



The Westaim Corporation Reports Q3 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 – November 14, 2023 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended September 30, 2023. Westaim recorded a net profit of \$23.0 million (\$0.16 diluted earnings per share) for Q3 2023 compared to a net loss of \$16.7 million (\$0.12 diluted loss per share) for Q3 2022. For the nine months ended September 30, 2023, Westaim recorded a net profit of \$148.8 million (\$1.05 diluted earnings per share) for 2023 compared to a net loss of \$14.8 million (\$0.10 diluted loss per share) for 2022.

At September 30, 2023, Westaim’s consolidated shareholders’ equity was \$495.7 million and the Company had 135,491,943 common shares (“Common Shares”) outstanding. Book value per fully diluted share¹ was \$3.56 (C\$4.82) at September 30, 2023, compared to \$2.56 (C\$3.46) at December 31, 2022.

In Q3 2023, Westaim canceled 3,740,478 Common Shares that it acquired at a cost of \$9.8 million through its normal course issuer bid (“NCIB”). In the nine months ended September 30, 2023, Westaim canceled 6,135,078 Common Shares that it acquired at a cost of \$16.3 million.

In addition, Westaim closed the following transactions on July 17, 2023 with certain affiliates of Fairfax Financial Holdings Limited (collectively, “Fairfax”):

- Westaim redeemed and delisted all of the 5,000,000 Preferred Securities and paid C\$50 million (equivalent to \$37.9 million); and
- Fairfax surrendered and disposed of, without any further consideration, all of their 14,285,715 Westaim Warrants to purchase Common Shares at a strike price of C\$3.50, which were immediately cancelled.

¹ 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 Q3 2023

Skyward Specialty

Westaim’s income from its valuation of Skyward Specialty was \$20.7 million in Q3 2023 compared to a decrease of \$8.6 million in Q3 2022. The Q3 2023 income was the result of Skyward Specialty’s valuation at September 30, 2023 increasing to \$27.36 per Skyward Specialty common share from \$25.40 per Skyward Specialty common share at June 30, 2023. Westaim’s investment in Skyward Specialty is \$289.5 million at September 30, 2023 compared to \$269.2 million at June 30, 2023.

Arena FINCOs *

- Q3 2023 net income from Arena FINCOs was \$0.9 million (+0.6% net return) compared to a net loss of \$2.6 million (-1.5% net return) in Q3 2022.
- Arena FINCOs’ results reflect mark-to-market valuations within its portfolio which has a net value of \$148.1 million at September 30, 2023 compared to \$147.2 million at June 30, 2023.

Arena *

- Arena Investors’ achieved total recurring revenue¹ of \$10.7 million in Q3 2023 compared to \$10.8 million in Q3 2022 from its fee-paying assets under management (“AUM”)². Fee related earnings (“FRE”)¹ in Q3 2023 was \$0.2 million compared to \$1.9 million in Q3 2022 and net incentive fees¹ was \$0.4 million in Q3 2023 compared to the net expense of \$9.3 million in Q3 2022.
- Arena Institutional Services (“AIS”) EBITDA¹ was \$4.3 million in Q3 2023 compared to a loss of \$0.1 million in Q3 2022.
- Total Arena EBITDA¹ for Q3 2023 was \$4.6 million compared to a loss of \$7.8 million in Q3 2022.
- Committed AUM was \$3.3 billion at September 30, 2023, \$3.5 billion at December 31, 2022 and \$3.5 billion at September 30, 2022. Fee-paying AUM was \$2.5 billion at September 30, 2023, \$2.6 billion at December 31, 2022 and \$2.6 billion at September 30, 2022.

- Westaim recorded its share of net income from Arena Investors of \$2.1 million for Q3 2023 compared to a net loss of \$4.2 million for Q3 2022.

¹ Total recurring revenue, FRE, AIS EBITDA, net incentive fees and total Arena EBITDA are non-GAAP measures. These measures are reconciled to the most comparable Arena US GAAP figures in the Arena 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.

² 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.

* Refer to the Supplementary Financial Measures sections of the MD&A (as defined herein): for Arena FINCOs see section 3.B.(ii), and for Arena see section 3.C.(iii).

Supplementary financial measures from Arena's financial statements:

At 100% Share (millions of U.S. dollars)	Three months ended September 30		Nine months ended September 30	
	2023	2022 ³	2023 ³	2022 ³
Arena Investors				
Management fees	\$ 7.7	\$ 8.1	\$ 23.2	\$ 23.6
Asset servicing fees	2.9	3.0	8.3	8.3
Other income	0.1	(0.3)	0.6	(0.1)
Total recurring revenue	10.7	10.8	32.1	31.8
Operating expenses allocated to recurring revenue	(10.5)	(8.9)	(30.4)	(24.7)
Fee related earnings	0.2	1.9	1.7	7.1
Incentive fees	1.5	(8.9)	5.7	4.9
Incentive fees compensation expense	(1.1)	(0.4)	(3.9)	(7.3)
Net incentive fees	0.4	(9.3)	1.8	(2.4)
Arena Investors' EBITDA	0.6	(7.4)	3.5	4.7
Arena Institutional Services				
AIS revenue	8.1	-	13.1	-
AIS operating expenses	(0.9)	(0.1)	(1.4)	(0.4)
Employee profit share	(2.9)	-	(4.7)	-
AIS EBITDA	4.3	(0.1)	7.0	(0.4)
AlGH general and administrative costs	(0.1)	(0.2)	(0.5)	(0.6)
AlGH other income and expenses	(0.2)	(0.1)	(0.9)	(1.2)
Total Arena EBITDA	4.6	(7.8)	9.1	2.5
Depreciation	(0.1)	-	(0.3)	(0.1)
Revolving loan interest expense paid to the Company	(0.4)	(0.3)	(1.2)	(1.0)
Taxes	-	(0.1)	-	(0.2)
Net income (loss) attributable to Arena	4.1	(8.2)	7.6	1.2
Company's share of income (loss) and comprehensive income (loss) of Arena (51%)	\$ 2.1	\$ (4.2)	\$ 3.9	\$ 0.6

³ Adjusted to conform to the presentation of the current period financial statements.

"We are pleased with Westaim's continued Q3 earnings which were driven by gains on our investment in Skyward Specialty with the public markets' support for Skyward Specialty's common shares. Within a rising rate environment, Arena delivered solid performance to their investors and shareholders in Q3 as they continue to grow their global platform, which includes Arena Institutional Services ("AIS") business. To describe the Arena business; Arena Investors' manages capital on behalf of their investors and the Arena 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 and 2024, 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. "Westaim continues to be actively buying back its Common Shares through its NCIB. So far in Q4 2023, an additional 2,851,500 Common Shares were acquired at a cost of \$7.6 million."

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 nine months ended September 30, 2023 and 2022 (the "MD&A") which were filed on SEDAR+ at www.sedarplus.ca. These documents and the Company's **Q3 2023 Investor Presentation** can be found on the Company's website at www.westaim.com.

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) which is incorporated by reference into this news release and discloses historical figures for book value per share in respect of the three and nine months ended September 30, 2023 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to Arena 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 certain Arena 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 and Arena FINCOs. Skyward Specialty, Arena FINCOs and Arena are defined in the notes to Westaim's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Revenue and net change in value of investments	\$ 24.8	\$ (15.1)	\$ 159.5	\$ (7.7)
Net expenses	(1.8)	(2.5)	(10.5)	(7.3)
Income taxes recovery (expense)	-	0.9	(0.2)	0.2
Profit (loss) and comprehensive income (loss)	\$ 23.0	\$ (16.7)	\$ 148.8	\$ (14.8)
Earnings (loss) per share – basic	\$ 0.17	\$ (0.12)	\$ 1.06	\$ (0.10)
Earnings (loss) per share – diluted	\$ 0.16	\$ (0.12)	\$ 1.05	\$ (0.10)

	September 30, 2023	December 31, 2022
Assets		
Cash	\$ 39.3	\$ 3.4
Other assets	0.4	0.6
Investments	469.5	409.1
Deferred tax assets	1.7	0.2
	<u>\$ 510.9</u>	<u>\$ 413.3</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 14.0	\$ 12.9
Income taxes payable	1.2	0.2
Preferred securities	-	36.9
Derivative warrant liability	-	0.1
	<u>15.2</u>	<u>50.1</u>
Shareholders' equity	495.7	363.2
Total liabilities and shareholders' equity	<u>\$ 510.9</u>	<u>\$ 413.3</u>
Number of common shares outstanding¹		
	135,491,943	141,386,718
Book value per fully diluted share - in US\$²		
	\$ 3.56	\$ 2.56
Book value per fully diluted share - in C\$³		
	\$ 4.82	\$ 3.46

¹ At September 30, 2023, 7,623,955 stock options and 3,455,198 RSUs 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.

² 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.

³ Period end exchange rates of US\$ to C\$: 1.35535 at September 30, 2023 and 1.35360 at December 31, 2022.

Reconciliation of Westaim's non-GAAP measure

Book value per share

	September 30, 2023	December 31, 2022	September 30, 2022
Book value:			
Shareholders' equity per IFRS	\$ 495.7	\$ 363.2	\$ 330.3
Adjustments:			
RSU liability ¹	8.3	5.8	5.6
Derivative warrant liability ²	-	0.1	0.1
Assumed proceeds of exercised in-the-money options ³	17.2	-	-
	<u>\$ 521.2</u>	<u>\$ 369.1</u>	<u>\$ 336.0</u>
Number of Common Shares:			
Number of Common Shares outstanding	135,491,943	141,386,718	141,386,718
Adjustments for assumed exercise of:			
Outstanding RSUs ¹	3,455,198	2,975,198	2,975,198
In-the-money options ³	7,623,955	-	-
Adjusted number of Common Shares	<u>146,571,096</u>	<u>144,361,916</u>	<u>144,361,916</u>
Book value per share - in US\$	\$ 3.56	\$ 2.56	\$ 2.33
Book value per share - in C\$ ⁴	\$ 4.82	\$ 3.46	\$ 3.22

¹ 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.

² 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. There were no outstanding Vested Warrants at September 30, 2023. Vested Warrants were not included in the adjusted number of Common Shares at December 31, 2022 and September 30, 2022 as none of them were in-the-money.

³ See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at September 30, 2023, since they were in-the-money. No adjustments were made for options at December 31, 2022 and September 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.

⁴ Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.35535 at September 30, 2023, 1.35360 at December 31, 2022 and 1.38135 at September 30, 2022.

Cautionary Note and Forward-Looking Statements

This news release contains certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this news release, other than statements of historical facts, including statements regarding future estimates, plans, objectives, timing, assumptions or expectations of future performance, including the statement that Arena has six active campaigns throughout 2023 and 2024 is a forward-looking statements and contain forward-looking information. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur". Forward-looking statements are based on certain material assumptions and analysis made by the Company and the opinions and estimates of management as of the date of this news release, including that Arena continues with its active campaigns in 2023 and 2024. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Readers are cautioned that reliance on such information may not be appropriate for other purposes. Additional information regarding risks and uncertainties relating to the Company's business are contained under the heading "*Risk Factors*" in its annual information form for its fiscal year ended December 31, 2022 filed on the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company does not undertake to update any forward-looking statement, forward-looking information or financial out-look that are incorporated by reference herein, except in accordance with applicable securities laws.

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.