



## **The Westaim Corporation Reports Q2 2023 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 (“IFRS”), except as otherwise noted.

Toronto, Canada – August 15, 2023 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended June 30, 2023. Westaim recorded a net profit of \$31.3 million (\$0.22 diluted earnings per share) for Q2 2023 compared to a net loss of \$1.6 million (\$0.01 diluted loss per share) for Q2 2022. For the six months ended June 30, Westaim recorded a net profit of \$125.8 million (\$0.89 earnings per diluted share) for 2023 compared to \$1.9 million (\$0.01 earnings per diluted share) for 2022.

At June 30, 2023, Westaim’s consolidated shareholders’ equity was \$473.5 million and the Company had 138,992,118 common shares (“Common Shares”) outstanding. Book value per fully diluted share<sup>1</sup> was \$3.37 (C\$4.46) at June 30, 2023, compared to \$2.56 (C\$3.46) at December 31, 2022.

<sup>1</sup> The Company uses both IFRS and non-generally accepted accounting principles (“non-GAAP”) measures to assess performance. Book value per fully diluted share is a non-GAAP measure. Book value per share is computed as adjusted book value divided by the adjusted number of Common Shares. See “Non-GAAP Financial Measure” and the reconciliation of such measure to the most comparable IFRS figure below.

---

### **Key Results for Q2 2023**

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

On June 12, 2023, Westaim announced the close of the secondary public offering of Skyward Specialty common shares which Westaim sold 3,987,500 Skyward Specialty common shares and received net proceeds of \$87.4 million. This sale had the impact of reducing the June 30, 2023 carrying value of Westaim’s investment in Skyward Specialty. This decrease was partially offset in the quarter by the increase in the value to \$25.40 per Skyward Specialty common share at June 30, 2023 from \$21.87 at March 31, 2023. As a result, Westaim’s income from its valuation of Skyward Specialty was \$37.6 million in Q2 2023 compared to a decrease of \$3.9 million in Q2 2022.

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

- Q2 2023 net loss from Arena FINCOs was \$3.3 million (-2.1% net return) compared to a net profit of \$3.7 million (+2.2% net return) in Q2 2022.
- Arena FINCOs’ results reflect mark-to-market valuations within its portfolio.

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

- Arena Investors’ achieved total recurring revenue<sup>1</sup> of \$10.8 million in Q2 2023 compared to \$11.0 million in Q2 2022 from its fee-paying assets under management (“AUM”)<sup>2</sup>.
- Fee related earnings (“FRE”)<sup>1</sup> in Q2 2023 was \$0.1 million compared to \$2.7 million in Q2 2022 and Arena Institutional Services (“AIS”) EBITDA<sup>1</sup> was \$2.7 million in Q2 2023 compared to a loss of \$0.1 million in Q2 2022.
- Net incentive fees<sup>1</sup> was a net expense of \$0.1 million in Q2 2023 which was favourable compared to the net expense of \$1.4 million in Q2 2022.
- Total EBITDA<sup>1</sup> for Q2 2023 was \$2.1 million compared to \$0.5 million in Q2 2022.
- Committed AUM was \$3.3 billion at June 30, 2023 as compared to \$3.5 billion at December 31, 2022 and \$3.5 billion at June 30, 2022. Fee-paying AUM was \$2.5 billion at June 30, 2023, \$2.6 billion at December 31, 2022 and \$2.7 billion at June 30, 2022.
- From inception through June 30, 2023, Arena Investors has deployed approximately \$5.3 billion into 360+ privately negotiated transactions.
- Westaim recorded its share of net income from Arena Investors of \$0.8 million for Q2 2023 compared to a nominal amount in Q2 2022.

<sup>1</sup> Total recurring revenue, FRE, AIS EBITDA, net incentive fees and total EBITDA are non-GAAP measures. These measures are reconciled to the most comparable Arena Investors’ US GAAP figures in the Arena Investors’ supplementary financial measures below and are used in order to show an accurate recurring revenue and contributions to net income from the advisory and non-advisory businesses.

<sup>2</sup> 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.

Supplementary financial measures from Arena Investors' financial statements:

| At 100% Share<br>(millions of U.S. dollars)                                    | Three months ended June 30 |                   | Six months ended June 30 |                   |
|--|----------------------------|-------------------|--------------------------|-------------------|
|  | 2023                       | 2022 <sup>3</sup> | 2023 <sup>3</sup>        | 2022 <sup>3</sup> |
| Management fees  | \$ 7.7                     | \$ 8.1            | \$ 15.5                  | \$ 15.6           |
| Asset servicing fees   | 2.7                        | 2.9               | 5.4                      | 5.3               |
| Other income   | 0.4                        | -                 | 0.6                      | 0.1               |
| Total recurring revenue  | 10.8                       | 11.0              | 21.5                     | 21.0              |
| Operating expenses allocated to recurring revenue                              | (10.7)                     | (8.3)             | (20.0)                   | (15.8)            |
| <b>Fee related earnings</b>  | <b>0.1</b>                 | <b>2.7</b>        | <b>1.5</b>               | <b>5.2</b>        |
| Incentive fees   | 1.4                        | -                 | 4.2                      | 13.8              |
| Incentive fees compensation expense  | (1.5)                      | (1.4)             | (2.8)                    | (6.8)             |
| <b>Net incentive fees</b>  | <b>(0.1)</b>               | <b>(1.4)</b>      | <b>1.4</b>               | <b>7.0</b>        |
| <b>Investment advisor EBITDA</b>   | <b>-</b>                   | <b>1.3</b>        | <b>2.9</b>               | <b>12.2</b>       |
| AIS revenue  | 5.0                        | -                 | 5.0                      | -                 |
| AIS operating expenses   | (0.5)                      | (0.1)             | (0.5)                    | (0.3)             |
| Employee profit share  | (1.8)                      | -                 | (1.8)                    | -                 |
| <b>AIS EBITDA</b>  | <b>2.7</b>                 | <b>(0.1)</b>      | <b>2.7</b>               | <b>(0.3)</b>      |
| AIGH general and administrative costs  | (0.2)                      | (0.2)             | (0.4)                    | (0.4)             |
| AIGH other income and expenses   | (0.4)                      | (0.5)             | (0.7)                    | (1.2)             |
| <b>Total EBITDA</b>  | <b>2.1</b>                 | <b>0.5</b>        | <b>4.5</b>               | <b>10.3</b>       |
| Depreciation   | (0.1)                      | -                 | (0.2)                    | (0.1)             |
| Revolving loan interest expense paid to the Company                            | (0.5)                      | (0.3)             | (0.8)                    | (0.7)             |
| Taxes  | -                          | (0.1)             | -                        | (0.1)             |
| <b>Net Income attributable to AIGH</b>   | <b>1.5</b>                 | <b>0.1</b>        | <b>3.5</b>               | <b>9.4</b>        |
| Company's share of income and comprehensive income of<br>Arena Investors (51%) | \$ 0.8                     | \$ -              | \$ 1.8                   | \$ 4.8            |

<sup>3</sup> Adjusted to conform to the presentation of the current period financial statements.

"We are pleased with Westaim's continued Q2 earnings which were driven by realized and unrealized gains on our investment in Skyward Specialty and the public markets' support for the secondary offering of Skyward Specialty's common shares. Arena Investors' continues to develop its global platform with its Arena Institutional Services ("AIS") business. To describe the Arena business; Arena Investors' manages capital on behalf of their investors and the FINCOs, while in AIS, they seek to monetize their intellectual capital on behalf of third-party customers and counterparties. With six active campaigns throughout 2023, we expect Arena to provide investors compelling opportunities and capture operating efficiencies within their growing business." said Cameron MacDonald, President and Chief Executive Officer of Westaim.

This press release should be read in conjunction with Westaim's unaudited interim consolidated financial statements (the "Financial Statements") and management's discussion and analysis for the three and six months ended June 30, 2023 and 2022 (the "MD&A") which were filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). These documents and the Company's **Q2 2023 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 Arena FINCOs in section 3.B.(ii), and for Arena Investors in section 3.C.(iii).

#### Non-GAAP Financial Measures

Westaim reports its Financial Statements using GAAP and accounting policies consistent with IFRS. Westaim uses both IFRS and 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. Readers are urged to review Section 15 *Non-GAAP Measures* in the "MD&A" (available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)) which is incorporated by reference into this news release and discloses historical figures for book value per share in respect of the three and six months ended June 30, 2023 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to 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 certain Arena Investors and Arena FINCO financial information, including any US 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 interim consolidated financial statements for the three and six months ended June 30, 2023 and 2022 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 June 30 |           | Six months ended June 30 |         |
|---|----------------------------|-----------|--------------------------|---------|
|   | 2023                       | 2022      | 2023                     | 2022    |
| Revenue and net change in unrealized value of investments | \$ 35.9                    | \$ 0.5    | \$ 134.7                 | \$ 7.4  |
| Net expenses  | (4.7)                      | (2.4)     | (8.7)                    | (4.8)   |
| Income tax recovery (expense)                             | 0.1                        | 0.3       | (0.2)                    | (0.7)   |
| Profit (loss) and comprehensive income (loss)             | \$ 31.3                    | \$ (1.6)  | \$ 125.8                 | \$ 1.9  |
| Earnings (loss) per share – basic and diluted             | \$ 0.22                    | \$ (0.01) | \$ 0.89                  | \$ 0.01 |

|   | June 30, 2023   | December 31, 2022 |
|---|-----------------|-------------------|
| <b>Assets</b>   |                 |                   |
| Cash  | \$ 86.8         | \$ 3.4            |
| Income tax receivable                                     | 0.3             | -                 |
| Other assets  | 0.6             | 0.6               |
| Investments   | 446.2           | 409.1             |
| Deferred tax asset  | 0.1             | 0.2               |
|   | <u>\$ 534.0</u> | <u>\$ 413.3</u>   |
| <b>Liabilities</b>  |                 |                   |
| Accounts payable and accrued liabilities                  | \$ 22.8         | \$ 12.9           |
| Income tax payable  | -               | 0.2               |
| Preferred securities                                      | 37.7            | 36.9              |
| Derivative warrant liability                              | -               | 0.1               |
|   | <u>60.5</u>     | <u>50.1</u>       |
| Shareholders' equity                                      | 473.5           | 363.2             |
| Total liabilities and shareholders' equity                | <u>\$ 534.0</u> | <u>\$ 413.3</u>   |
| Number of common shares outstanding <sup>1</sup>          | 138,992,118     | 141,386,718       |
| Book value per fully diluted share - in US\$ <sup>2</sup> | \$ 3.37         | \$ 2.56           |
| Book value per fully diluted share - in C\$ <sup>3</sup>  | \$ 4.46         | \$ 3.46           |

<sup>1</sup> At June 30, 2023, 10,376,895 stock options, 3,455,198 RSUs and 14,285,715 warrants were outstanding. At December 31, 2022, 10,428,337 stock options, 2,975,198 RSUs and 14,285,715 warrants were outstanding. Details regarding these stock options, RSUs and warrants are disclosed in the Company's public filings including its interim financial statements which are available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

<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 US\$ to C\$: 1.32395 at June 30, 2023 and 1.35360 at December 31, 2022.

## Reconciliation of Westaim's non-GAAP measure

| <b>Book value per share</b>                                     | June 30, 2023      | December 31, 2022  | June 30, 2022      |
|---|--------------------|--------------------|--------------------|
| Book value:   |                    |                    |                    |
| Shareholders' equity per IFRS                                   | \$ 473.5           | \$ 363.2           | \$ 347.1           |
| Adjustments:  |                    |                    |                    |
| RSU liability <sup>1</sup>                                      | 8.5                | 5.8                | 5.6                |
| ASPP liability <sup>2</sup>                                     | 9.0                | -                  | -                  |
| Derivative warrant liability <sup>3</sup>                       | -                  | 0.1                | 0.1                |
| Assumed proceeds of exercised in-the-money options <sup>4</sup> | 24.3               | -                  | -                  |
|   | <u>\$ 515.3</u>    | <u>\$ 369.1</u>    | <u>\$ 352.8</u>    |
| Number of Common Shares:  |                    |                    |                    |
| Number of Common Shares outstanding                             | 138,992,118        | 141,386,718        | 141,386,718        |
| Adjustments for assumed exercise of:                            |                    |                    |                    |
| Outstanding RSUs <sup>1</sup>                                   | 3,455,198          | 2,975,198          | 2,975,198          |
| In-the-money options <sup>4</sup>                               | 10,376,895         | -                  | -                  |
| Adjusted number of Common Shares                                | <u>152,824,211</u> | <u>144,361,916</u> | <u>144,361,916</u> |
| Book value per share - in US\$                                  | \$ 3.37            | \$ 2.56            | \$ 2.44            |
| Book value per share - in C\$ <sup>5</sup>                      | <u>\$ 4.46</u>     | <u>\$ 3.46</u>     | <u>\$ 3.14</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 5, *Accounts Payable and Other Accrued Liabilities* in the Notes to the Financial Statements. Shareholders' equity per IFRS was reduced by the liability required for the maximum amount that would be required to settle the ASPP.

<sup>3</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 at June 30, 2023, since the Company and Fairfax agreed that Fairfax will surrender and dispose of, without any further consideration, all of the Warrants. See Note 17, *Subsequent Events* in the Notes to the Financial Statements. Vested Warrants were not included in the adjusted number of Common Shares at December 31, 2022 and June 30, 2022 as none of them were in-the-money.

<sup>4</sup> See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at June 30, 2023, since they were in-the-money. No adjustments were made for options at December 31, 2022 and June 30, 2022, 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>5</sup> Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.32395 at June 30, 2023, 1.35360 at December 31, 2022 and 1.28710 at June 30, 2022.

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.*