



Wajax Financial Results Q1 2018





May 8, 2018



Cautionary Statement Regarding Forward-Looking Information

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 expectations and outlook for 2018, including with respect to revenue, adjusted net earnings and gross margins, as well as our expectation that our ongoing focus on cost productivity will assist us in offsetting planned investments in our strategy and expected margin pressure; and our outlook on regional end market conditions in Canada during 2018, including our expectation that year-over-year gains in western Canada will not be as significant as they were in 2017. 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, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, 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; our ability to realize the full benefits from our 2016 strategic reorganization, including cost savings and productivity gains; 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, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; 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 our Annual Information Form for the year ended December 31, 2017, 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.

// Highlights – Strong First Quarter

 7%	Revenue¹	\$342.7 million	<ul style="list-style-type: none"> Up 7% on strong gains in Eastern and Western Canada, led by our targeted growth categories (construction, material handling and ERS)
 36%	EBIT^{1,2}	\$15.4 million	<ul style="list-style-type: none"> Improvement largely due to aforementioned revenue increases and modestly higher gross margins SG&A as a percentage of revenue decreased 120bps to 14.3% from 15.5% in the prior year period
 66%	Adjusted Basic EPS^{1,2}	\$0.53 per share	<ul style="list-style-type: none"> Adjusted to exclude restructuring and other related costs of \$1.4 million and a one time gain recorded on sales of properties of \$0.9 million after tax
 35%	TRIF³	1.05	<ul style="list-style-type: none"> Total recordable incidents were down 33% year over year as we continue to enhance our health and safety culture

¹ The Corporation has restated its comparative 2017 earnings and statements of financial position as a result of the adoption on January 1, 2018 of IFRS 15 Revenue from Contracts with Customers. See the Changes in Accounting Policies section of the Q1 2018 Management's Discussion and Analysis.

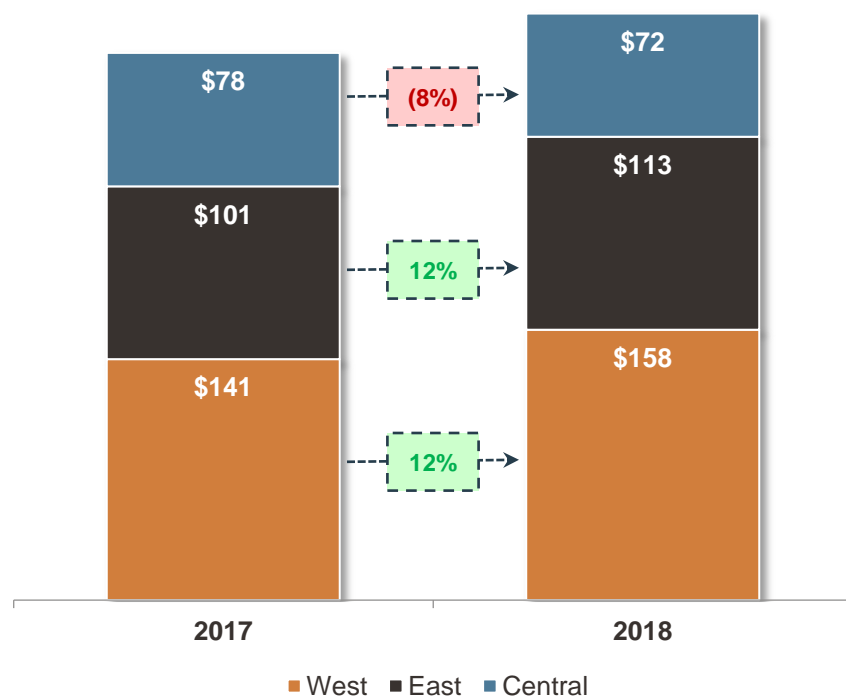
² This measure does not have a standardized meaning prescribed by GAAP. See Non-GAAP and Additional GAAP measures in Appendix 1.

³ Total Recordable Incident Frequency ("TRIF") measures the company's injury frequency. This is calculated as the total number of recordable incidents times 200,000 hours of work divided by the actual number of hours worked. A recordable incident is one that requires medical treatment beyond first aid.

\\ Revenue by Region

Q1 2018¹

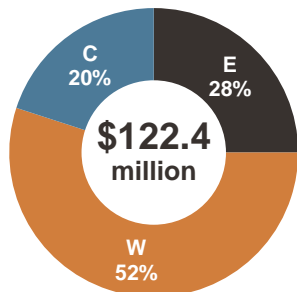
- Revenue increased \$23.3 million or 7.3%, to \$342.7 million in Q1 2018 versus \$319.4 million for the same period in 2017
- Increase primarily due to higher equipment sales in western and eastern Canada, led by strong gains in the construction and material handling product categories, and higher engineered repair services sales



Revenue Analysis

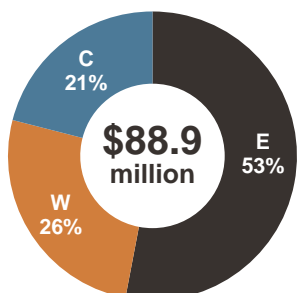
Q1

Equipment Sales



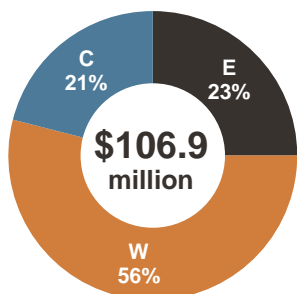
- \$25.0 million (25.7%) increase compared to Q1 2017
- Higher construction and material handling sales in all regions offset partially by lower mining sales in western and central Canada

Industrial Parts



- \$0.6 million (-0.7%) decrease compared to Q1 2017
- Lower process equipment sales in all regions offset partially by higher hydraulics sales in all regions










Product Support



- \$5.0 million (-4.5%) decrease compared to Q1 2017
- Lower revenue in construction and on-highway transportation sales offset by higher mining sales in all regions
- Decline in construction relates to elimination of the JCB product line and certain large projects in Q1/17 that were not repeated



Revenue by Category

							YTD*		
Category ¹	Q1 2018	Q1 2017	Change	YTD 2018	YTD 2017	Change	E	W	C
 Construction	\$ 64.8	\$ 56.1	\$ 8.7				-	↑	↑
 Material Handling	35.6	26.5	9.2				↑	↑	↑
 ERS	16.8	12.9	3.9				↑	↑	-
 Industrial Parts	88.9	89.6	(0.6)				-	-	↓
 Forestry	31.8	32.2	(0.4)				↑	↑	↓
 On-Highway	26.7	28.4	(1.7)				-	-	↓
 Power & Marine	16.7	15.1	1.6				↑	↑	↓
 Mining	31.4	32.5	(1.1)				↑	↓	↓
 Engines & Transmissions	23.3	19.5	3.8				↑	↑	↓
 Crane & Utility	7.5	7.9	(0.4)				↑	↑	↓
Total²	\$ 342.7	\$ 319.4	\$ 23.3				↑	↑	↓
Change			7.3%						

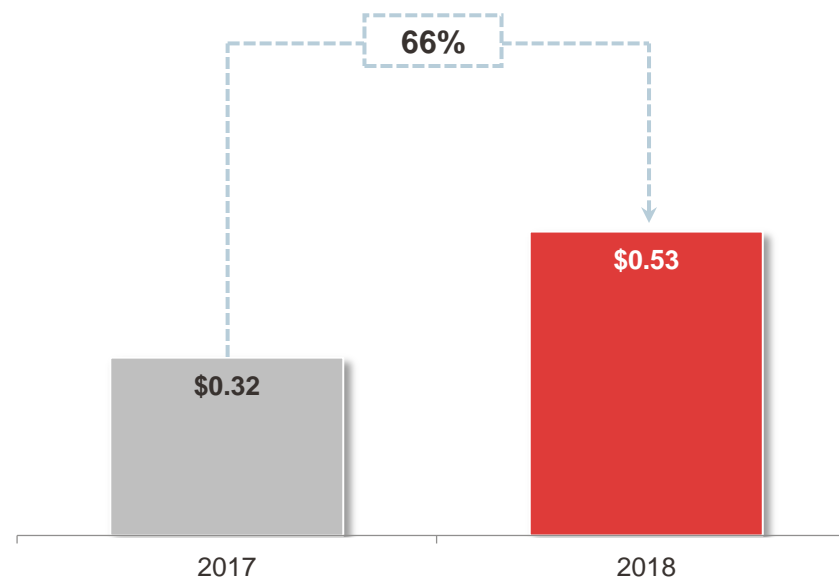
* Directional arrows applied to changes of +/- 2% year over year

Adjusted Basic EPS¹



Q1 2018

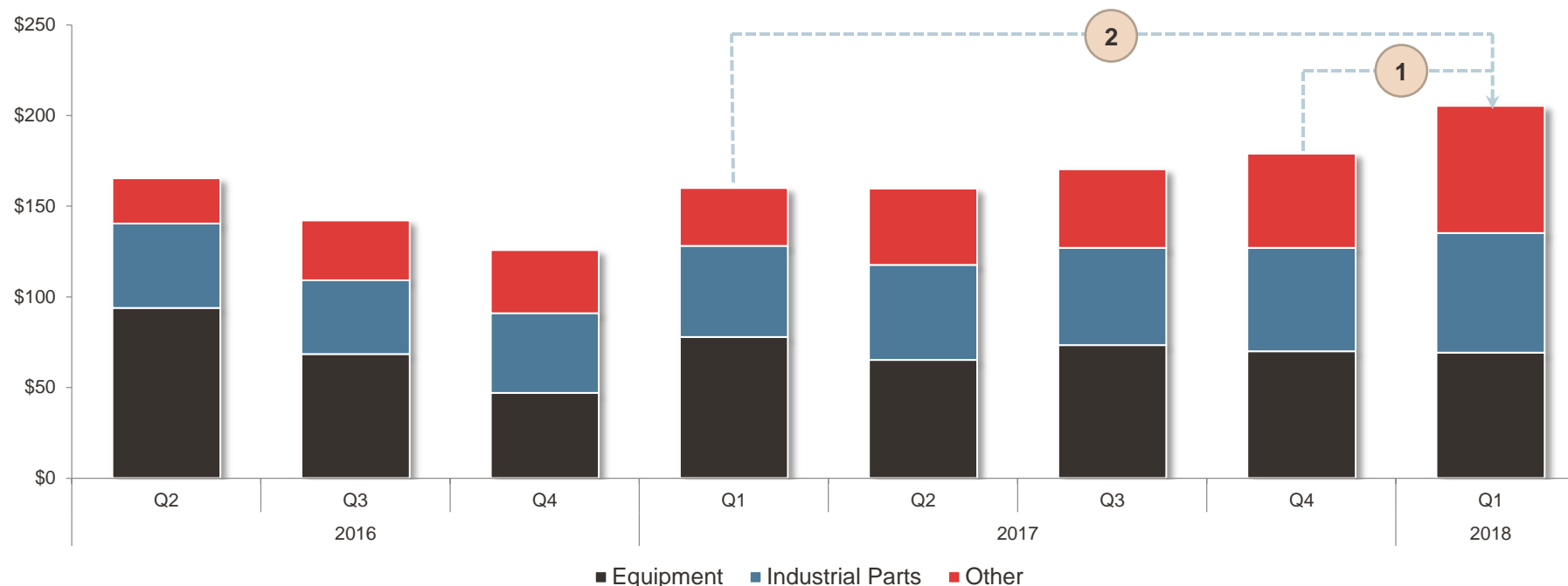
- Q1 adjusted net earnings¹ of \$10.4 million or \$0.53 per share, representing a \$4.1 million or 66% improvement over the prior year period
- Improvement is primarily attributable to increased revenue, modestly higher gross margins, lower finance costs and lower SG&A expense rates year over year
- SG&A as a percentage of revenue declined 120bps to 14.3% (14.6% excluding gain on sale from properties) from 15.5% in the prior year period



- Since our Q4 2016 cyclical low, we have seen steady growth in our backlog and remain encouraged by the strength and breadth of our sales pipeline

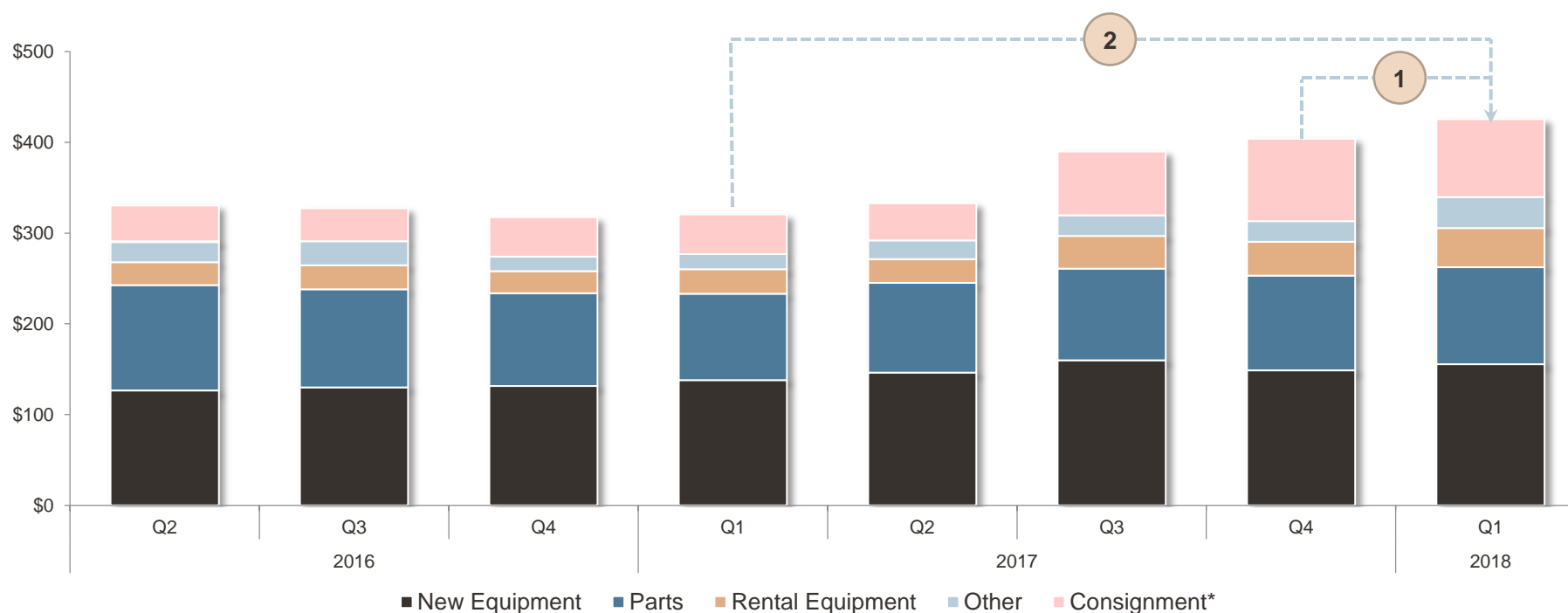
- Backlog increased by \$26.5 million (15%) from Q4 2017 to \$205.4 million
 - Increase primarily driven by new power generation and industrial parts orders

- Backlog increased by \$45.4 million (28%) compared to Q1 2017
 - Increase primarily driven by new power generation, industrial parts, construction and material handling orders



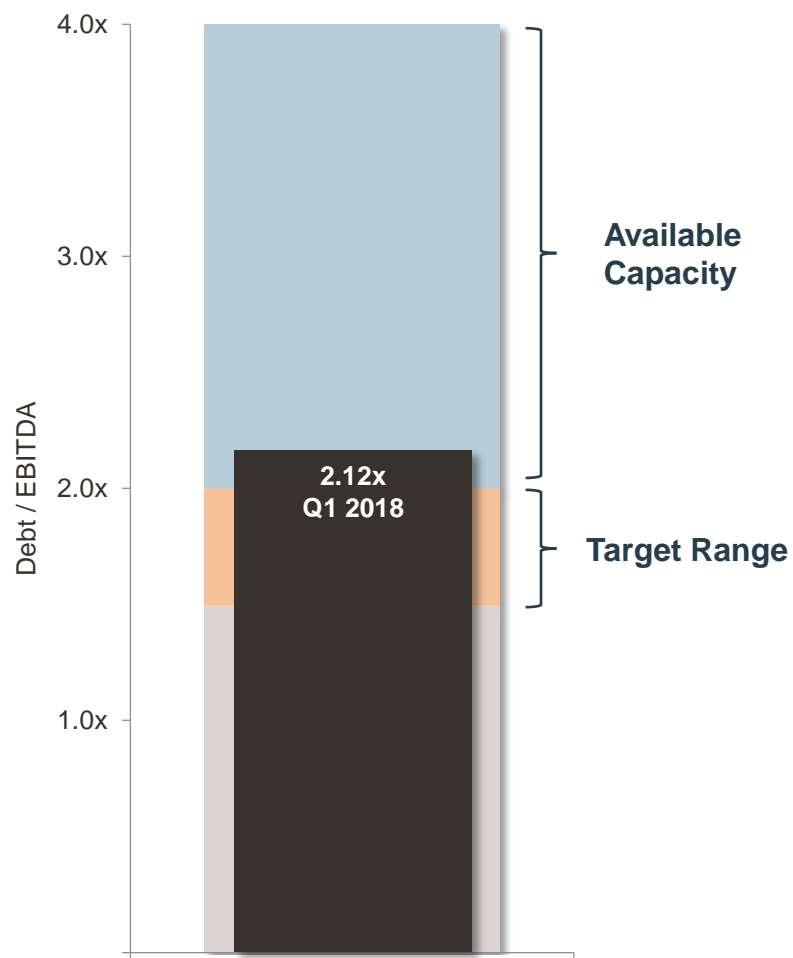
- Tied to the growth in our backlog, we continue to invest in inventory to support the strength of our sales pipeline and 2018 revenue projections while maintaining adequate working capital

- Inventory (including consignment) increased by \$21.7 million from Q4 2017 to \$425.5 million
 - Increase primarily driven by higher new equipment and rental equipment
- Inventory (including consignment) increased by \$105.0 million compared to Q1 2017
 - Inventory is higher across all product categories as a result of improving market conditions and reflects our higher revenue projections for 2018 relative to 2017

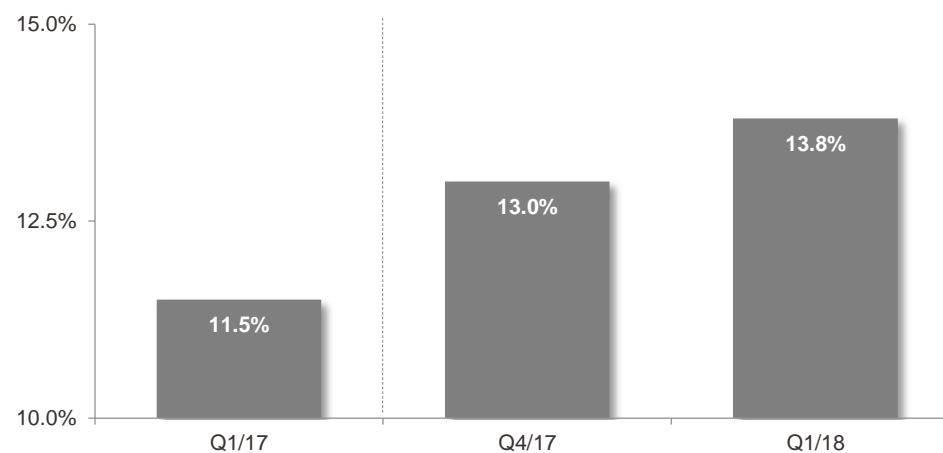


Robust Balance Sheet

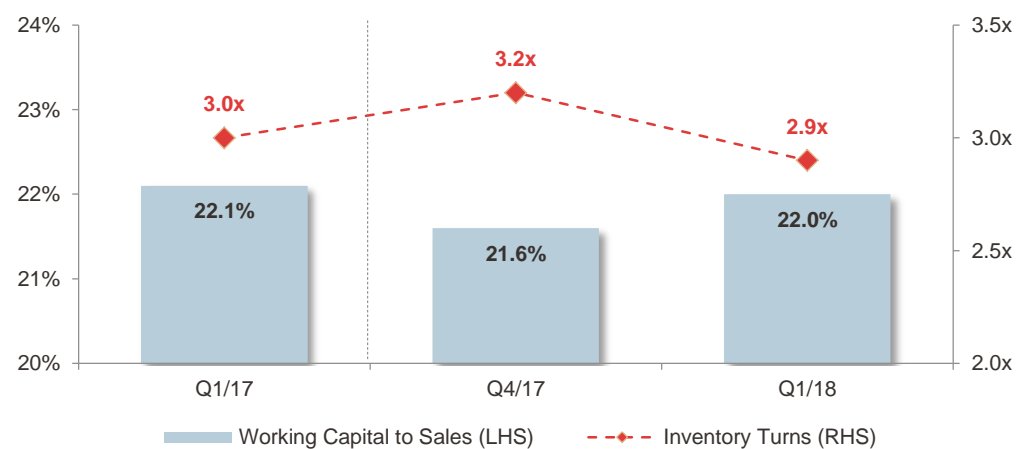
Credit Capacity



Adjusted Return On Net Assets (RONA)¹



Working Capital Efficiency



// 2018 Outlook

- Wajax expects 2018 year-over-year adjusted net earnings to increase, due primarily to organic revenue growth
- Given the Corporation's plans to increase market share in highly competitive categories, gross margins are expected to be under pressure
 - While Wajax will make planned investments in programs that advance the Corporation's strategy, an ongoing focus on overall cost productivity is expected to assist Wajax in managing expected margin pressure
- Viewed over the full year, market conditions in Central and Eastern Canada are expected to be generally stable
- While conditions in Western Canada may continue to improve in 2018, year-over-year gains are not expected to be as significant as they were in 2017





Appendix 1: Non-GAAP¹ and Additional GAAP Measures

160
YEARS



Except where noted, all figures are in millions of Canadian dollars, except per share data and ratio calculations.

This presentation contains certain non-GAAP and 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 non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt;
- (iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital and tax structures; and
- (iv) "Adjusted net earnings" provides an indication of the results by the Corporation's principal business activities prior to recognizing the restructuring and other related costs (recovery), (gain) loss recorded on sales of properties and senior notes redemption costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes the restructuring and other related costs (recovery), (gain) loss recorded on sales of properties and senior notes redemption costs which is consistent with the leverage ratio calculation under the Corporation's bank credit agreement.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash. Funded net debt is a component relevant in calculating the Corporation's Funded Net Debt to Total Capital, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is a component relevant in calculating the Corporation's Leverage Ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
EBITDA	Net earnings before finance costs, income tax expense, depreciation and amortization. EBITDA is a non-GAAP measure commonly used as an indicator of a company's cash operating performance.
Adjusted net earnings	Net earnings before after-tax restructuring and other related costs (recovery), (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted basic earnings per share	Basic earnings per share before after-tax restructuring and other related costs (recovery), (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBIT	EBIT before restructuring and other related costs (recovery), and (gain) loss recorded on sales of properties.
Adjusted EBITDA	EBITDA before restructuring and other related costs (recovery), (gain) loss recorded on sales of properties and senior notes redemption costs.
Backlog	Backlog is a management measure which includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services. This differs from the remaining performance obligations as defined by IFRS 15.

1. Generally accepted accounting principles.



Appendix 1: Non-GAAP and Additional GAAP Measures

Working capital	Working capital is defined as total current assets less total current liabilities as presented on the Consolidated Statements of Financial Position.
Working capital to sales ratio	The working capital to sales ratio is defined as the trailing four-quarter average working capital divided by the trailing 12 months revenue.
Net assets	Net assets are defined as total current and non-current assets excluding cash, income taxes receivable, derivative instruments and deferred tax asset, less total current and non-current liabilities excluding bank indebtedness, income taxes payable, derivative instruments, obligations under finance leases, deferred tax liabilities and long-term debt, as presented on the Consolidated Statements of Financial Position.
Return on Net Assets (RONA)	The return on net assets is defined as the trailing 12-month Adjusted EBIT divided by the trailing 12-month average Net Assets.

Additional GAAP measures are identified and defined below:

Earnings before finance costs and income taxes (EBIT)	Earnings before finance costs and income taxes, as presented on the Consolidated Statements of Earnings.
Earnings before income taxes (EBT)	Earnings before income taxes, as presented on the Consolidated Statements of Earnings.

Reconciliation of the Corporation's net earnings to adjusted net earnings and adjusted basic and diluted earnings per share is as follows:

	Three months ended			
	March 31			
	2018		2017 (As restated)	
Net earnings	\$	9.9	\$	6.3
Restructuring and other related costs (recovery), after-tax		1.4		-
(Gain) recorded on sales of properties, after-tax		(0.9)		-
Adjusted net earnings	\$	10.4	\$	6.3
Adjusted basic earnings per share⁽¹⁾⁽²⁾	\$	0.53	\$	0.32
Adjusted diluted earnings per share⁽¹⁾⁽²⁾	\$	0.52	\$	0.31

(1) For the three months ended March 31, 2018 weighted average shares outstanding for calculating basic and diluted earnings per share were 19,504,107 and 20,177,396, respectively.

(2) For the three months ended March 31, 2017 weighted average shares outstanding for calculating basic and diluted earnings per share were 19,818,629 and 20,188,117, respectively.



Appendix 1: Non-GAAP and Additional GAAP Measures

Reconciliation of the Corporation's net earnings to EBT, EBIT, EBITDA and Adjusted EBITDA is as follows:

	For the twelve months ended March 31 2018
Net earnings	\$ 34.0
Income tax expense	13.0
EBT	47.0
Finance costs	8.9
Senior notes redemption ⁽¹⁾	5.5
EBIT	61.4
Depreciation and amortization	22.5
EBITDA	83.9
Restructuring and other related costs (recovery) ⁽²⁾	1.7
(Gain) recorded on sales of properties ⁽³⁾	(2.6)
Adjusted EBITDA	\$ 83.0

(1) For the twelve months ended March 31, 2018 – Includes the \$5.5 million senior notes redemption costs recorded in the fourth quarter of 2017.

(2) For the twelve months ended March 31, 2018 – Includes the \$2.0 million restructuring and other related costs recorded in the first quarter of 2018 and the \$0.3 million restructuring recovery recorded in the second quarter of 2017.

(3) For the twelve months ended March 31, 2018 – Includes the \$1.1 million gain recorded on sales of properties recorded in the first quarter of 2018 and the \$1.5 million gain recorded on sales of properties recorded in 2017.

Calculation of the Corporation's funded net debt, debt and leverage ratio is as follows:

	March 31 2018
Bank indebtedness	\$ 13.4
Obligations under finance leases	8.9
Long-term debt	147.8
Funded net debt	\$ 170.1
Letters of credit	6.1
Debt	\$ 176.2
Leverage ratio⁽¹⁾	2.12

(1) Calculation uses trailing four-quarter Adjusted EBITDA.

This leverage ratio is calculated for purposes of monitoring the Corporation's objective target leverage ratio of between 1.5 times and 2.0 times. The calculation contains some differences from the leverage ratio calculated under the Corporation's bank credit facility agreement. The resulting leverage ratio under the bank credit facility agreement is not significantly different.

Appendix 1: Non-GAAP and Additional GAAP Measures

Calculation of the Corporation's working capital and working capital to sales ratio is as follows:

	2018		2017 (As restated)			
	March 31		December 31	September 30	June 30	March 31
Total current assets	\$ 568.9	\$	547.7	\$ 524.8	\$ 494.9	\$ 509.9
Total current liabilities	256.7		247.0	229.5	222.3	239.1
Working capital	\$ 312.2	\$	300.8	\$ 295.3	\$ 272.6	\$ 270.8
Working capital – trailing four-quarter average	\$ 295.2	\$	284.8	\$ 276.8	\$ 272.9	\$ 277.1
Revenue – trailing 12 months	\$ 1,342.0	\$	1,318.7	\$ 1,257.0	\$ 1,245.7	\$ 1,256.4
Working capital to sales ratio	22.0%		21.6%	22.0%	21.9%	22.1%

Reconciliation of the Corporation's net earnings to EBT, EBIT and Adjusted EBIT and the calculation of the Corporation's RONA is as follows:

	For the twelve months ended March 31		For the twelve months ended December 31		For the twelve months ended March 31
	2018		2017		2017
			(As restated)		(As restated)
Net earnings	\$ 34.0	\$	30.5	\$	27.1
Income tax expense	13.0		11.7		10.6
EBT	47.0		42.1		37.7
Finance costs	8.9		9.8		11.0
Senior notes redemption ⁽¹⁾	5.5		5.5		-
EBIT	61.4		57.4		48.7
Restructuring and other related costs (recovery) ⁽²⁾	1.7		(0.3)		-
(Gain) recorded on sales of properties ⁽³⁾	(2.6)		(1.5)		-
Adjusted EBIT	\$ 60.5	\$	55.6	\$	48.7
Trailing 12-month average Net Assets	\$ 439.3	\$	427.9	\$	423.9
RONA	13.8%		13.0%		11.5%

(1) For the twelve months ended March 31, 2018 and December 31, 2017 – Includes the \$5.5 million senior notes redemption costs recorded in the fourth quarter of 2017.

(2) For the twelve months ended March 31, 2018 and December 31, 2017 – Includes the \$2.0 million restructuring and other related costs recorded in the first quarter of 2018 and the \$0.3 million restructuring recovery recorded in the second quarter of 2017.

(3) For the twelve months ended March 31, 2018 and December 31, 2017 – Includes the \$1.1 million gain recorded on sales of properties recorded in the first quarter of 2018 and the \$1.5 million gain recorded on sales of properties recorded in 2017.



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