



# **Wajax Corporation**

## **Annual Meeting**

**May 6, 2014**

# Forward Looking Statements

This presentation contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, “**forward-looking statements**”). These forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “anticipates”, “intends”, “predicts”, “expects”, “is expected”, “scheduled”, “believes”, “estimates”, “projects” or “forecasts”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation’s ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this presentation reflect management’s current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this presentation includes forward looking statements regarding, among other things, our plans for revenue and earnings growth, including planned business and strategic growth initiatives and their intended outcomes, our investment in our business and strategic growth initiatives, our outlook for the remainder of 2014, including with respect to several of our key end markets, such as mining and oil and gas, certain challenges to our growth in 2014, our full year financial performance, our objective with respect to the future payment of dividends, planned cost reduction activities and our management of our total costs, asset base and leverage. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation’s business may be found in the company’s MD&A under the heading “Risk Management and Uncertainties” and in our Annual Information Form for the year ended December 31, 2013, filed on SEDAR. The forward-looking statements contained in this presentation are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

# Agenda



**2013 Results**



**2014 Outlook / Q1 Results**

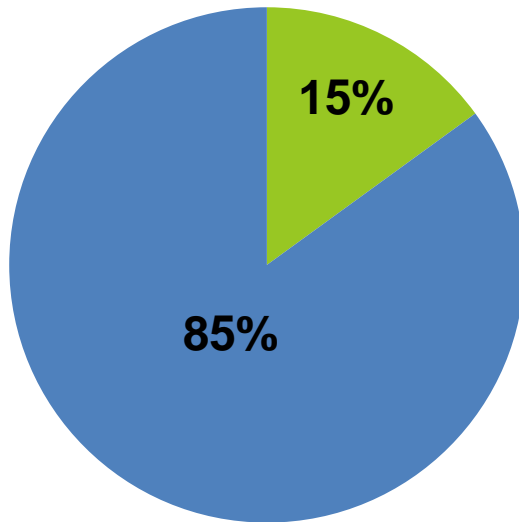


**Growth Initiatives**

# 2013 Market Conditions

## Consolidated Revenue

**\$1.43B**



### 15% - Mining and Oil and Gas

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- Declined from 21% of sales in 2012
- Reduced customer spending
- Lower equipment utilization
- High earnings leverage

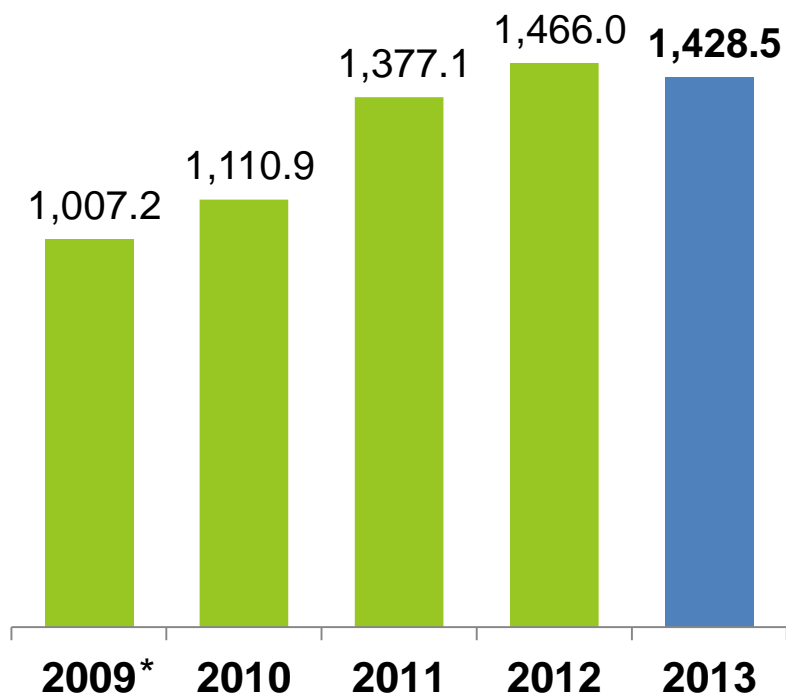
### 85% - Other End Markets

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- Oil Sands and Forestry resource markets stable/growing
- Non-resource markets generally stable

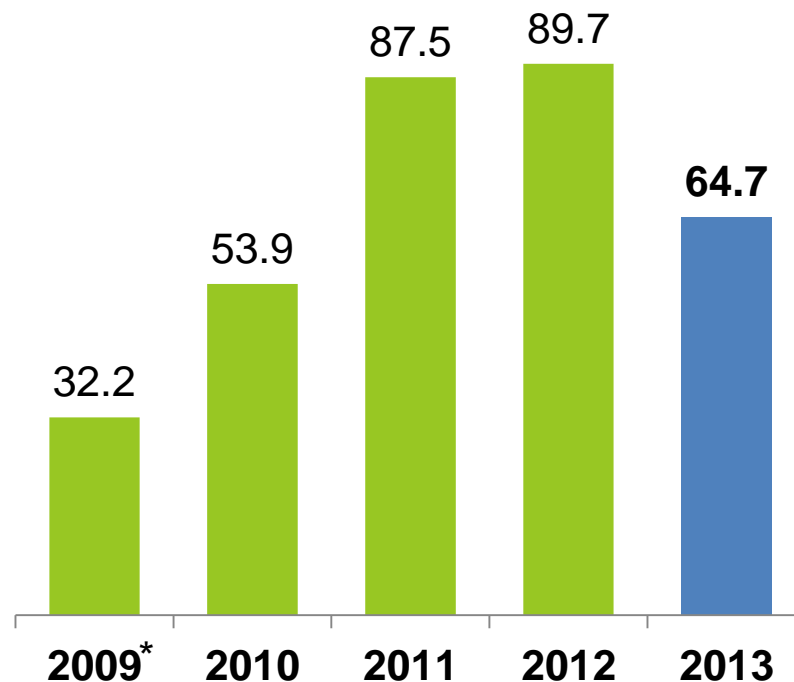
# Wajax 2013 Consolidated Results

**Consolidated Revenue  
(\$M)**



YOY 2013 Growth: -2.6%

**Earnings Before Income Taxes (EBT)<sup>(1)</sup>  
(\$M)**



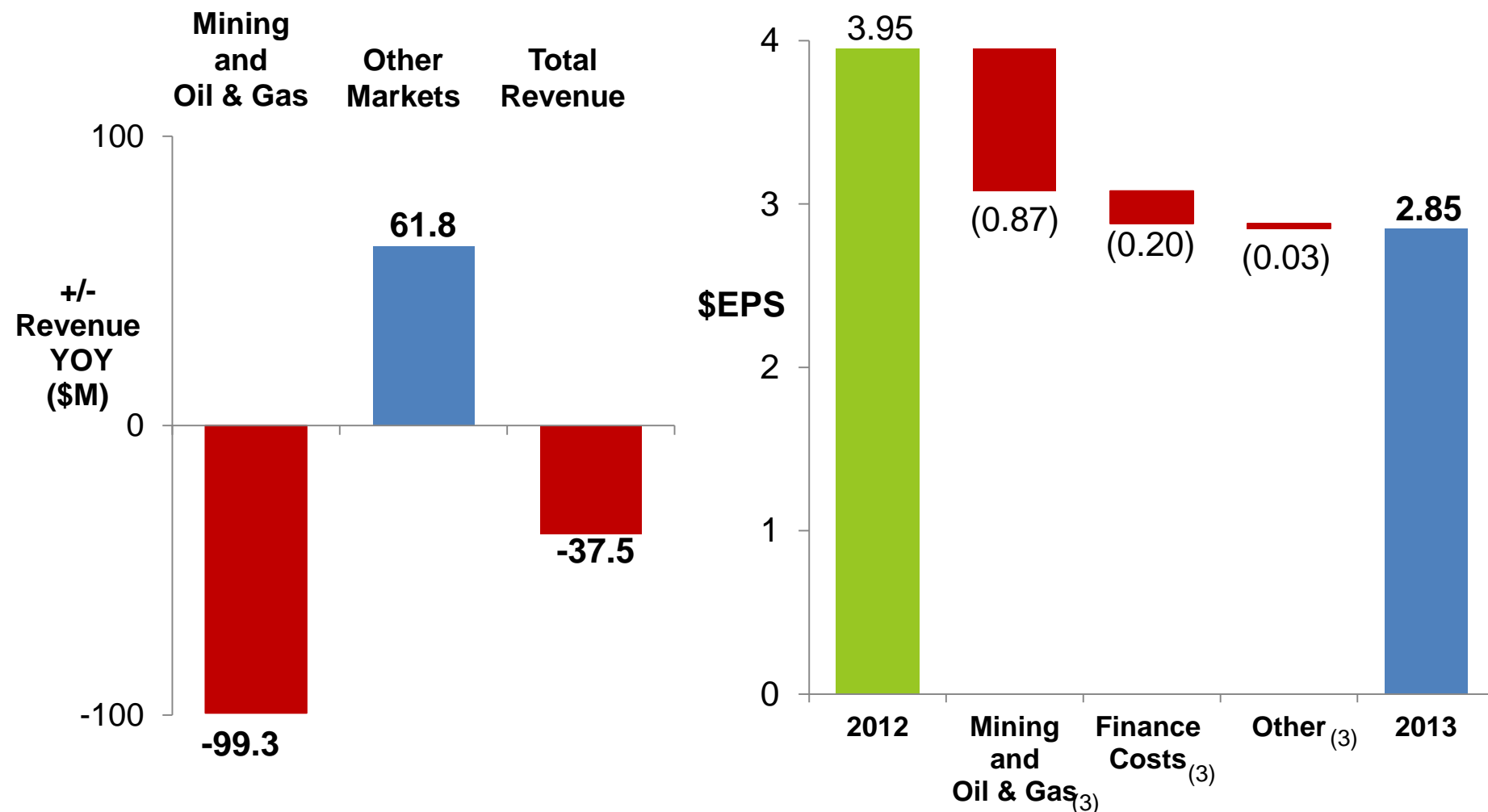
YOY 2013 Growth: -27.9%

**Revenue results satisfactory given market conditions. Business mix hurt margins.**

<sup>(1)</sup> Additional GAAP measure, see 2013 MD&A  
\* 2009 reported under previous Canadian GAAP



# 2013 Consolidated Revenue and EPS Bridge<sup>(1,2)</sup>



<sup>(1)</sup> Basic Earnings per Share (EPS)

<sup>(2)</sup> Includes the effect of 2012 LeTourneau revenue of \$38.3M and segment earnings of \$8.5M in Equipment

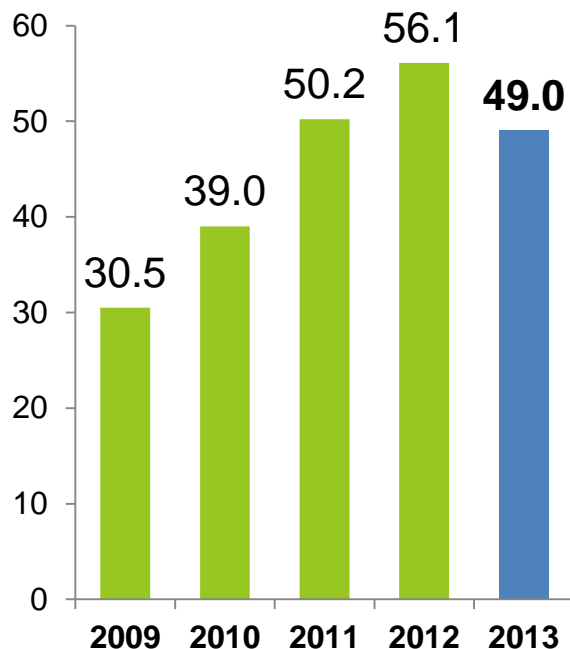
<sup>(3)</sup> The EPS variance is based on the estimated effect on EBT<sup>(4)</sup>, tax effected at 26.1% and using 16.7 million shares outstanding.

<sup>(4)</sup> Additional GAAP measure, see 2013 MD&A

# 2013 Segment Earnings<sup>(1)</sup>

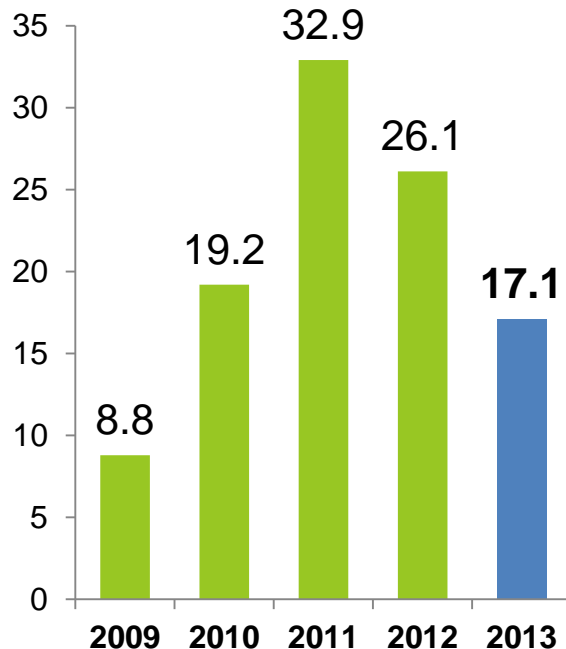
(\$M)

## Equipment



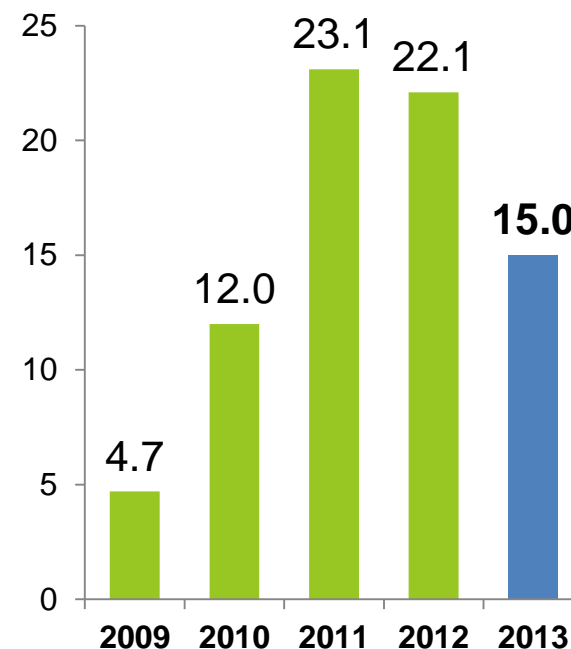
YOY 2013 Growth:  
Revenue: -1.9%  
Segment Earnings: -12.6%

## Power Systems



YOY 2013 Growth:  
Revenue: -8.5%  
Segment Earnings: -34.5%

## Industrial Components



YOY 2013 Growth:  
Revenue: 1.3%  
Segment Earnings: -32.3%

**Highest exposure to mining and oil and gas**

<sup>(1)</sup> Earnings before finance costs and income taxes

# 2013 Accomplishments Were Significant

## Equipment

- Construction +6%
- Forestry +22%
- Material Handling +6%



**Equipment  
Category  
Revenue  
Gains**



# 2013 Accomplishments Were Significant

**Equipment +10%**

- **Mining +16%**

**Power Systems**

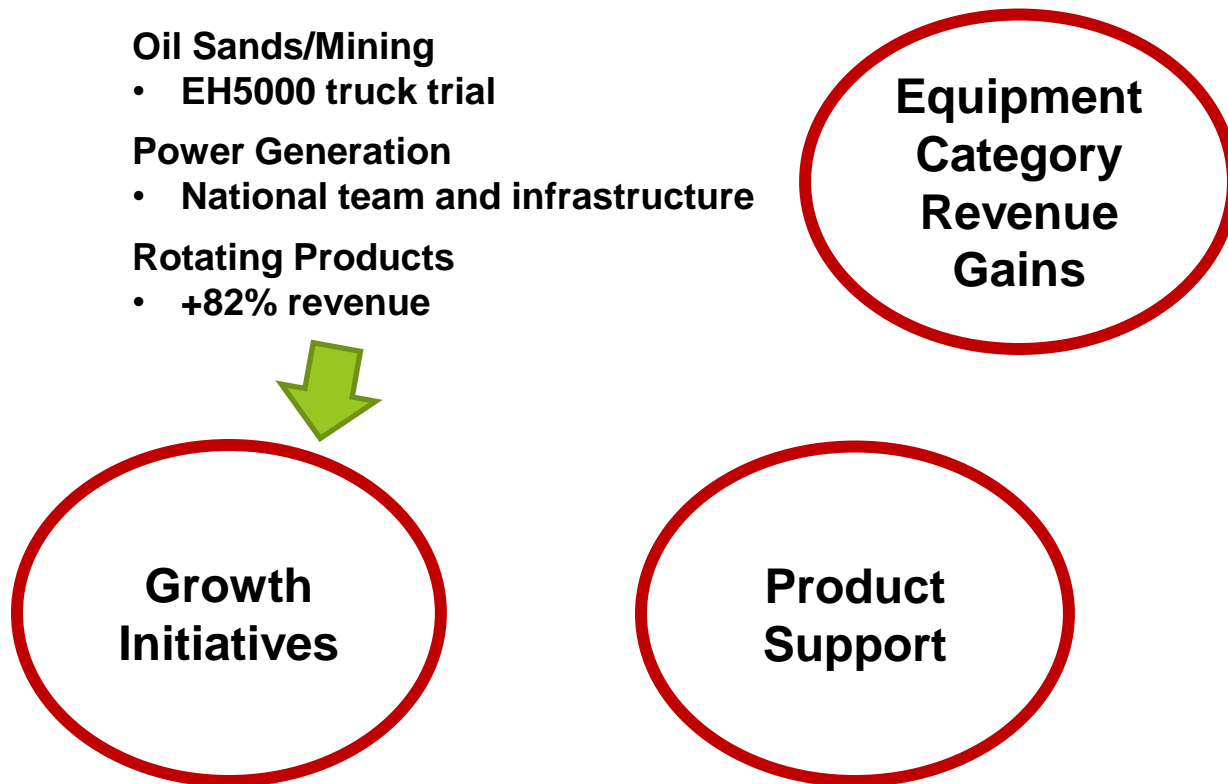
- **On-Highway + 5%**

**Equipment  
Category  
Revenue  
Gains**

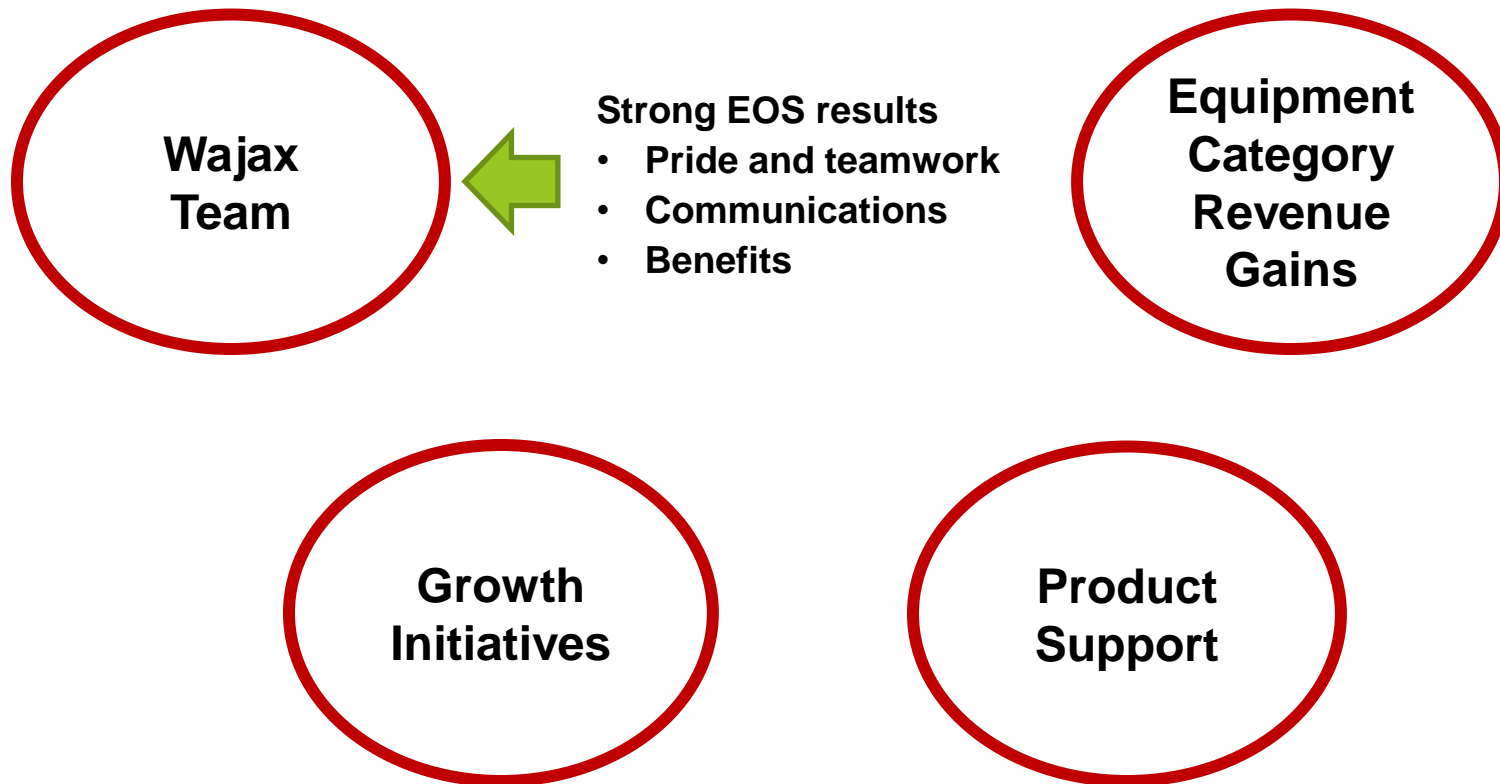


**Product  
Support**

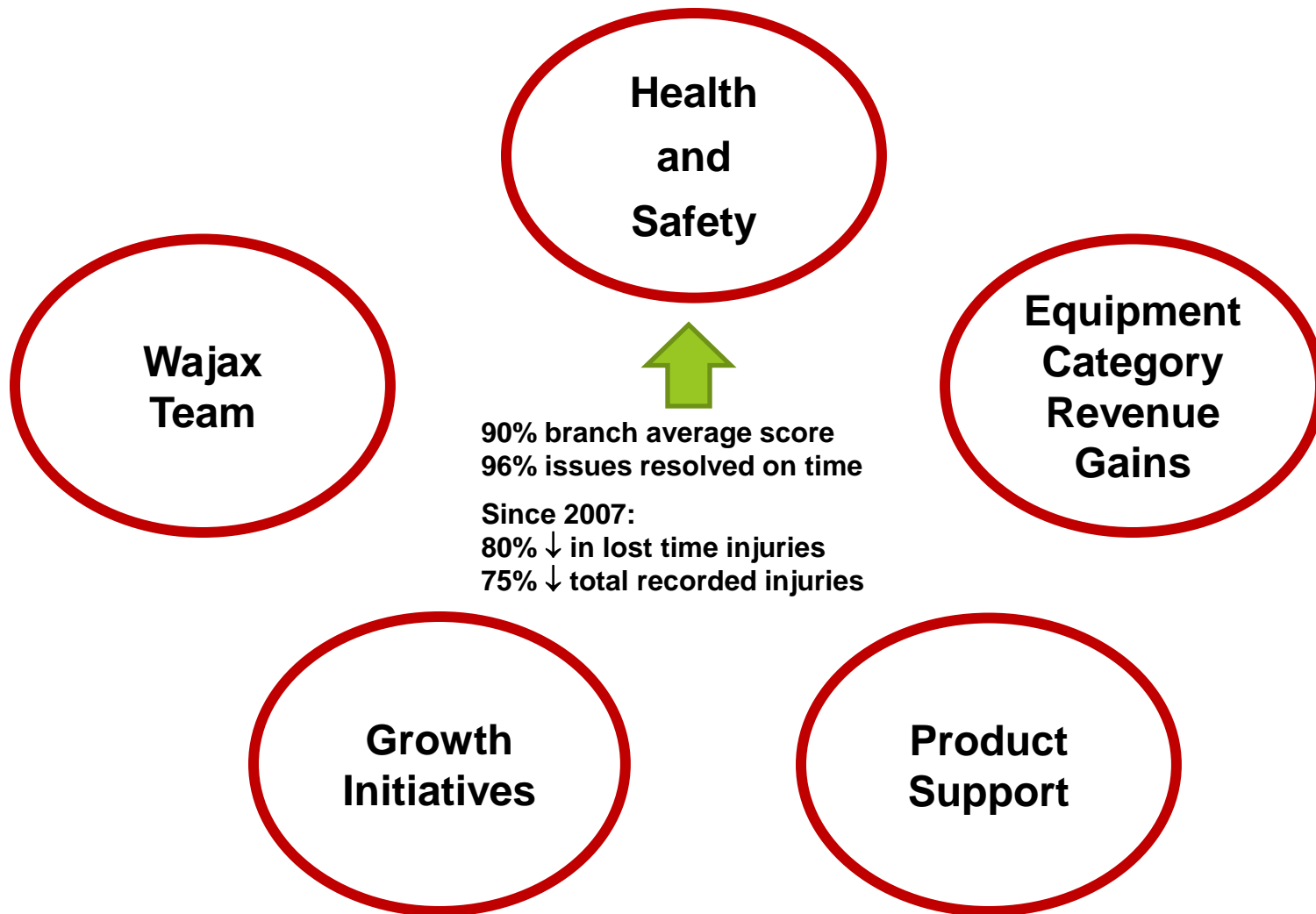
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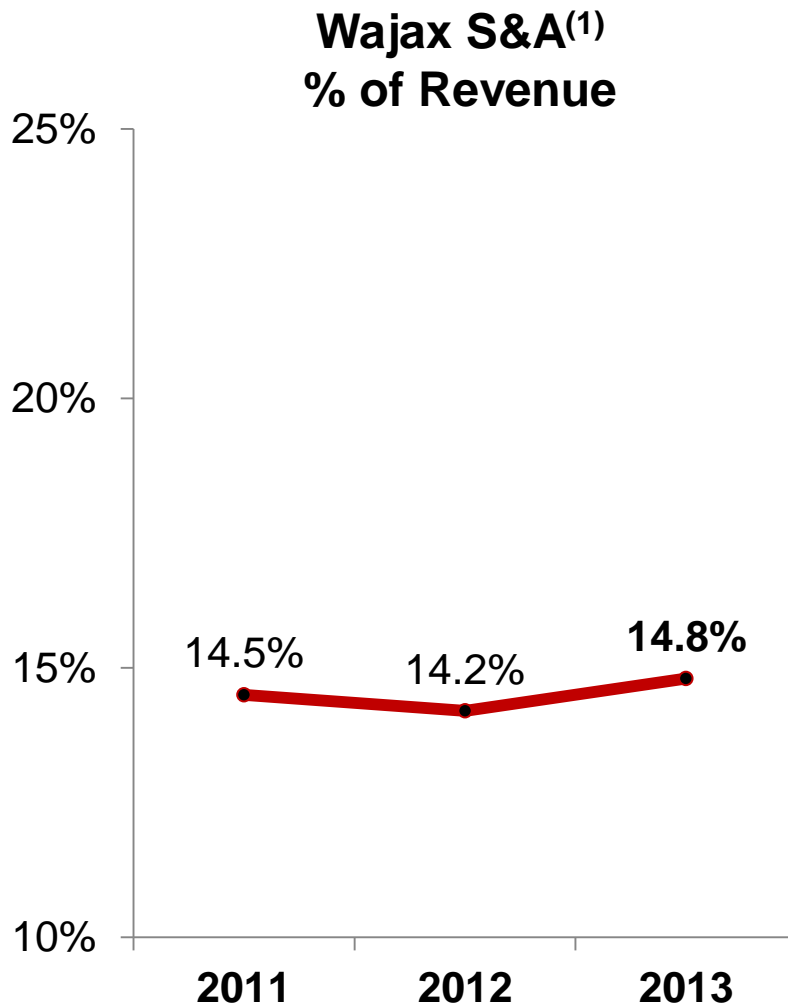
# Wajax Corporation - 2014 Outlook

- We are very confident in our growth initiatives and will continue to invest with a view to long-term growth while respecting current challenges
- Market conditions in 2014 are expected to be similar to 2013 and the continuing weakness in the oil and gas and mining markets is expected to create challenges for growth in 2014
- Our focus is to continue to invest in strategic initiatives while managing total costs, our asset base and leverage

# Wajax Corporation - 2014 Outlook

- Q1 earnings were expected to be lower than prior year and are not representative of full year earnings expectations
  - Q1 results are not related to mining and oil and gas
  - Weakness in Industrial Components and organizational costs incurred
- Our monthly dividend has been maintained at \$0.20 per share for the months of June, July and August
  - Based on current outlook, the current rate of annual dividend is consistent with our objective of paying a minimum 75% of expected full year net earnings

# Operating Costs



**Wajax is a very cost competitive operator:**

- Strong historical cost focus
- Heightened given current conditions

**Maintaining prudent investment plan:**

- Sustainable earnings improvement will result from investment in growth initiatives

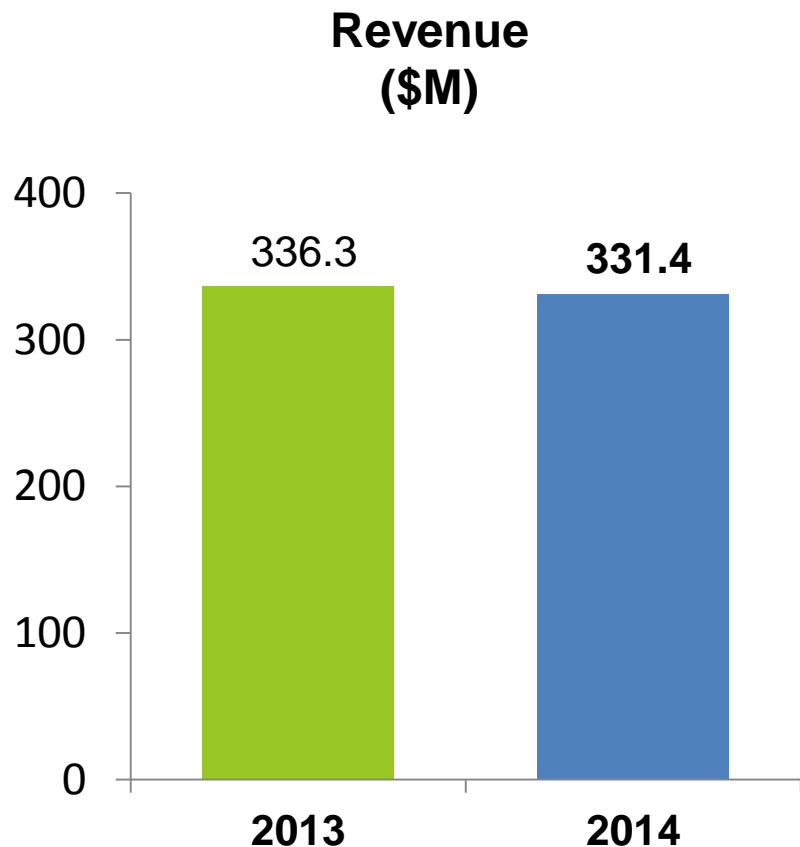
<sup>(1)</sup> Selling and administrative expenses



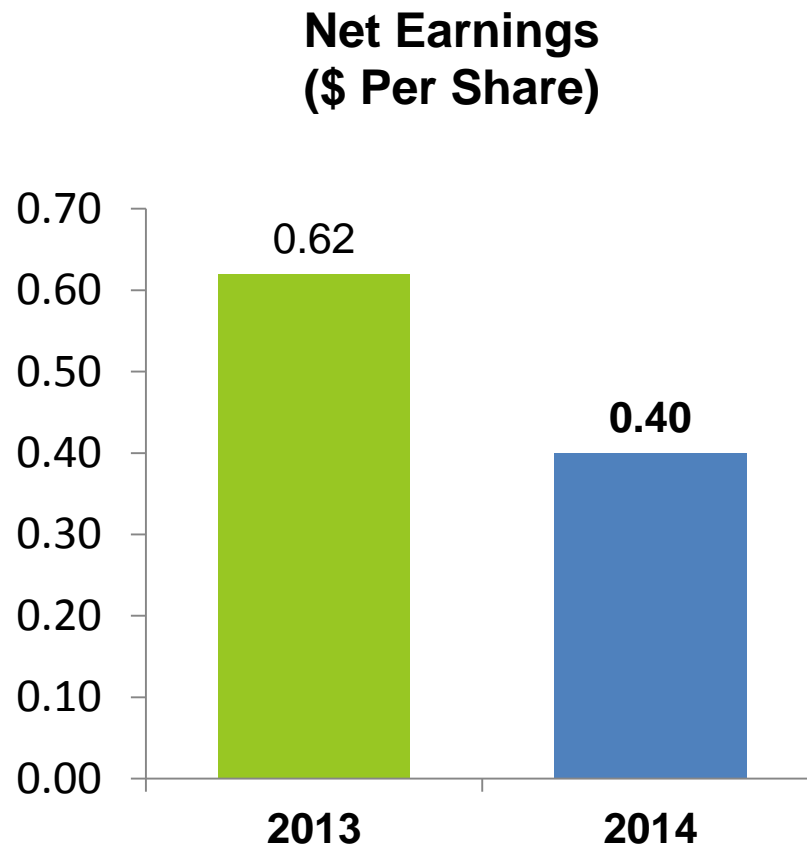
# Profit Improvement and Cost Reduction

- Industrial Components
  - Reviewing reductions in cost base given margin pressures
  - Focus on improving efficiency, scalability and speed-of-execution
- Power Systems
  - Improving cost recoveries and labour efficiency
- All Divisions
  - Tactical SGA reductions
  - Occupancy and freight reductions plans

# Q1 2014 Consolidated Revenue and Net Earnings



YOY 2014 Growth: -1.5%

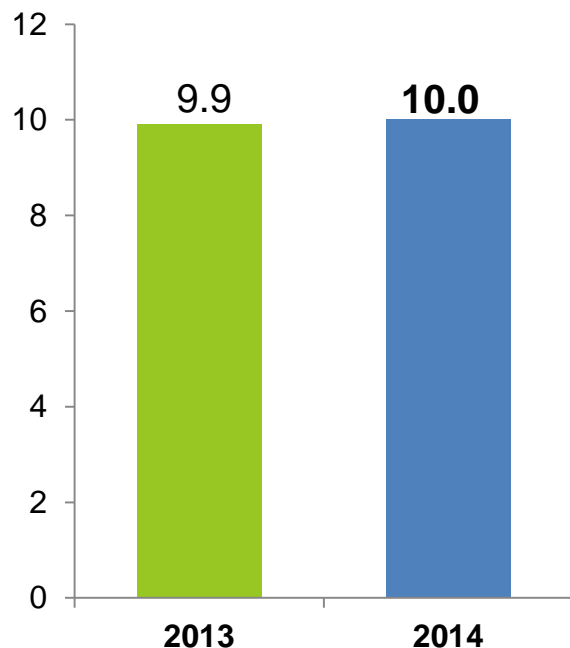


YOY 2014 Growth: -35.5%

# Q1 2014 Segment Earnings<sup>(1)</sup>

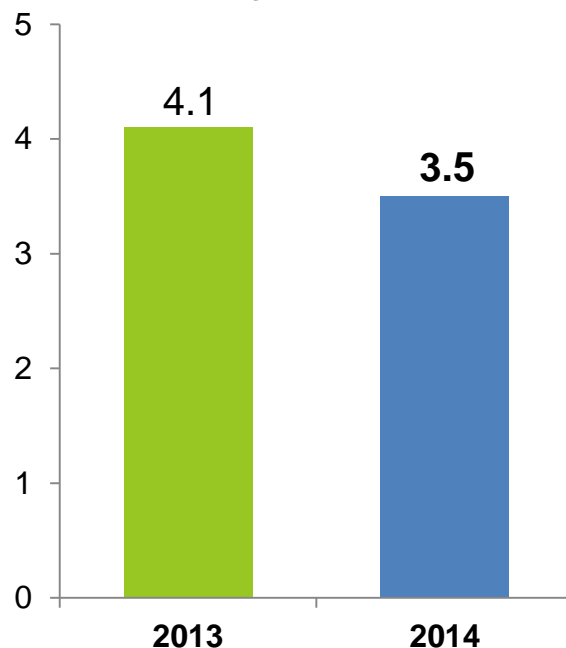
(\$M)

## Equipment



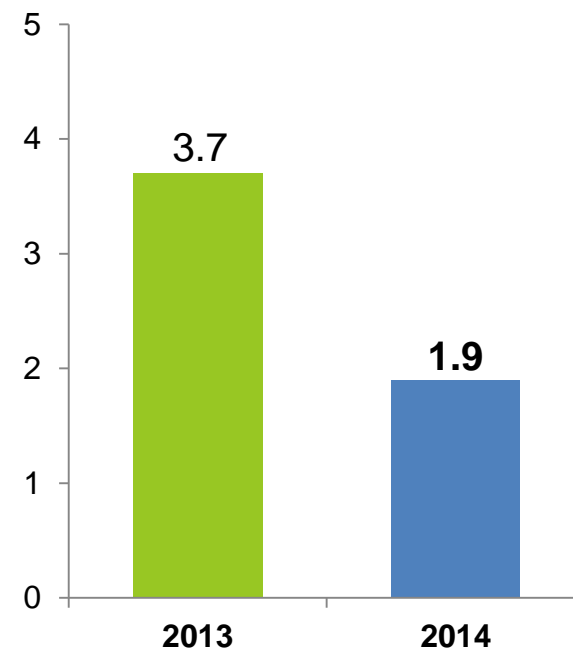
YOY 2014 Growth:  
Revenue: -1.1%  
Segment Earnings: 0.8%

## Power Systems



YOY 2014 Growth:  
Revenue: -3.5%  
Segment Earnings: -13.7%

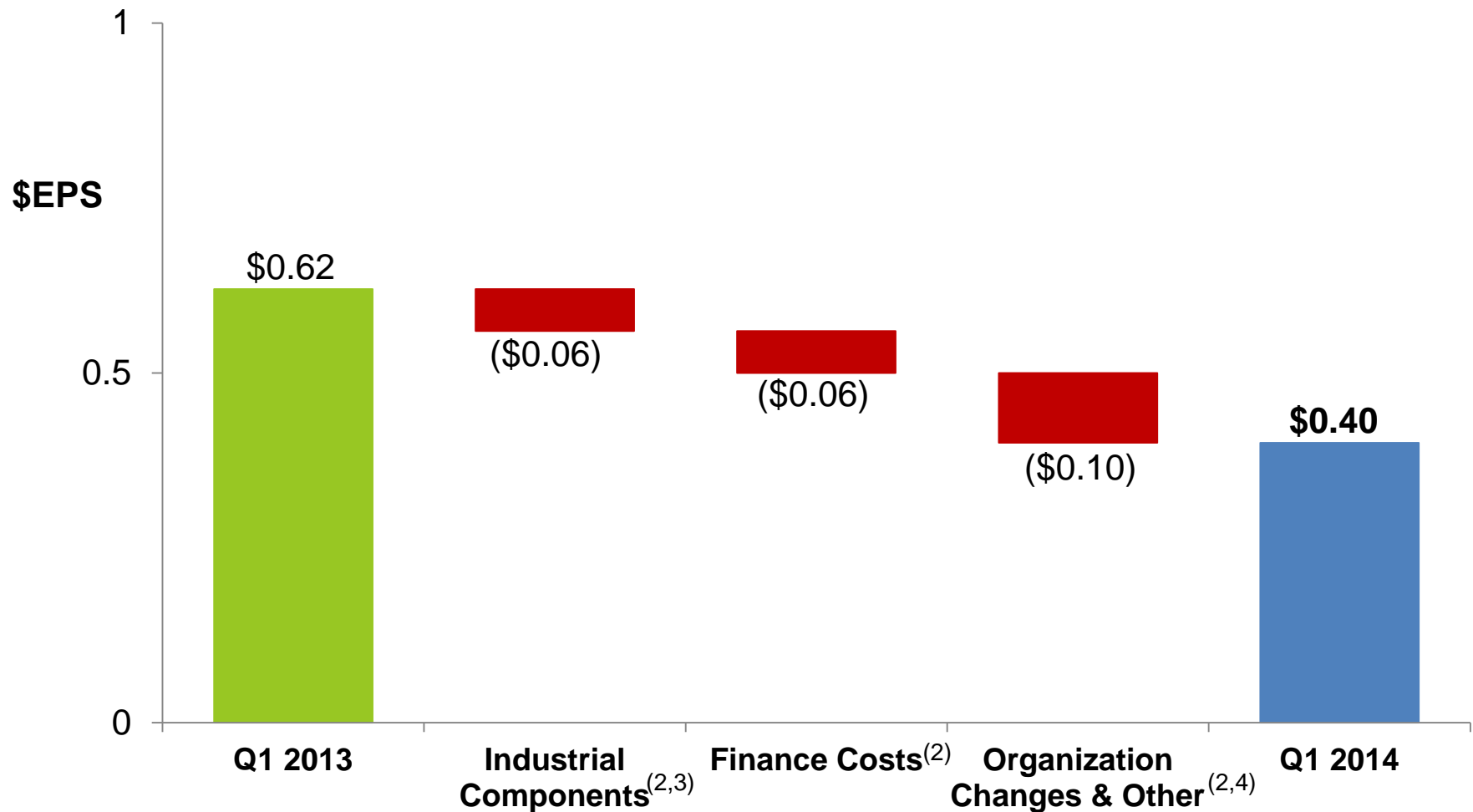
## Industrial Components



YOY 2014 Growth:  
Revenue: 1.4%  
Segment Earnings: -49.6%

<sup>(1)</sup> Earnings before finance costs and income taxes

# Q1 2014 EPS Bridge<sup>(1)</sup>



<sup>(1)</sup> Basic EPS

<sup>(2)</sup> The EPS variance is based on the estimated effect on EBT<sup>(5)</sup>, tax effected at 27.1% using 16.8 million shares outstanding.

<sup>(3)</sup> Excludes increased severance costs of \$0.02 per share

<sup>(4)</sup> Includes \$0.06 per share of organizational changes (additional severance)

<sup>(5)</sup> Additional GAAP measure, see Q1 2014 MD&A

# Growth Initiatives

# Wajax Corporation – Strategy Drivers



# Mining Expansion

Our strategy is to continue to be a leader in the sales and service of hydraulic mining shovels and to become a new force in the truck market (>140MT) using Hitachi's proprietary electric drive technology.



Based on the equity of one of the world's leading hydraulic mining shovels:

- WJX/Hitachi CDN market share 33%<sup>(1)</sup>
  - >40% in the oil sands



Enter the >140MT haul truck market

- Core aspect of Hitachi global strategy
- Oil sands pilot of 4 EH5000s underway

**Haul truck market is expected to be an important driver of future product support revenue.**

<sup>(1)</sup> For new unit sales from 2009 to 2013



# Oil and Gas

Our strategy is to maintain strong market share in the new equipment market and to drive a higher proportion of revenue from an expanded range of aftermarket services for equipment in the field (frac, rigs and support).

## Strong Installed Base and New Products



Leading transmission in North America's Top 20 frac fleets. New HHP products.



Leading engine in North America's Top 20 frac fleets and with strong share in CDN rigs. New Tier 4 HHP products.

## Added Services



Power Systems and Industrial Components are expanding their range of aftermarket services for equipment in the field.

**Expanding oil and gas related aftermarket services in Power Systems and Industrial Components helps to mitigate the effect of negative new equipment cycles.**

# Electrical Power Generation (EPG)

Our strategy is to grow from our current position as #3 in the estimated \$880M market by leveraging strong vendor relationships and the industry's best team of EPG professionals.



In partnership with vendors such as MTU, Wajax offers a broad range of engine options for both diesel and natural gas applications.



EPG rental offers excellent national growth. Custom rental units are being designed and built in our 68,000 s/f Drummondville integration centre.



Our project capabilities cover small commercial standby systems to very large prime power resource applications.

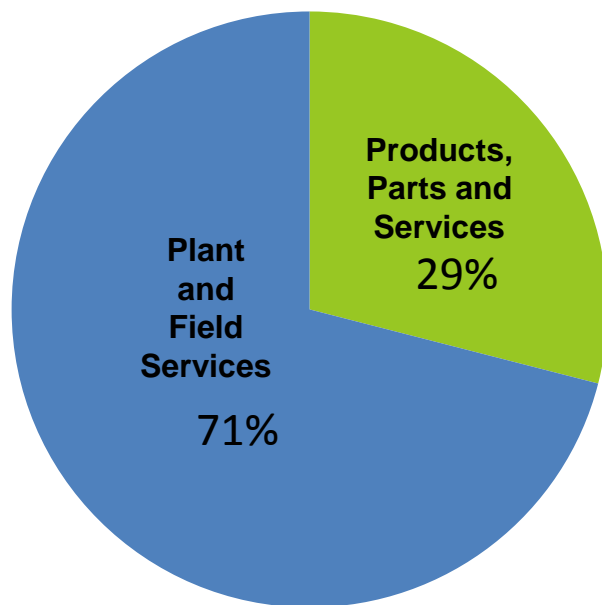
**We are focusing on a broad range of end markets including data centres, telecom, water treatment, health care and resource markets.**

# Rotating Products and Engineering / Repair Services

Engineering, repair and field maintenance services offer Wajax an excellent growth opportunity.

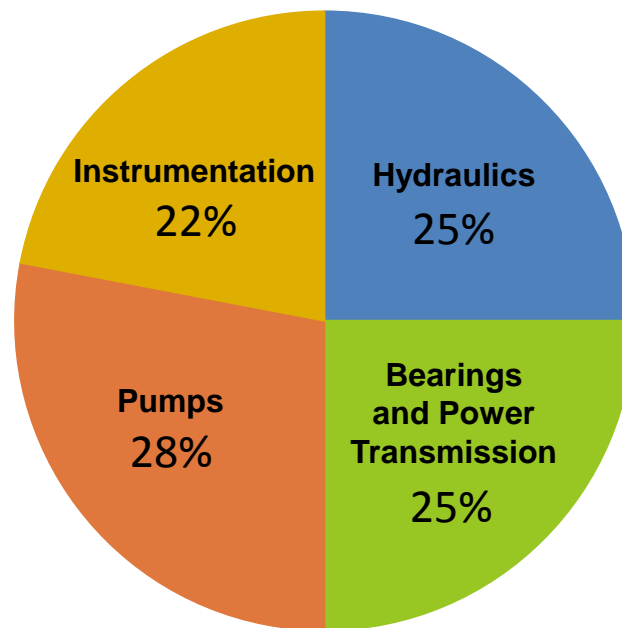
## Wajax Equipment

**Estimated Rotating Products Oil  
Sands Market <sup>(1)</sup>  
\$1.8B**



## Wajax Industrial Components

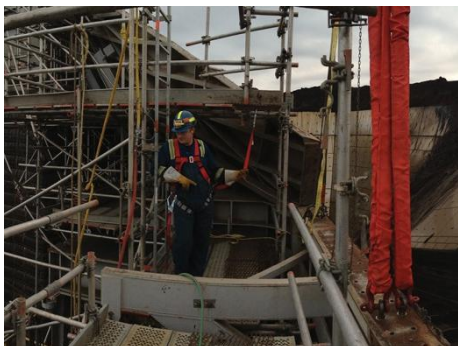
**Estimated ERS Market Size <sup>(1)</sup>  
\$1.4B**



<sup>(1)</sup> Wajax Addressable Products/Services.

# Rotating Products and Engineering / Repair Services

We will be combining these initiatives in 2014 and beginning the execution of a national strategy through Wajax Industrial Components.



Field maintenance project on site at oil sands customer site.



Bombardier C Series hydraulic booms project on site in Montreal, Quebec.



Gear box repair in Fort McMurray Rotating Equipment branch.

**Combining these two initiatives will provide a stronger national platform for extension of resource and commercial customer services.**



Mining equipment repair in Bathurst, New Brunswick branch.

# Summary



# Wajax Corporation - 2014 Outlook

- We are very confident in our growth initiatives and will continue to invest with a view to long-term growth while respecting current challenges.
- Market conditions in 2014 are expected to be similar to 2013 and the continuing weakness in the oil and gas and mining markets is expected to create challenges for growth in 2014.
- Our focus is to continue to invest in strategic initiatives while managing total costs, our asset base and leverage.





**Wajax Corporation  
Annual Meeting  
Thank You for Attending**