



## **The Westaim Corporation Reports 2020 Second 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.

Toronto, Canada – August 13, 2020 – The Westaim Corporation (“Westaim” or the “Company”) (TSXV: WED) today announced its financial results for the second quarter ended June 30, 2020. This press release should be read in conjunction with the Company’s unaudited interim financial statements, accompanying notes and Management Discussion and Analysis (“MD&A”) for the three and six months ended June 30, 2020 and with our annual Consolidated Financial Statements and MD&A for the year ended December 31, 2019, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website [www.westaim.com](http://www.westaim.com).

### **Key Results for Q2 2020 Include:**

- Book value per share was \$2.32 (C\$3.15) at June 30, 2020, compared to \$2.48 (C\$3.22) at December 31, 2019.
- Westaim recorded a net loss of \$0.1 million or nil per share on a diluted basis and a net loss of \$20.6 million or \$0.15 per share on a diluted basis for the three and six months ended June 30, 2020, respectively, compared to a net profit of \$7.8 million or \$0.05 per share on a diluted basis and a net profit of \$17.9 million or \$0.12 per share on a diluted basis in the three and six months ended June 30, 2019, respectively.
- **HIIG:** In the second quarter, we welcomed Andrew Robinson as HIIG’s new CEO. Andrew brings very strong insurance experience and leadership and will build on the HIIG platform in this favourable P&C insurance market. Westaim purchased \$44.0 million of HIIG convertible preferred shares to maintain its 44.0% look-through ownership of HIIG (as previously announced in [Westaim’s April 22, 2020 Press Release](#)). In the three months ending June 30, 2020, Westaim reported an increase in the fair value of HIIG of \$2.2 million. Along with the purchase of \$44.0 million of HIIG convertible preferred shares, the Company recorded a fair value in HIIG of \$191.0 million at June 30, 2020 compared to \$144.8 million at March 31, 2020. For the six months ended June 30, 2020, Westaim reported a decrease in the fair value of HIIG of \$18.0 million which included a fair value reduction in the first quarter of \$14.9 million from the change in the HIIG valuation multiple from 1.1X to 1.0X adjusted book value. HIIG’s underwriting results produced combined ratios (net of LPT recoverable) of 111.1% for the second quarter and 104.2% for the year to date. When excluding the portfolio subject to the LPT, the combined ratios were 98.7% for the second quarter and 98.1% for the year to date.
- **Arena FINCOs:** In the second quarter, Westaim reported an increase in the fair value of the Arena FINCOs of \$1.4 million (+0.9% net return). This resulted in a June 30, 2020 fair value of the Arena FINCOs of \$169.0 million compared to a March 31, 2020 fair value of \$167.6 million. Westaim reported a year to date decrease in the fair value of the Arena FINCOs of \$2.0 million (-1.1% net return).
- **Arena Investors:** Westaim’s share of Arena Investors’ net loss was \$0.4 million and \$1.2 million for the three and six months ended June 30, 2020, respectively. Arena Investors had a decline in both revenue and net profit in the second quarter and year to date. The decline was primarily the result of lower incentive fees, which were lower by \$2.2 million (Westaim’s share of \$1.1 million) in the quarter and \$4.9 million (Westaim’s share of \$2.5 million) year to date compared to the same periods in the prior year.
- Westaim’s June 30, 2020 cash balance of \$8.6 million is a reduction from the March 31, 2020 balance of \$52.2 million, primarily from the purchase of HIIG convertible preferred shares.

*“In Q2, we welcomed Andrew Robinson as HIIG’s new CEO. His 30 years of insurance and technology experience is unique and has allowed him to make an immediate impact within the organization cultivating a focused team culture based on profitable and efficient underwriting within HIIG’s specialty business lines” said J Cameron MacDonald, President and Chief Executive Officer of Westaim. “Insurance industry pricing conditions remain quite favourable and we expect HIIG to participate and be well positioned to benefit within this positive environment.”*

*“Arena continues to deliver solid investment performance and build their assets under administration. In particular, the extreme economic and market volatility of Q1/Q2 underscored Arena’s investment philosophy that disciplined asset-secured underwriting within a highly diversified global portfolio can consistently excel in all market conditions. As such, we expect additional AUM flow in Q3/Q4 with specific interest toward the Arena drawdown fund launched in Q1 2020 and the Arena New Zealand Real Estate Fund II and Fund III. It is worthy to highlight that Dan Zwirn, CEO and CIO of Arena, recently participated on a Reuters podcast -The Exchange: Brave New Credit World. I welcome you to listen to the podcast which can be accessed by visiting the Arena Investors page on Westaim’s website by clicking [here](#).”*

*“Lastly, we want to remind everyone of Westaim’s Investor Day (September 22, 2020 - 9:00 am Eastern Time). Given ongoing travel limitations, we will be transitioning to a video format with the management teams of Arena, HIIG and Westaim making presentations. We hope you will be able to participate.”*

**Westaim will host its Annual Investor Day on Tuesday September 22, 2020 at 9:00 am (Eastern Time) virtually with a live video presentation. The agenda will include a business overview and discussion with management from Westaim, Arena, and HIIG followed by a question and answer session. As we approach our Annual Investor Day, more details will be provided and instructions on how to R.S.V.P. for the meeting.**

#### 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 is a non-GAAP measure. 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 and six months ended June 30, 2020 and 2019 (the “MD&A”) for additional disclosure regarding these measures. The financial information relating to the Arena Group and HIIG contained in the MD&A is unaudited and has been derived from the financial statements of the related entities. Readers are cautioned that the HIIG financial information and certain Arena Group 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 HIIG and the Arena Group. HIIG, the HIIG Partnership, Arena, the Arena Group, Arena FINCOs and Arena Investors are defined in the notes to Westaim’s unaudited consolidated financial statements for the three and six months ended June 30, 2020 and 2019 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 (millions except share and per share data)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Revenue and net change in unrealized value of investments	\$ 3.7	\$ 11.3	\$ (20.1)	\$ 24.5
Net expenses	(3.7)	(3.5)	(0.4)	(6.6)
Income tax expense	(0.1)		(0.1)	
(Loss) profit and comprehensive (loss) income	\$ (0.1)	\$ 7.8	\$ (20.6)	\$ 17.9
(Loss) Earnings per share – basic	\$ -	\$ 0.05	\$ (0.14)	\$ 0.12
(Loss) Earnings per share – diluted	\$ -	\$ 0.05	\$ (0.15)	\$ 0.12

	June 30, 2020	December 31, 2019
<b>Assets</b>		
Cash	\$ 8.6	\$ 22.2
Income tax receivable	0.4	0.4
Other assets	1.6	2.3
Investments	373.8	385.8
	<u>\$ 384.4</u>	<u>\$ 410.7</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 8.2	\$ 10.7
Income tax payable	0.3	0.4
Preferred securities	36.8	38.5
Derivative warrant liability	0.4	1.9
Site restoration provision	4.0	4.1
Deferred tax liability	0.4	0.3
	<u>50.1</u>	<u>55.9</u>
Shareholders' equity	334.3	354.8
Total liabilities and shareholders' equity	<u>\$ 384.4</u>	<u>\$ 410.7</u>
Number of common shares outstanding <sup>1</sup>	143,186,718	143,186,718
Book value per share - in US\$ <sup>2</sup>	\$ 2.32	\$ 2.48
Book value per share - in C\$ <sup>2</sup>	\$ 3.15	\$ 3.22

<sup>1</sup> At June 30, 2020 and December 31, 2019, 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).

<sup>2</sup> Non-GAAP measure. See Section 15, *Non-GAAP Measures* of the MD&A for a reconciliation to the most comparable IFRS figures. Period end exchange rates: 1.35865 at June 30, 2020 and 1.29865 at December 31, 2019.

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 Group.

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