



## **The Westaim Corporation Reports Q2 2024 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 13, 2024 – The Westaim Corporation ("Westaim" or the "Company") (TSXV: WED) today announced its unaudited interim financial results for the quarter ended June 30, 2024. Westaim recorded a net loss of \$17.1 million (\$0.13 diluted loss per share) for Q2 2024 compared to a net profit of \$31.3 million (\$0.22 diluted earnings per share) for Q2 2023. For the six months ended June 30, 2024, Westaim recorded a net profit of \$6.2 million (\$0.05 earnings per diluted share) compared to \$125.8 million (\$0.89 earnings per diluted share) for the six months ended June 30, 2023.

At June 30, 2024, Westaim's consolidated shareholders' equity was \$507.3 million and the Company had 128,172,385 common shares (the "Common Shares") outstanding. Book value per fully diluted share<sup>1</sup> was \$3.91 (C\$5.36) at June 30, 2024, compared to \$3.83 (C\$5.08) at December 31, 2023.

In Q2 2024, Westaim canceled 1,009,200 Common Shares that it acquired at a cost of \$2.7 million through its normal course issuer bid, including a provision for the Canadian public company 2% net share buy-back tax. For the six months ended June 30, 2024, Westaim canceled 3,584,900 Common Shares that it acquired at a cost of \$9.9 million.

<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 Measures" and the reconciliation of such measure to the most comparable IFRS figure below.

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### **Key Results**

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

- Q2 2024 net income from the Arena FINCOs was \$4.9 million (+3.4% net return) compared to a net loss of \$3.3 million (-2.1% net return) in Q2 2023.
- For the six months ended June 30, 2024, net income from the Arena FINCOs was \$6.2 million (+4.3% net return) compared to a net loss of \$6.0 (-3.8% net return) for the six months ended June 30, 2023.
- Arena FINCOs' results reflect mark-to-market valuations within its portfolio which has a net value of \$153.4 million at June 30, 2024 compared to \$147.2 million at December 31, 2023, and with the use of its debt facilities, has invested assets of \$201.2 million at June 30, 2024 compared to \$192.0 million at December 31, 2023.

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

- Arena Investors' achieved total recurring revenue<sup>1</sup> of \$10.9 million in Q2 2024 compared to \$10.7 million in Q2 2023 from its fee-paying assets under management ("AUM")<sup>2</sup>. Fee related earnings ("FRE")<sup>1</sup> in Q2 2024 was \$0.3 million in Q2 2024 compared to \$0.1 million in Q2 2023 and net incentive fees<sup>1</sup> was \$3.8 million in Q2 2024 compared to a net fee expense \$0.1 million in Q2 2023.
- Arena Institutional Services ("AIS") EBITDA<sup>1</sup> was \$3.0 million in Q2 2024 compared to \$2.8 million in Q2 2023.
- Total Arena EBITDA<sup>1</sup> for Q2 2024 was \$6.6 million compared to \$2.1 million in Q2 2023.
- Committed AUM was \$3.5 billion at June 30, 2024, \$3.4 billion at March 31, 2024, \$3.2 billion at December 31, 2023, and \$3.3 billion at June 30, 2023. Fee-paying AUM was \$2.6 billion at June 30, 2024, \$2.5 billion at March 31, 2024, \$2.5 billion at December 31, 2023, and \$2.5 billion at June 30, 2023.
- Westaim recorded its share of net income from Arena of \$3.1 million for Q2 2024 compared to \$0.8 million for Q2 2023.
- Refer to the chart below for the results over the six months ended June 30, 2024 and 2023.

<sup>1</sup> 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.

<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.

\* 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
<b>Arena Investors</b>				
Management fees	\$ 7.1	\$ 7.7	\$ 14.4	\$ 15.5
Asset servicing fees	3.0	2.7	5.9	5.4
Other income	0.8	0.3	2.0	0.6
Total recurring revenue	10.9	10.7	22.3	21.5
Operating expenses allocated to recurring revenue	(10.6)	(10.6)	(21.2)	(20.0)
<b>Fee related earnings</b>	<b>0.3</b>	<b>0.1</b>	<b>1.1</b>	<b>1.5</b>
Incentive fees	6.8	1.4	8.5	4.2
Incentive fees compensation expense	(3.0)	(1.5)	(4.5)	(2.8)
<b>Net incentive fees</b>	<b>3.8</b>	<b>(0.1)</b>	<b>4.1</b>	<b>1.4</b>
<b>Arena Investors' EBITDA</b>	<b>4.1</b>	<b>-</b>	<b>5.2</b>	<b>2.9</b>
<b>Arena Institutional Services</b>				
ALS revenue	5.4	5.0	8.6	5.0
ALS operating expenses	(0.4)	(0.4)	(1.1)	(0.5)
Employee profit share	(2.0)	(1.8)	(3.1)	(1.8)
<b>AIS EBITDA</b>	<b>3.0</b>	<b>2.8</b>	<b>4.4</b>	<b>2.7</b>
ALGH general and administrative costs	(0.3)	(0.2)	(0.5)	(0.4)
ALGH other income and expenses	(0.2)	(0.5)	(0.7)	(0.7)
<b>Total Arena EBITDA</b>	<b>6.6</b>	<b>2.1</b>	<b>8.4</b>	<b>4.5</b>
Depreciation	(0.1)	(0.1)	(0.2)	(0.2)
Revolving loan interest expense paid to the Company	(0.5)	(0.5)	(0.9)	(0.8)
Taxes	-	-	(0.1)	-
<b>Net income attributable to Arena</b>	<b>\$ 6.0</b>	<b>1.5</b>	<b>\$ 7.2</b>	<b>3.5</b>
Company's share of Arena's comprehensive income (51%)	\$ 3.1	\$ 0.8	\$ 3.7	\$ 1.8

### Skyward Specialty

Westaim received proceeds of \$177.3 million from the sale of 5,060,000 shares of common stock (the "Skyward Shares") of Skyward Specialty Insurance Group, Inc. ("Skyward Specialty") in Q2 2024. Westaim now holds 4.8% of the outstanding Skyward Shares. Primarily due to a decrease in the Skyward Specialty trading price on June 30, 2024 compared to March 31, 2024, Westaim recorded a decrease in the value of its investment in Skyward Specialty of \$14.3 million in Q2 2024 compared to an increase of \$37.6 million in Q2 2023. Westaim's investment in Skyward Specialty is \$69.5 million at June 30, 2024 compared to \$236.5 million at December 31, 2023, which was supported by the closing trading price of the Skyward Shares on the last trading day of the reporting periods.

*"As Westaim continues to monetize the investment in Skyward Specialty, we are focused on accelerating Arena's business within the growing private credit market," said Cameron MacDonald, President and Chief Executive Officer of Westaim. "Arena reported a solid Q2. Their global platform and market environment are well-positioned to build on these results. We expect Arena's AUM to increase in Q3 and Q4 with new fund campaigns afoot."*

Westaim also announces that in Q2 2024, its amended and restated incentive stock option plan ("Option Plan"), was approved by shareholders at the Company's annual and special shareholders meeting held on May 16, 2024. In particular, the Option Plan was amended to allow a holder of stock options (the "Options") to surrender exercised Options to the Company and receive in consideration therefor an amount in cash equal to the excess, if any, of the aggregate market price of the Common Shares underlying the surrendered Options, over the exercise price, less applicable withholding amounts, all subject to any policies of the TSX Venture Exchange (the "TSXV") and the consent of Westaim.

This press release should be read in conjunction with Westaim's unaudited interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 (the "Financial Statements") and related management's discussion and analysis (the "MD&A") which were filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). These documents and the Company's Q2 2024 investor presentation can be found on the Company's website at [www.westaim.com](http://www.westaim.com).

## Non-GAAP Financial Measures

Westaim reports its financial statements, including the 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 14 *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, 2024 as well as additional disclosures regarding this measure.

The Supplementary Financial Measures relating to Arena and the 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 the 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 Arena and the Arena FINCOs. AIGH, Arena and the Arena FINCOs are defined in the notes to Westaim's unaudited interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 and the MD&A. Westaim's common shares are listed on the TSXV 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	
	2024	2023	2024	2023
Revenue and net change in value of investments	\$ (2.7)	\$ 35.9	\$ 26.1	\$ 134.7
Net expenses	(18.2)	(4.7)	(20.0)	(8.7)
Income taxes recovery (expense)	3.8	0.1	0.1	(0.2)
(Loss) profit and comprehensive (loss) income	\$ (17.1)	\$ 31.3	\$ 6.2	\$ 125.8
(Loss) earnings per share – basic and diluted	\$ (0.13)	\$ 0.22	\$ 0.05	\$ 0.89

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Cash	\$ 288.6	\$ 135.0
Income taxes receivable	0.5	0.5
Other assets	1.7	1.0
Investments	256.3	414.3
Deferred tax asset	4.5	1.0
<b>Total assets</b>	<b>551.6</b>	<b>551.8</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	41.8	31.3
Income taxes payable	2.5	1.0
Deferred tax liability	-	1.2
	<b>44.3</b>	<b>33.5</b>
Shareholders' equity	507.3	518.3
<b>Total liabilities and shareholders' equity</b>	<b>\$ 551.6</b>	<b>\$ 551.8</b>
Number of common shares outstanding <sup>1</sup>	128,172,385	131,757,285
Book value per fully diluted share - in US\$ <sup>2</sup>	\$ 3.91	\$ 3.83
Book value per fully diluted share - in C\$ <sup>3</sup>	\$ 5.36	\$ 5.08

<sup>1</sup> At each of June 30, 2024 and December 31, 2023, 7,597,513 Options and 3,455,198 RSUs were outstanding. Details regarding these 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](http://www.sedarplus.ca).

<sup>2</sup> Non-GAAP measure. See the reconciliation of Westaim's non-GAAP measures below or Section 14, *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\$: 1.36875 at June 30, 2024 and 1.32405 at December 31, 2023.

## Reconciliation of Westaim's non-GAAP measure

<b>Book value per share</b>	June 30, 2024	December 31, 2023	June 30, 2023
Book value:			
Shareholders' equity per IFRS	\$ 507.3	\$ 518.3	\$ 473.5
Adjustments:			
RSU liability <sup>1</sup>	9.9	9.3	8.5
ASPP liability <sup>2</sup>	5.0	2.4	9.0
Derivative warrant liability <sup>3</sup>	-	-	-
Stock options liability <sup>4</sup>	5.8	-	-
Assumed proceeds of exercised in-the-money options <sup>4</sup>	16.9	17.5	24.3
	<u>\$ 544.9</u>	<u>\$ 547.5</u>	<u>\$ 515.3</u>
Number of Common Shares:			
Number of Common Shares outstanding	128,172,385	131,757,285	138,99,118
Adjustments for assumed exercise of:			
Outstanding RSUs <sup>1</sup>	3,455,198	3,455,198	3,455,198
In-the-money options <sup>4</sup>	7,597,513	7,597,513	10,376,895
Adjusted number of Common Shares	<u>139,225,096</u>	<u>142,809,996</u>	<u>152,824,211</u>
Book value per share - in US\$	\$ 3.91	\$ 3.83	\$ 3.37
Book value per share - in C\$ <sup>5</sup>	\$ 5.36	\$ 5.08	\$ 4.46

<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. There were no outstanding Vested Warrants at June 30, 2024 or December 31, 2023. 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.

<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, 2024, December 31, 2023 and June 30, 2023, since they were in-the-money. The exercise of in-the-money Options is assumed to 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: 1.36875 at June 30, 2024, 1.32405 at December 31, 2023, and 1.32395 at June 30, 2023.

## 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 fact, including statements regarding Westaim monetizing its investment in Skyward Specialty, Westaim's focus on accelerating Arena's business and that Arena's AUM is expected to increase in Q3 and Q4, are 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's AUM is expected to increase. 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, 2023 filed on the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The Company does not undertake to update any forward-looking information, except in accordance with applicable laws.

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

*Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.*