



## The Westaim Corporation Reports 2021 First Quarter 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.  
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Toronto, Canada – May 20, 2021 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its unaudited financial results for the quarter ended March 31, 2021. Westaim recorded a profit of \$9.1 million (\$0.06 earnings per diluted share) for the quarter ended March 31, 2021, compared to a net loss of \$20.5 million (\$0.16 loss per diluted share) in the quarter ended March 31, 2020. The comparable period had adjusted earnings excluding unusual items for the quarter ended March 31, 2020 of a net loss of \$5.6 million (\$0.05 adjusted loss per diluted share).

At March 31, 2021, Westaim’s consolidated shareholders’ equity was \$329.6 million and the Company had 143,186,718 common shares (“Common Shares”) outstanding. Book value per fully diluted share was \$2.31 (C\$2.90) at March 31, 2021, compared to \$2.24 (C\$2.85) at December 31, 2020.

### Key Results for the three months ended March 31, 2021 include:

- **Skyward Specialty:** Skyward Specialty reported net income of \$13.6 million in Q1 2021 compared to a loss of \$48.1 million in Q1 2020 (excluding unusual items, the net loss was \$13.8 million in Q1 2020). Westaim recorded net income from its share of Skyward Specialty of \$3.6 million in the quarter compared to a net loss of \$20.2 million in Q1 2020 (excluding unusual items, the net loss was \$5.2 million in Q1 2020). Improved underwriting performance resulted in a combined ratio of 93.8% compared to 97.5% in Q1 2020 primarily due to strategic actions taken over the past year to re-underwrite the portfolio and improved industry market conditions. The combined ratio improved despite catastrophe losses in Q1 2021 impacting the loss ratio by 3.6% compared to nil in Q1 2020. Q1 2021 strategic actions continued with the Aegis Surety acquisition, new hires to lead specialty lines and a new healthcare professional liability business, the announcement of a new partnership with Corvus for a Smart Cargo product, and additional underperforming businesses being placed into run-off. Skyward Specialty’s investment income for Q1 2021 was solid at \$12.2 million compared to a loss of \$17.7 million in Q1 2020. Westaim’s results relating to Skyward Specialty for Q1 2020 were impacted by the unusual item of \$14.9 million related to the reduction of the Company’s valuation multiple of Skyward Specialty from 1.1x to 1.0x adjusted shareholders’ equity.
- **Arena FINCOs:** Arena FINCOs net income was \$7.4 million (+4.5% net return) for Q1 2021 versus a net loss of \$3.4 million (-2.0% net return) in Q1 2020. During the quarter, the Arena FINCOs were able to deploy available cash balances from leverage put in place during 2020 and recorded realized gains from opportunistic investments.
- **Arena Investors:** Arena Investors’ net income was \$2.1 million in Q1 2021 versus a loss of \$1.5 million in Q1 2020. Westaim recorded its share of net income from Arena Investors of \$1.0 million in the quarter compared to a net loss of \$0.8 million in Q1 2020. The increase in income was primarily the result of an 135% increase in revenue in the quarter over the prior year due primarily to stronger incentive fees in the quarter compared to Q1 2020. Committed AUM at March 31, 2021 of \$2.2 billion was an increase from \$2.0 billion at December 31, 2020, with fee-paying assets increasing to \$1.6 billion at March 31, 2021 from \$1.3 billion at December 31, 2020.

*“We are pleased to report operating income from all our businesses in Q1. We believe, this validates the strength of our operations, the expertise embedded through the companies, and foundation that has been built over the past several years.” said Cameron MacDonald, President and Chief Executive Officer of Westaim. “To assist shareholders in their analysis of our Q1 2021 results, Westaim has again included on our website an “Investor Presentation”, which was viewed favourably in Q4 by our stakeholders. We expect the positive business momentum being experienced at Skyward Specialty, Arena FINCOs and Arena Investors to continue to enhance shareholder value”.*

*“Lastly, I look forward to your participation at Westaim’s AGM (9:00 am ET) and Investor Day (10:00 am ET) on May 26<sup>th</sup>, 2021. At the Investor Day presentation, management from Westaim, Skyward Specialty and Arena will be joining me for the presentation and Q&A session.”*

This press release should be read in conjunction with Westaim’s unaudited consolidated financial statements and management’s discussion and analysis for the three months ended March 31, 2021 and 2020 which were filed on SEDAR at [www.sedar.com](http://www.sedar.com). These documents and the Company’s Q1 2021 Investor Presentation can be found on the Company’s website at [www.westaim.com](http://www.westaim.com).

## Non-GAAP Financial Measures

Westaim uses both International Financial Reporting Standards (“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, adjusted profit and comprehensive income excluding unusual items, and adjusted earnings per share – diluted are non-GAAP measures. Readers are urged to review Section 15 *Non-GAAP Measures* in Westaim’s Management’s Discussion and Analysis in respect of its unaudited consolidated financial statements for the three months ended March 31, 2021 and 2020 (the “MD&A”) for additional disclosure regarding these measures. The financial information 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, Arena FINCOs, Arena Finance II, LLC, and Arena Investors are defined in the notes to Westaim’s unaudited consolidated financial statements for the three months ended March 31, 2021 and 2020 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 March 31	
	2021	2020
Revenue and net change in unrealized value of investments	\$ 12.7	\$ (23.8)
Net expenses	(3.6)	3.3
GAAP profit (loss) and comprehensive income (loss)	\$ 9.1	\$ (20.5)
Adjusted profit (loss) and comprehensive income (loss) excluding unusual items <sup>1</sup>	\$ 9.1	\$ (5.6)
GAAP earnings (loss) per share – basic	\$ 0.06	\$ (0.14)
GAAP earnings (loss) per share – diluted	\$ 0.06	\$ (0.16)
Adjusted earnings (loss) per share – diluted <sup>1</sup>	\$ 0.06	\$ (0.05)

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Cash	\$ 8.6	\$ 8.7
Income tax receivable	0.1	0.1
Other assets	1.5	1.6
Investments	377.0	366.9
	<u>\$ 387.2</u>	<u>\$ 377.3</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 11.0	\$ 11.0
Income tax payable	0.1	0.3
Preferred securities	39.8	39.2
Derivative warrant liability	1.3	1.0
Site restoration provision	5.0	4.9
Deferred tax liability	0.4	0.4
	<u>57.6</u>	<u>56.8</u>
Shareholders' equity	329.6	320.5
Total liabilities and shareholders' equity	<u>\$ 387.2</u>	<u>\$ 377.3</u>
Number of common shares outstanding <sup>2</sup>	143,186,718	143,186,718
Book value per fully diluted share - in US\$ <sup>1</sup>	\$ 2.31	\$ 2.24
Book value per fully diluted share - in C\$ <sup>1</sup>	\$ 2.90	\$ 2.85

<sup>1</sup> Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures.

<sup>2</sup> At March 31, 2021 and December 31, 2020, an aggregate of 3,034,261 RSUs, 10,428,337 stock options and 14,285,715 warrants were also outstanding. Details regarding these RSUs, stock options and warrants are disclosed in the Company's public filings including its quarterly and annual financial statements which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Period end exchange rates: 1.25685 at March 31, 2021 and 1.27395 at December 31, 2020.

Except for statements of historical fact contained herein, information in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. Other than statements of historical fact, all statements that involve various known and unknown risks, uncertainties and other factors are "forward-looking statements". There can be no assurance that such statements will prove accurate. Results and future events could differ materially from those anticipated in such statements. Readers of this press release are cautioned not to place undue reliance on these "forward-looking statements". Except as otherwise required by applicable law, Westaim expressly disclaims any intention or obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise. 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.