



The Westaim Corporation Reports Q4 and Full Year 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 – March 27, 2024 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its audited financial results for the quarter and full year ended December 31, 2023. Westaim recorded a net profit of \$35.1 million (\$0.26 diluted earnings per share) for Q4 2023 compared to a net profit of \$32.8 million (\$0.23 diluted earnings per share) for Q4 2022. For the full year ended December 31, 2023 Westaim recorded a net profit of \$183.9 million (\$1.32 diluted earnings per share) compared to a net profit of \$18.0 million (\$0.12 diluted earnings per share) for 2022.

At December 31, 2023, Westaim’s consolidated shareholders’ equity was \$518.3 million and the Company had 131,757,285 common shares (“Common Shares”) outstanding. Book value per fully diluted share¹ was \$3.83 (C\$5.08) at December 31, 2023, compared to \$2.56 (C\$3.46) at December 31, 2022.

In Q4 2023, Westaim canceled 3,761,100 Common Shares that it acquired at a cost of \$10.1 million through its normal course issuer bid (“NCIB”). In the full year 2023, Westaim canceled an aggregate of 9,896,178 Common Shares that it acquired at a cost of \$26.4 million.

Westaim participated in an upsized follow-on offering of Skyward Specialty Insurance Group, Inc.’s (“Skyward Specialty”) common shares on November 20, 2023 and sold 3,600,000 Skyward Specialty common shares for net cash proceeds of approximately \$104.9 million. Together with the previously announced June 12, 2023 Skyward Specialty secondary offering, Westaim sold a total of 7,587,500 Skyward Specialty common shares in the full year 2023 for net cash proceeds of approximately \$192.3 million.

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 Q4 2023

Skyward Specialty

Westaim’s income from its investment in Skyward Specialty common shares was \$51.9 million in Q4 2023 compared to \$40.5 million in Q4 2022. The full year income from the valuation of Skyward Specialty was \$210.3 million in 2023 compared to \$26.8 million in 2022. Westaim’s investment in Skyward Specialty is \$236.5 million at December 31, 2023 compared to \$218.9 million at December 31, 2022, which is net of proceeds of \$192.3 million from selling Skyward Specialty common shares which decreased the investment value at December 31, 2023.

Arena FINCOs *

- Q4 2023 net loss from Arena FINCOs was \$0.9 million (-0.5% net return) compared to a net loss of \$6.1 million (-3.6% net return) in Q4 2022.
- Full year 2023 net loss from Arena FINCOs was \$6.0 million (-3.7% net return) compared to a net loss of \$2.4 million (-1.6% net return) in the full year 2022.
- Arena FINCOs’ results reflect mark-to-market valuations within its portfolio which has a net value of \$147.2 million at December 31, 2023 compared to \$160.1 million at December 31, 2022, after the Arena FINCOs distributed \$6.9 million to the Company in the full year 2023.

Arena *

- Arena Investors’ achieved total recurring revenue¹ of \$10.7 million in Q4 2023 compared to \$11.5 million in Q4 2022 from its fee-paying assets under management (“AUM”)². Fee related earnings (“FRE”)¹ in Q4 2023 was \$0.5 million in Q4 2023 compared to \$1.2 million in Q4 2022 and net incentive fees¹ was \$2.5 million in Q4 2023 compared to \$0.5 million in Q4 2022.
- Arena Institutional Services (“AIS”) EBITDA¹ was a loss of \$1.3 million in Q4 2023 compared to a loss of \$0.4 million in Q4 2022.
- Total Arena EBITDA¹ for Q4 2023 was \$1.0 million compared to \$0.8 million in Q4 2022.
- Committed AUM was \$3.2 billion at December 31, 2023, and \$3.5 billion at December 31, 2022. Fee-paying AUM was \$2.5 billion at December 31, 2023, and \$2.6 billion at December 31, 2022.

- Westaim recorded its share of net income from Arena of \$0.6 million for Q4 2023 compared to \$0.1 million for Q4 2022. Westaim's share of net income from Arena was \$4.5 million in the full year 2023 compared to \$0.7 million in the full year 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 December 31		Year ended December 31	
	2023	2022 ¹	2023	2022 ¹
Arena Investors				
Management fees	\$ 7.6	\$ 8.3	\$ 30.8	\$ 31.9
Asset servicing fees	2.7	2.3	11.0	10.6
Other income	0.4	0.9	1.0	0.8
Total recurring revenue	10.7	11.5	42.8	43.3
Operating expenses allocated to recurring revenue	(10.2)	(10.3)	(40.6)	(35.0)
Fee related earnings	0.5	1.2	2.2	8.3
Incentive fees	3.1	(0.6)	8.8	4.3
Incentive fees compensation expense	(0.6)	1.1	(4.5)	(6.2)
Net incentive fees	2.5	0.5	4.3	(1.9)
Arena Investors' EBITDA	3.0	1.7	6.5	6.4
Arena Institutional Services				
AIS revenue	(1.6)	0.6	11.5	0.6
AIS operating expenses	(0.1)	(0.8)	(1.5)	(1.2)
Employee profit share	0.4	(0.2)	(4.3)	(0.2)
AIS EBITDA	(1.3)	(0.4)	5.7	(0.8)
ALGH general and administrative costs	(0.3)	(0.2)	(0.8)	(0.8)
ALGH other income and expenses	(0.4)	(0.3)	(1.3)	(1.5)
Total Arena EBITDA	1.0	0.8	10.1	3.3
Depreciation	-	(0.1)	(0.3)	(0.2)
Revolving loan interest expense paid to the Company	(0.4)	(0.3)	(1.6)	(1.3)
Taxes	0.5	(0.1)	0.5	(0.3)
Net income attributable to Arena	1.1	0.3	8.7	1.5
Company's share of Arena's comprehensive income (51%)	\$ 0.6	\$ 0.1	\$ 4.5	\$ 0.7

¹ Adjusted to conform to the presentation of the current period financial statements.

"We believe Westaim materially increased the intrinsic value per diluted share of the Company due to the excellent operating performance of Skyward Specialty and Arena, highlighted by the Initial Public Offering ("IPO") of Skyward Specialty early in the year. We are incredibly pleased with the results in 2023, as they reflect several years of value creating activities in our businesses," said Cameron MacDonald, President and Chief Executive Officer of Westaim. "Arena's platform is built and we are collectively laser focused on capitalizing on the market opportunity created by elevated interest rates and inflation following a decade of irresponsible monetary policy and Covid-inspired acceleration of fiscal imprudence. Fund raising momentum since the end of the year has been solid, resulted in AUM increasing to \$3.5 billion at February 29, 2024. Westaim's activities through 2023 were focused on increasing our intrinsic value per diluted share, with the proceeds from the sales of Skyward Specialty shares resulting in a debt-free balance sheet and the ability to acquire and cancel 9.9 million Common Shares at a cost of \$26.4 million."

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 year ended December 31, 2023 and 2022 (the "MD&A") which were filed on SEDAR+ at www.sedarplus.ca. These documents and the Company's **Q4 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 months and year ended December 31, 2023 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to Arena and Arena FINCOs contained in the MD&A are unaudited and have 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 audited consolidated financial statements for the year ended December 31, 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
(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	
	2023	2022	2023	2022
Revenue and net change in value of investments	\$ 53.3	\$ 35.1	\$ 212.8	\$ 27.4
Net expenses	(16.1)	(2.5)	(26.6)	(9.8)
Income taxes (expense) recovery	(2.1)	0.2	(2.3)	0.4
Profit and comprehensive income	\$ 35.1	\$ 32.8	\$ 183.9	\$ 18.0
Earnings per share – basic	\$ 0.26	\$ 0.23	\$ 1.33	\$ 0.13
Earnings per share – diluted	\$ 0.26	\$ 0.23	\$ 1.32	\$ 0.12

	December 31, 2023	December 31, 2022
Assets		
Cash	\$ 135.0	\$ 3.4
Income taxes receivable	0.5	-
Other assets	1.0	0.6
Investments	414.3	409.1
Deferred tax assets	1.0	0.2
	<u>\$ 551.8</u>	<u>\$ 413.3</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 31.3	\$ 12.9
Income taxes payable	1.0	0.2
Preferred securities	-	36.9
Derivative warrant liability	-	0.1
Deferred tax liability	1.2	-
	<u>33.5</u>	<u>50.1</u>
Shareholders' equity	518.3	363.2
Total liabilities and shareholders' equity	<u>\$ 551.8</u>	<u>\$ 413.3</u>
Number of common shares outstanding ¹	131,757,285	141,386,718
Book value per fully diluted share - in US\$ ²	\$ 3.83	\$ 2.56
Book value per fully diluted share - in C\$ ³	\$ 5.08	\$ 3.46

¹ At December 31, 2023, 7,597,513 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 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\$: 1.32405 at December 31, 2023 and 1.35360 at December 31, 2022.

Reconciliation of Westaim's non-GAAP measure

Book value per share

	December 31, 2023	December 31, 2022
Book value:		
Shareholders' equity per IFRS	\$ 518.3	\$ 363.2
Adjustments:		
RSU liability ¹	9.3	5.8
ASPP liability ²	2.4	-
Derivative warrant liability ³	-	0.1
Assumed proceeds of exercised in-the-money options ⁴	17.5	-
	<u>\$ 547.5</u>	<u>\$ 369.1</u>
Number of Common Shares:		
Number of Common Shares outstanding	131,757,285	141,386,718
Adjustments for assumed exercise of:		
Outstanding RSUs ¹	3,455,198	2,975,198
In-the-money options ⁴	7,597,513	-
Adjusted number of Common Shares	<u>142,809,996</u>	<u>144,361,916</u>
Book value per share - in US\$	\$ 3.83	\$ 2.56
Book value per share - in C\$ ⁵	\$ 5.08	\$ 3.46

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 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.

³ 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 December 31, 2023. Vested Warrants were not included in the adjusted number of Common Shares at December 31, 2022 as none of them were in-the-money.

⁴ See Note 11, *Share-based Compensation* in the Notes to the Financial Statements. Adjustments were made for all of the options outstanding at December 31, 2023, since they were in-the-money. No adjustments were made for options at December 31, 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.

⁵ Book value per share converted from US\$ to C\$ at period end exchange rates. Period end exchange rates: 1.32405 at December 31, 2023, and 1.35360 at December 31, 2022.

The Company does not undertake to update any forward-looking statement, forward-looking information or financial outlook 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.