$3.5 billion. Likewise, Skyward Specialty enjoyed an extraordinary year within the backdrop of a favourable pricing environment, allowing the business to grow its revenues, profitability and return on invested capital significantly. Notably, in January 2023, Skyward Specialty completed an Initial Public Offering ("IPO") on the NASDAQ exchange. Management believes the collective actions of both businesses and their resulting achievements in 2022 have materially increased Westaim's earning power and in turn its intrinsic valuation."*

*"Further details of the underlying performance for each of Skyward Specialty, Arena FINCOs and Arena Investors are included for Westaim's shareholders' review in the Q4 2022 Investor Presentation posted on our website. We look forward to hosting Westaim's Annual General Meeting in person on Thursday, May 18, 2023, at 9:00 am ET at Vantage Venues, 150 King Street West, Toronto, Ontario M5H 1J9. Following this meeting at 9:30am, Westaim will hold its*

*Investor Day both in person at the same location, and virtually as well. Webcast details will be released prior to the event.”*

This press release should be read in conjunction with Westaim’s audited consolidated financial statements (the “Financial Statements”) and management’s discussion and analysis for the three months and year ended December 31, 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 Q4 2022 Investor Presentation can be found 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 annual audited 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 is a non-GAAP measure. 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 in respect of the three months and year ended December 31, 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, 2022 and 2021 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](mailto:info@westaim.com)  
(416) 969-3333

**The Westaim Corporation**  
**Financial Highlights**

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

Highlights	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Revenue and net change in unrealized value of investments	\$ 35.1	\$ 6.8	\$ 27.4	\$ 33.8
Net (expenses) recovery of expenses	(2.5)	0.1	(9.8)	(5.3)
Income tax recovery (expense)	0.2	(0.2)	0.4	(0.2)
GAAP profit and comprehensive income	\$ 32.8	\$ 6.7	\$ 18.0	\$ 28.3
GAAP earnings per share – basic	\$ 0.23	\$ 0.05	\$ 0.13	\$ 0.20
GAAP earnings per share – diluted	\$ 0.23	\$ 0.04	\$ 0.12	\$ 0.19

	December 31, 2022	December 31, 2021
<b>Assets</b>		
Cash	\$ 3.4	\$ 6.6
Other assets	0.6	0.8
Investments	409.1	394.3
Deferred tax asset	0.2	-
	\$ 413.3	\$ 401.7
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12.9	\$ 13.7
Income tax payable	0.2	0.2
Preferred securities	36.9	39.5
Derivative warrant liability	0.1	0.2
Deferred tax liability	-	0.4
	50.1	54.0
Shareholders' equity	363.2	347.7
Total liabilities and shareholders' equity	\$ 413.3	\$ 401.7
Number of common shares outstanding <sup>1</sup>	141,386,718	142,686,718
Book value per fully diluted share - in US\$ <sup>2</sup>	\$ 2.56	\$ 2.43
Book value per fully diluted share - in C\$ <sup>3</sup>	\$ 3.46	\$ 3.07

<sup>1</sup> At December 31, 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>2</sup> Non-GAAP measure. See the reconciliation of Westaim's non-GAAP measures below or Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

<sup>3</sup> Period end exchange rates of USD to CDN: 1.35360 at December 31, 2022 and 1.26410 at December 31, 2021.

## Reconciliation of Westaim's non-GAAP measures

<b>Book value per share</b>	December 31, 2022	December 31, 2021
Book value:		
Shareholders' equity per IFRS	\$ 363.2	\$ 347.7
Adjustments:		
RSU liability <sup>1</sup>	5.8	5.9
Derivative warrant liability <sup>2</sup>	0.1	0.2
	<u>\$ 369.1</u>	<u>\$ 353.8</u>
Number of Common Shares:		
Number of Common Shares outstanding	141,386,718	142,686,718
Adjustments for assumed exercise of:		
Outstanding RSUs <sup>1</sup>	2,975,198	2,975,198
Adjusted number of Common Shares <sup>3</sup>	<u>144,361,916</u>	<u>145,661,916</u>
Book value per share - in US\$	\$ 2.56	\$ 2.43
Book value per share - in C\$ <sup>4</sup>	<u>\$ 3.46</u>	<u>\$ 3.07</u>

<sup>1</sup> See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Liability related to RSUs converted from C\$ to US\$ at period end exchange rates. RSUs are exercisable for Common Shares or cash at no cost to the holders. Adjustment made to reflect a reclassification of the RSU liability to shareholders' equity assuming all outstanding RSUs were exercised for Common Shares.

<sup>2</sup> See Note 8, *Derivative Warrant Liability* in the Notes to the Financial Statements. Derivative warrant liability converted from C\$ to US\$ at period end exchange rates. Adjustment made as the non-cash fair value change in the derivative warrant liability from period to period is not indicative of the change in the intrinsic value of the Company. Vested Warrants were not included in the adjusted number of Common Shares as none of them were in-the-money at December 31, 2022 and 2021.

<sup>3</sup> See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. No adjustments were made for options at December 31, 2022 and 2021 since they were not in-the money. The exercise of in-the-money options would have resulted in an infusion of capital to the Company.

<sup>4</sup> Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.35360 at December 31, 2022 and 1.26410 at December 31, 2021.

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

### Skyward Specialty Underwriting Income (Loss)

Skyward Specialty defines underwriting income (loss) as net income (loss) before income taxes excluding net investment income, net realized and unrealized gains and losses on investments, impairment charges, interest expense, amortization expense and other income and expenses. Underwriting income (loss) represents the pre-tax profitability of Skyward Specialty's underwriting operations and allows Skyward Specialty to evaluate their underwriting performance without regard to investment income. Skyward Specialty uses this metric as they believe it gives management and other users of their financial information useful insight into their underlying business performance. Underwriting income (loss) should not be viewed as a substitute for pre-tax income (loss) calculated in accordance with GAAP, and other companies may define underwriting income (loss) differently.

A 100% Share (millions of U.S. dollars) (All amounts before federal income tax)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Income before federal income tax	\$ 26.0	\$ 1.6	\$ 49.8	\$ 48.3
Add:				
Interest expense	2.1	1.2	6.4	4.6
Amortization expense	0.4	0.4	1.5	1.5
Less:				
Net investment income	5.3	4.0	36.9	24.6
Net investment gains (losses)	10.4	7.1	(15.7)	17.1
Impairment charges	-	-	-	(2.8)
Other income	-	1.1	-	4.7
<b>Underwriting income (loss)</b>	<b>\$ 12.8</b>	<b>\$ (9.0)</b>	<b>\$ 36.5</b>	<b>\$ 10.8</b>

### Skyward Specialty Adjusted Loss Ratio / Adjusted Combined Ratio

Skyward Specialty defines adjusted loss ratio and adjusted combined ratio as the corresponding ratio (calculated in accordance with GAAP), excluding losses and LAE related to the LPT and all development on reserves fully or partially covered by the LPT and amortization of deferred gains associated with recoveries of prior LPT reserve strengthening. Skyward Specialty uses these adjusted ratios as internal performance measures in the management of their operations because they believe they give management and other users of their financial information useful insight into their results of operations and their underlying business performance. Their adjusted loss ratio and adjusted combined ratio should not be viewed as substitutes for their loss ratio and combined ratio, respectively.

A 100% Share (millions of U.S. dollars)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Net earned premiums	\$ 170.1	\$ 133.8	\$ 616.0	\$ 499.8
Losses and LAE	109.0	104.6	402.5	354.5
Less: Pre-tax net impact of LPT	(0.7)	16.1	8.6	16.1
<b>Adjusted losses and LAE</b>	<b>\$ 109.7</b>	<b>\$ 88.5</b>	<b>\$ 393.9</b>	<b>\$ 338.4</b>
Loss ratio	64.0%	78.2%	65.3%	70.9%
Less: Net impact of LPT	(0.4)%	12.0%	1.4%	3.2%
<b>Adjusted loss ratio</b>	<b>64.4%</b>	<b>66.2%</b>	<b>63.9%</b>	<b>67.7%</b>
<b>Expense ratio</b>	<b>28.4%</b>	<b>28.6%</b>	<b>28.7%</b>	<b>26.9%</b>
Combined ratio	92.4%	106.8%	94.0%	97.8%
Less: Net impact of LPT	(0.4)%	12.0%	1.4%	3.2%
<b>Adjusted combined ratio</b>	<b>92.8%</b>	<b>94.8%</b>	<b>92.6%</b>	<b>94.6%</b>

### Skyward Specialty Adjusted Operating Income

Skyward Specialty defines adjusted operating income (a non-GAAP measure) as net income excluding the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, net of tax impact. They use adjusted operating income as an internal performance measure in the management of their operations because they believe it gives management and other users of their financial information useful insight into their results of operations and their underlying business performance. Adjusted operating income should not be viewed as a substitute for net income calculated in accordance with GAAP, and other companies may define adjusted operating income differently.

A 100% Share (millions of U.S. dollars) (All amounts after federal income tax)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Income as reported	\$ 20.4	\$ 1.3	\$ 39.4	\$ 38.3
Less:				
Net impact of LPT	0.6	(12.7)	(6.8)	(12.7)
Net investment gains (losses)	8.2	5.6	(12.4)	13.5
Net realized gain on sale of business	-	-	-	4.0
Impairment charges	-	-	-	(2.2)
Other income (expenses)	-	0.8	-	(0.4)
Adjusted operating income	\$ 11.6	\$ 7.6	\$ 58.6	\$ 36.1

### Skyward Specialty Tangible Stockholders' Equity

Skyward Specialty defines tangible stockholders' equity as stockholders' equity less goodwill and intangible assets. Their definition of tangible stockholders' equity may not be comparable to that of other companies and should not be viewed as a substitute for stockholders' equity calculated in accordance with GAAP. Skyward Specialty uses tangible stockholders' equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure.

At 100% Share (millions of U.S. dollars)	December 31, 2022	December 31, 2021
Total stockholders' equity	\$ 421.7	\$ 426.1
Less:		
Goodwill and other intangible assets	89.9	91.4
Tangible stockholders' equity	\$ 331.8	\$ 334.7

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.*