



# **Wajax Corporation**

## **Annual Meeting**

**May 5, 2015**

**POINTS OF GROWTH**



# 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 are made as of the date of 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 outlook for 2015, including our full year financial results and some of the challenges expected during the year, such as the anticipated negative effects of downward pressure on oil and commodity prices on key end markets such as mining, oil and gas and oil sands; the expected effects of our cost reduction efforts and efforts to manage working capital; the expected benefits and cost savings from the restructuring of our Industrial Components segment; planned restructuring activities in our Power Systems segment and the expected cost savings therefrom; our renewed long-term growth strategy and the goals for such strategy, including our goal of becoming Canada’s leading industrial products and services provider; our “4 Points of Growth” framework to grow the Corporation; our financial targets for the 5-year timeframe from 2015 – 2019, including our goal of growing our net earnings at a minimum compounded annual growth rate of 7.5%; our planned investments and strategies with respect to our core capabilities, organic growth initiatives, acquisitions and information systems/technology, and the expected benefits therefrom; our financing and working capital requirements, as well as our capital structure and leverage ratio; our plan to increase the funds available to invest in our renewed long-term growth strategy, increase liquidity and enhance the stability of our dividends by adopting a new dividend policy and reducing our dividend amount; the frequency of our dividend payments and the expected target dividend amount; and our belief that our renewed strategy will improve the rate and durability of our growth. 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, oil and other commodities; financial market conditions, including interest rates; our ability to execute our renewed long-term growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; 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, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; 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, our inability to reduce costs in response to slow-downs in market activity, 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, 2014, 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.

# Overview

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**2014 Results**

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**2015 Outlook and Q1 Results**

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**4 Points of Growth**

# 2014 Results

# 2014 Overall Results and Accomplishments

## Overall Results

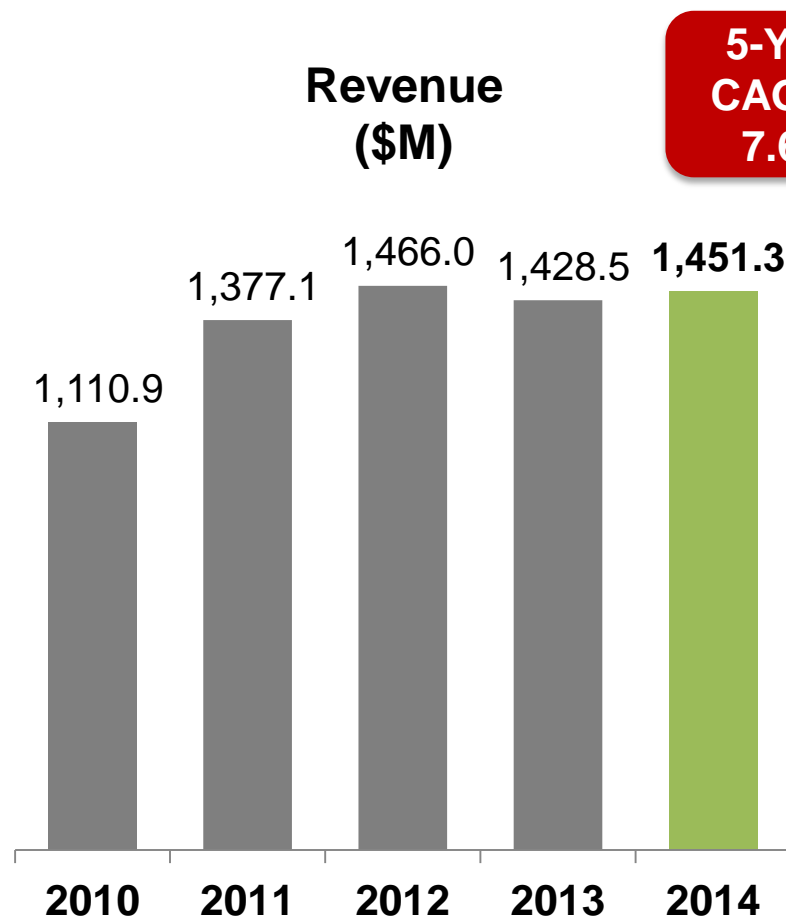
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- Revenue ↑2% to \$1.45B
- EPS ↓14% to \$2.46
  - Increased finance and restructuring costs account for 85% of the decline
- Operating performance acceptable given difficult market conditions:
  - Continuing and emerging challenges in the mining, oil sands and oil and gas markets

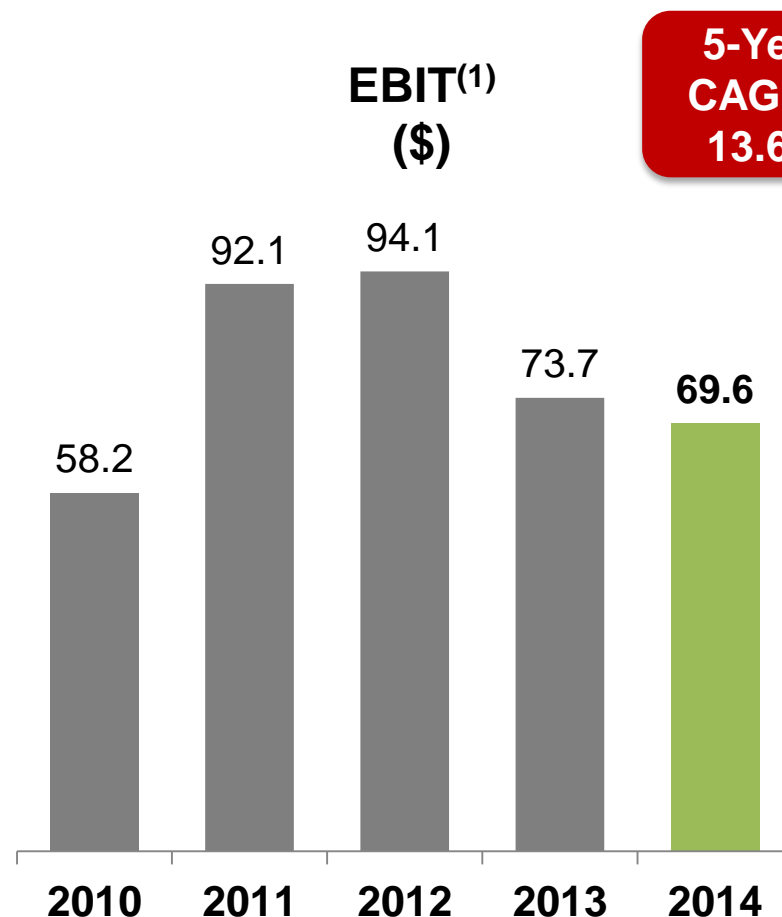
## Accomplishments

- **Restructured Industrial Components**
  - Estimate \$5M in cost reduction
- **Merged Rotating Products/ERS**
  - Creates national services platform in Industrial Components
- **Maintained strong position in Oil Sands**
  - Shovel sales and EH5000 pilot
- **Improved EHS processes**
  - Improving injury performance is focus for 2015
- **Completed Strategic Review**
  - “4 Points of Growth”

# 2014 Consolidated Results



YOY 2014 Change: 1.6%



YOY 2014 Change: -5.6%

<sup>(1)</sup> See additional GAAP measures in Appendix 1.

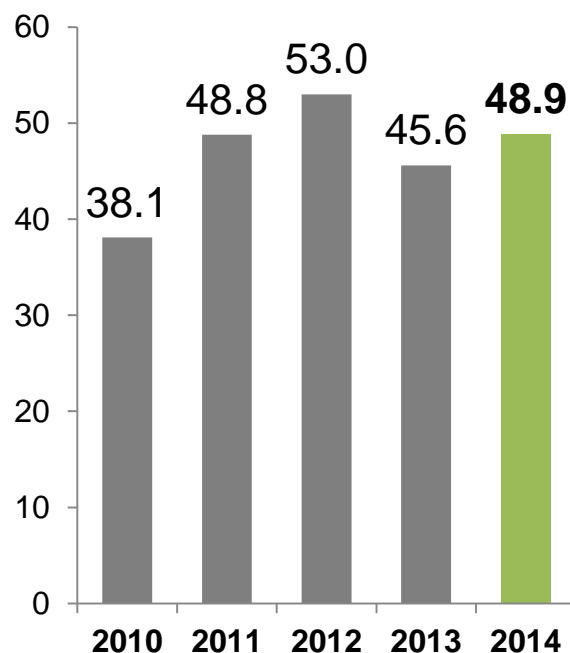
<sup>(2)</sup> 5-year CAGR based on 2009 Revenue and EBIT reported under previous Canadian GAAP.



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

(\$M)

## Equipment<sup>(2)</sup>

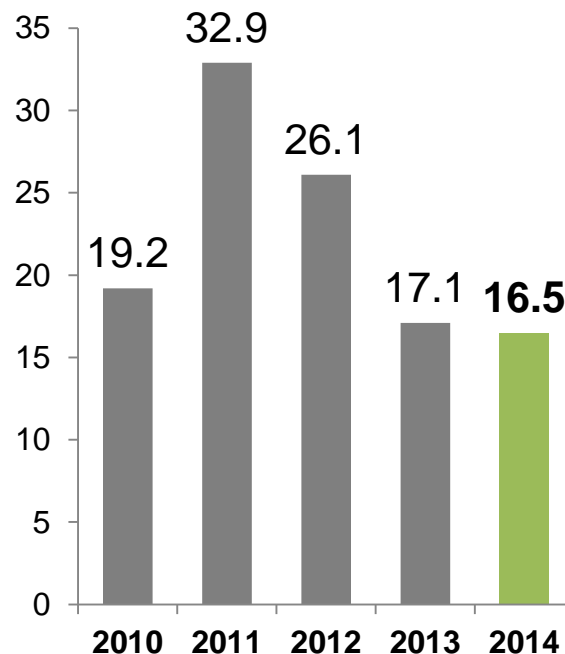


### YOY 2014 Change:

Revenue: -0.8%

Segment Earnings: 7.3%

## Power Systems

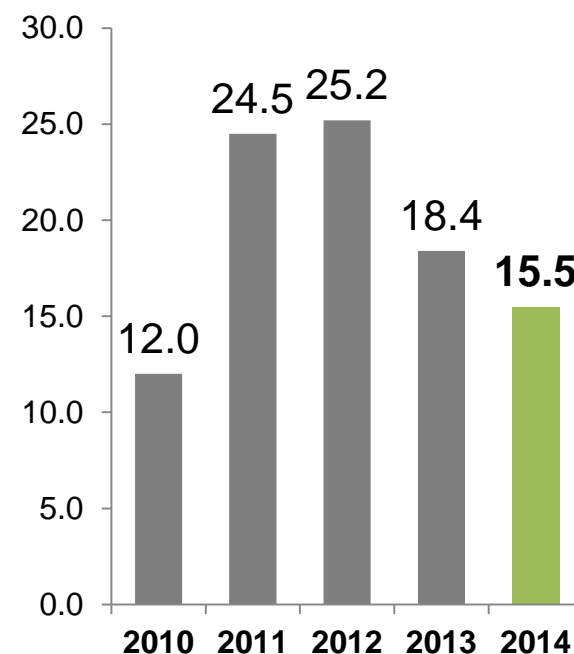


### YOY 2014 Change:

Revenue: 7.1%

Segment Earnings: -3.4%

## Industrial Components<sup>(2,3)</sup>



### YOY 2014 Change:

Revenue: 2.3%

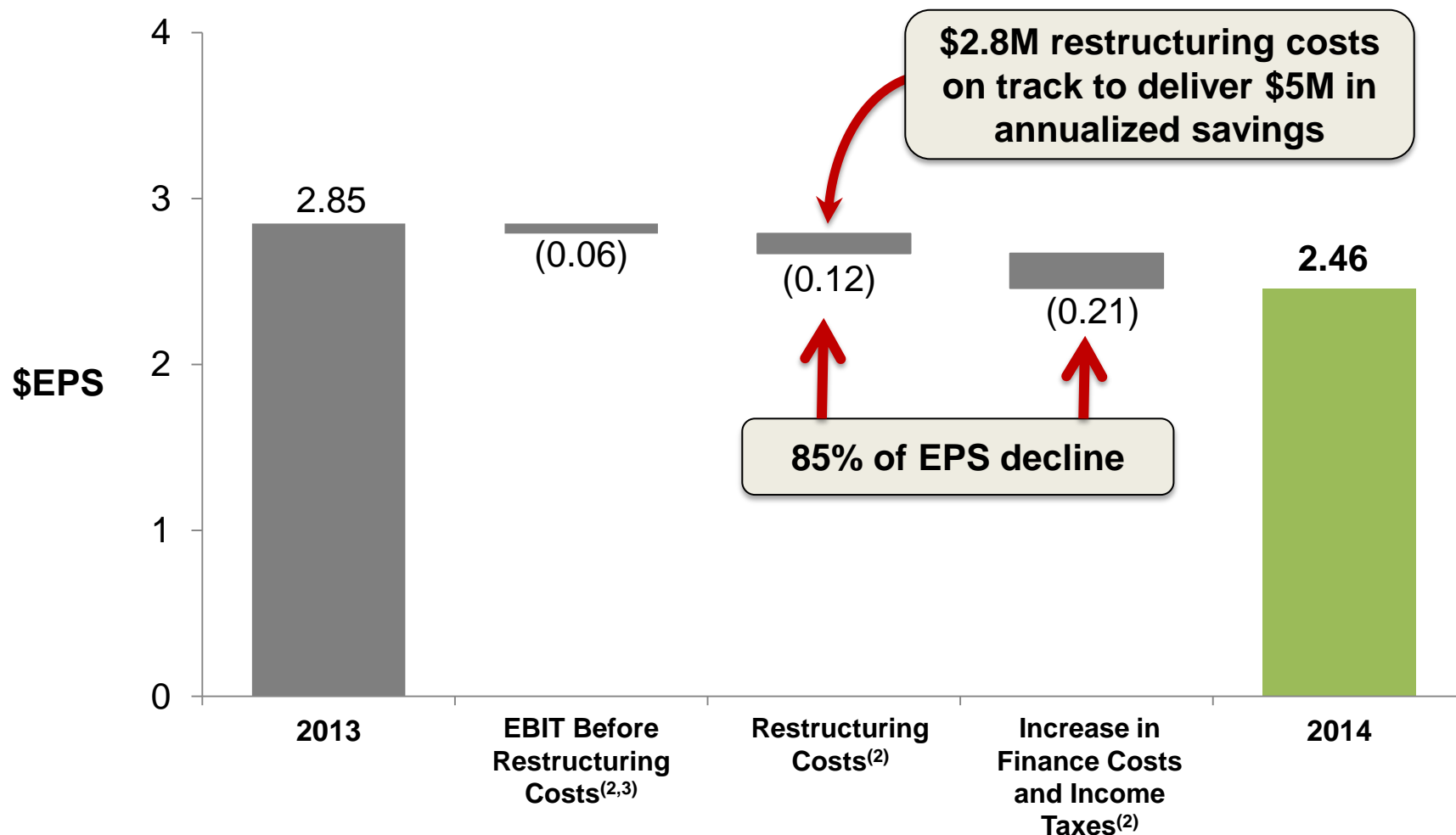
Segment Earnings: -15.7%

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

<sup>(2)</sup> Results for the oil sands services business (previously referred to as the rotating products group) have been reclassified in 2014, along with comparative figures, from the Equipment segment to the Industrial Components segment.

<sup>(3)</sup> Includes \$2.8M restructuring costs in 2014.

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



<sup>(1)</sup> Basic earnings per share (EPS).

<sup>(2)</sup> The EPS variance is based on the estimated effect on earnings before taxes (EBT)<sup>(3)</sup>, tax effected at 27.1% and using 16.8M shares outstanding.

<sup>(3)</sup> See additional GAAP measures in Appendix 1.



The background of the slide is a blurred industrial scene. In the foreground, several large, dark metal pipes or tubes are visible, arranged in a row. The background shows more industrial equipment, including what appears to be a conveyor belt or a series of rollers, all out of focus.

# 2015 Outlook and Q1 Results

## Market Conditions

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- Ongoing weakness in oil and other commodity prices is expected to have a negative effect on 28% of revenue<sup>(1)</sup>:
  - Mining
  - Oil Sands
  - Oil and Gas
- Pressure expected on 52% of revenue from Western Canada<sup>(2)</sup>:
- Expect relative strength/stability in other areas:
  - Central and Eastern Canada
  - Forestry
  - Power Generation

<sup>(1)</sup> Based on 2014 revenue by market.

<sup>(2)</sup> Based on 2014 revenue by geographic region.

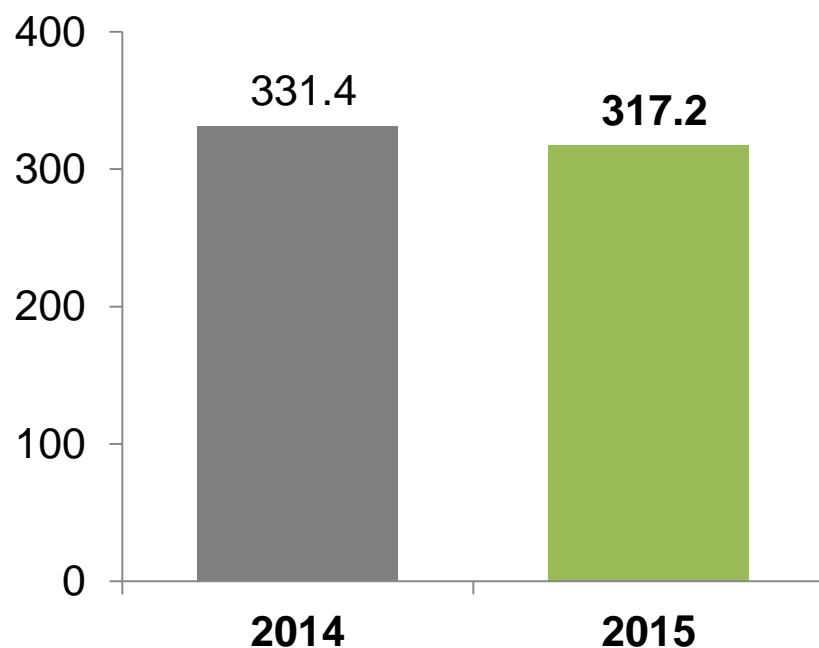
### Focus Areas

- 1) Costs
- 2) Inventory
- 3) Capital
- 4) “4 Points of Growth”

2015 earnings are expected to be lower than 2014 due primarily to the effect of oil prices on our customers in the oil sands and oil and gas markets and general weakness in western Canada.

# 2015 Q1 Consolidated Results

Revenue  
(\$M)



YOY 2015 Change: -4.3%

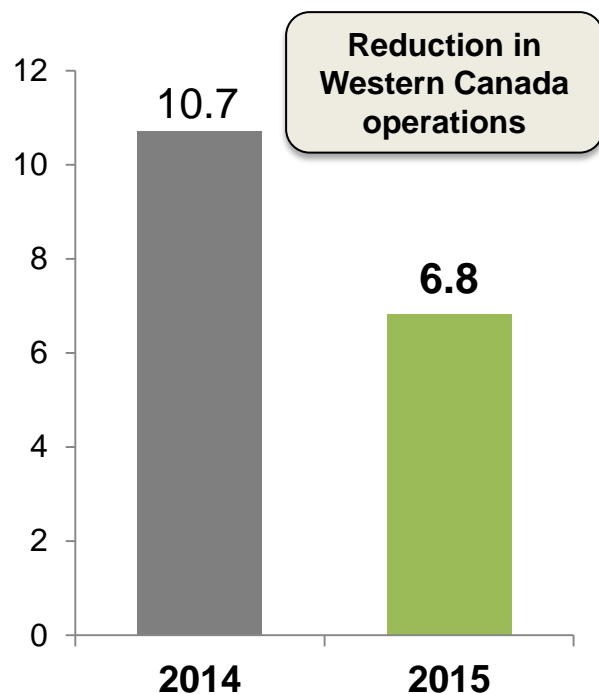
Decline driven by lower volumes in Western Canada:

	<u>West</u>	<u>Central</u>	<u>East</u>	<u>Total</u>
WE	↓24%	↑40%	↓5%	↓9%
WPS	↓ 5%	↓ 3%	↓1%	↓3%
WIC	↓ 1%	↑12%	0%	↑2%
Total % of Revenue	↓15%	↑20%	↓2%	↓4%

# 2015 Q1 Segment Earnings<sup>(1)</sup>

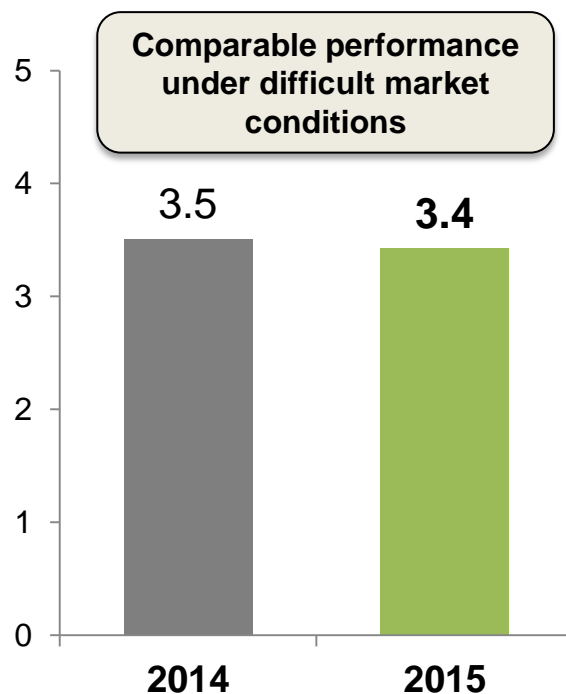
(\$M)

## Equipment<sup>(2)</sup>



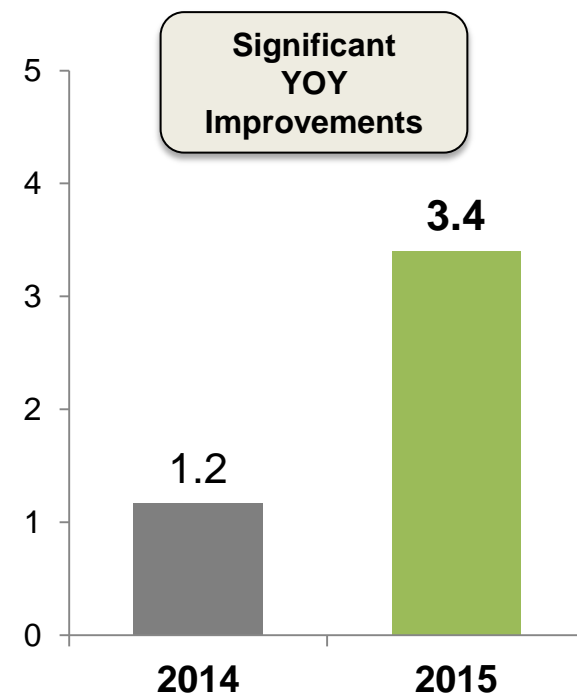
**YOY 2015 Change:**  
 Revenue: -9.3%  
 Segment Earnings: -36.4%

## Power Systems



**YOY 2015 Change:**  
 Revenue: -3.3%  
 Segment Earnings: -2.4%

## Industrial Components<sup>(2)</sup>



**YOY 2015 Change:**  
 Revenue: 2.0%  
 Segment Earnings: 191.8%

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

<sup>(2)</sup> Results for the oil sands services business (previously referred to as the rotating products group) have been reclassified in 2014, along with comparative figures, from the Equipment segment to the Industrial Components segment.

# Actions Taken and Underway

## Actions Taken

### Cost Reductions:

- 1) 2014 WIC restructuring  
~ \$5M annualized savings
- 2) Workforce ↓4% from Q1 2014 to Q1 2015  
→ Western Canada ↓7%

**SGA reductions recovered  
~80% of lost margin in Q1**

## Actions Underway

- WPS cost reductions and restructuring:
  - ~ \$5M annualized savings
  - ~ \$1.8M expected provision in Q2 2015
- Working Capital:
  - Expect reductions over the course of 2015
- Ongoing reviews on upcoming capital
- Additional cost reductions if necessary

**We are pushing forward with a prudent investment plan to support our strategy, balancing current conditions with the long-term benefits these programs deliver.**

# 4 Points of Growth



# Our Goal

**... is to be Canada's leading industrial products and services provider, distinguished through:**

- **The excellence of our sales force;**
- **The breadth and efficiency of our repair and maintenance operations; and**
- **Our ability to work closely with existing and new vendor partners to constantly expand our offering to customers.**

**$\geq 7.5\%$  CAGR net earnings growth target 2015-2019**

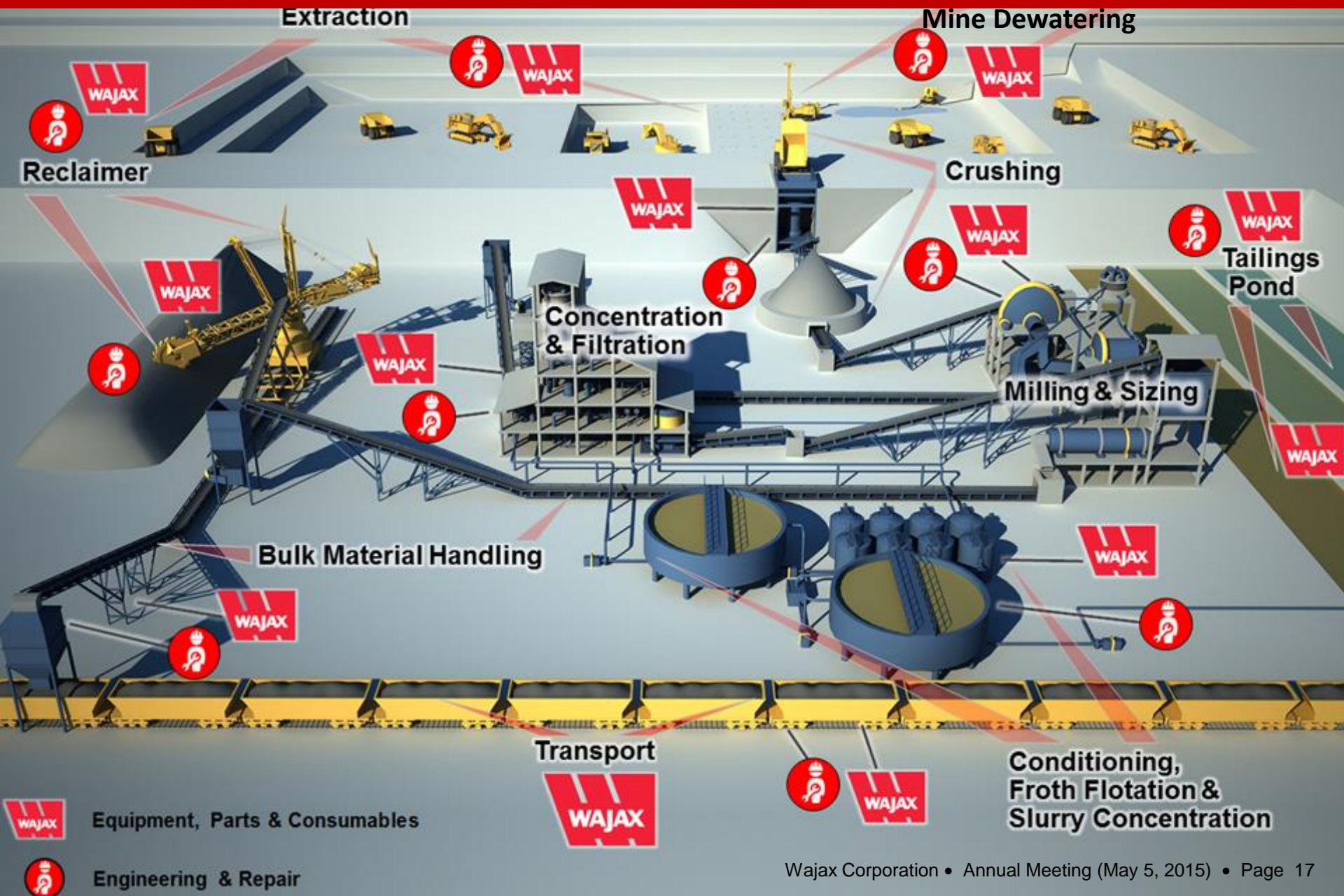


# Building a Strong Foundation

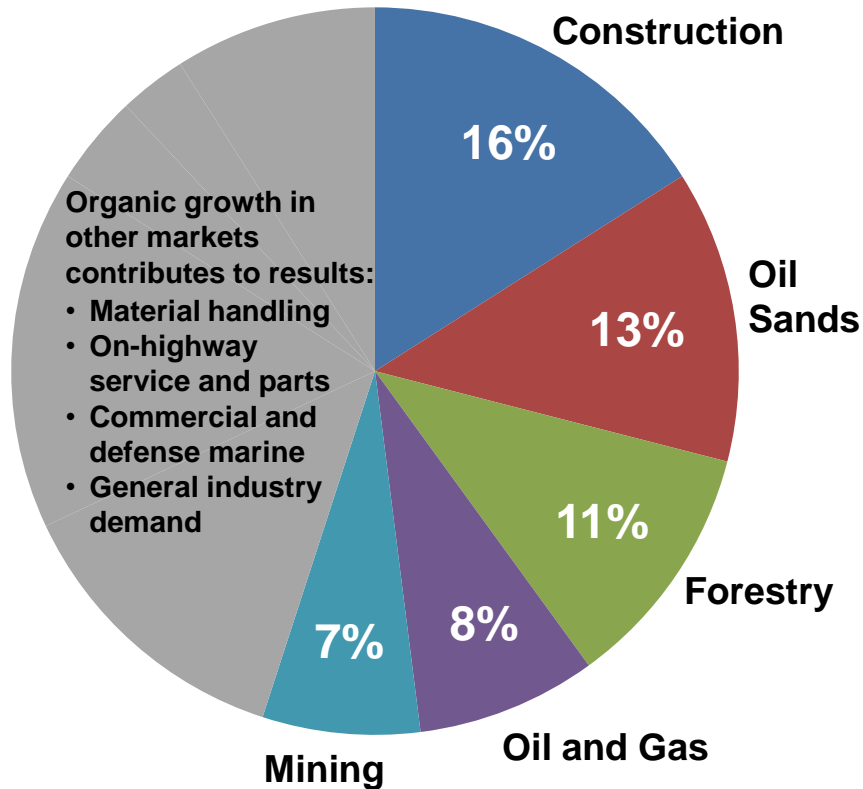
- Dedicated team of 2,725
- National branch network
- Expertise in a wide range of markets
- Diverse range of products and services
- World-class vendors
- Strong customer relationships



# Example: Broad Mining Offer



# 4 Points of Growth – Core Markets



## Core Markets

Viewed over the long-term, core markets are the highest growth opportunities for Wajax:

- Significant market sizes with market share improvement potential
- High aftermarket contribution
- Important growth markets for major vendors
- Opportunity to grow product and service range with specific focus on aftermarket categories
- MRO<sup>(1)</sup> spending of oil sands, mining and oil and gas customers is significant and offers specific growth opportunities

**Our strategy does not eliminate the cyclical risk in our business. The focus is to improve the sustainability of revenue sources in core markets by growing products and services that are more “durable” during a negative cycle.**

<sup>(1)</sup> Maintenance and Repair Operations.





# 4 Points of Growth: #1 Core Capabilities

## Sales Force

### Objective:

To distinguish Wajax to our customers and vendors through the excellence of our sales force.

**660**  
**Sales**  
**Personnel**

## Repair and Maintenance Operations

### Objective:

To achieve significant improvement and ultimately leadership in repair operations in terms of safety, customer service, breadth of repair services and profitability.

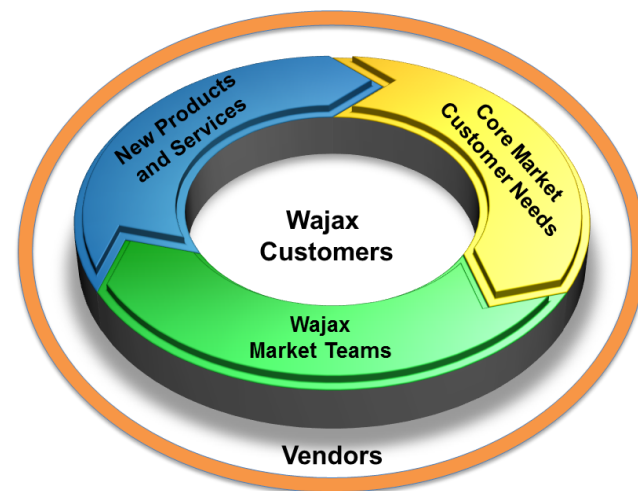
**>900**  
**Technicians<sup>(1)</sup>**

**260**  
**Parts and Service**  
**Support<sup>(1)</sup>**

## Product and Vendor Development

### Objective:

To work closely with existing and new vendor partners to constantly expand our offering to our customers.



<sup>(1)</sup> Rounded numbers.



# 4 Points of Growth: #2 Organic Growth

We estimate that the majority of our earnings growth over the 5-year timeframe from 2015 - 2019 will result from investing in our Core Capabilities, increases in our base business and four major organic growth programs:

## Engineered Repair Services



## Mining Equipment



## Electrical Power Generation



## Diversify Oil and Gas Products and Services



- (1) Hitachi truck and shovel related  
(2) Power Systems and Industrial Components



## 4 Points of Growth: #3 Acquisitions



**Our focus is on building our capacity to acquire and integrate regional Engineered Repair Services companies into our Industrial Components ERS business.**

**Based on our current knowledge of the Canadian marketplace, we anticipate Wajax will allocate**

**\$100 million**

**to the acquisition of ERS companies over the 5-year timeframe.**



## 4 Points of Growth: #4 Systems



**We plan to increase our investment in systems over the 5-year timeframe to improve operational efficiencies, support for our sales and service teams and to increase the integration and operational consistency of our product divisions.**

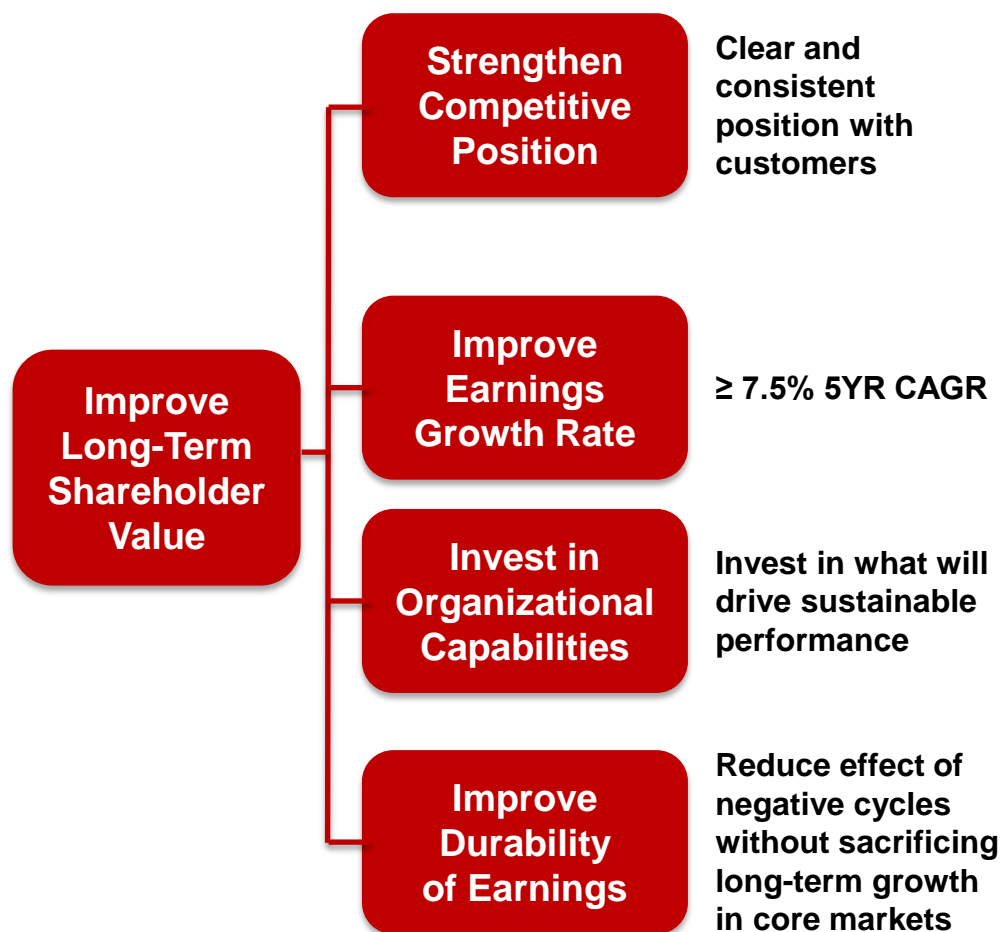
**\$30 million**

**in planned incremental Systems investment.**



# 4 Points of Growth - Summary

## Objectives



## Actions

Our goal is to be Canada's leading industrial products and services provider distinguished through:

- 1) The excellence of our sales force.
- 2) The breadth and efficiency of our repair and maintenance operations.
- 3) Our ability to work closely with existing and new vendor partners to constantly expand our offering to our customers.

- Excellence in "Core Capabilities"
- Organic growth initiatives
- Acquisitions accelerate growth

- Major focus on the organizational skills that drive our business
- Increased investment in systems

- Pursuing growth in core markets:
  - Positioned to benefit from positive demand cycles
  - Building earnings durability via increased services focus and product diversification

# Why Invest?



- Solid foundation
- Renewed growth strategy
- Strongly and uniquely positioned within the industry
- Realistic financial targets
- Ability to fund growth
- Dividend – policy change expected to bring more stability to payments<sup>(1)</sup>

<sup>(1)</sup> Subject to the Company's financial condition, investment opportunities and leverage.



**Thank You!**

**To review the full  
“4 Points of Growth”  
Investor Presentation,  
please go to the  
“Investor Relations”  
page at  
[www.wajax.com](http://www.wajax.com).**

# Appendix 1 – Additional GAAP Measures

This presentation contains certain additional GAAP measures that do not have a standardized meaning prescribed by GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

- i. these measures are commonly reported and widely used by investors and management;
- ii. the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures and restructuring costs; in particular "EBIT before restructuring costs" provides an indication of Wajax's results by its principal business activities prior to recognizing restructuring costs.

## Additional GAAP measures are identified and defined below:

EBT	Earnings before incomes taxes.
EBIT	Earnings before finance costs and income taxes.
EBIT before restructuring costs	Earnings before restructuring costs, finance costs and income taxes.
Segment earnings	Earnings before finance costs and income taxes.

## Reconciliation of the Corporation's net earnings to EBIT and EBIT before restructuring costs is as follows:

For the twelve months ended December	2014	2013
<b>Net earnings</b>	<b>\$41.2</b>	<b>\$47.7</b>
Income tax expense	15.3	17.0
Finance costs	13.0	9.0
<b>EBIT</b>	<b>69.5</b>	<b>73.7</b>
Restructuring costs	2.8	-
<b>EBIT before restructuring costs</b>	<b>\$72.4</b>	<b>\$73.7</b>

For more information on non-GAAP and additional GAAP measures please refer to our 2015 First Quarter Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.wajax.com](http://www.wajax.com).