Wajax Financial Results
Q4 2017

Together We Get More Done.

March 5, 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 target leverage ratio range of 1.5 – 2.0 times; our expectation that execution of our updated Strategic Plan will lead to higher per share cash flow generation and structurally higher EBITDA margins; and our expectation that improvement in our EBITDA margins will create meaningful shareholder value; our expectations and outlook for 2018, including with respect to 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 update 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 Fourth Quarter

⬆ 20%	**Revenue**	**$376.6 million**	- Up 20% on broad gains across most categories, led by construction, forestry and engines & transmissions
⬆ 21%	**EBIT[1]**	**$18.4 million**	- Improvement largely due to higher revenue in the East and West regions - SG&A as a percentage of revenue decreased 270 bps from 16.0% to 13.3% for the quarter
⬆ 24%	**Adjusted Basic EPS[1]**	**$0.56 per share**	- Adjusted to exclude costs associated with the early redemption of senior notes ($4.0 million) and a one time gain recorded on sales of properties ($1.2 million) after tax
⬆ 27%	**TRIF[2]**	**1.90**	- Full year TRIF of 1.45 marking our ***safest year on record*** (32% improvement over 2016) - Total recordable incidents were down 33% year over year and 68% since 2014

⬇⬆ **Percentage change from Q4 2016**

---

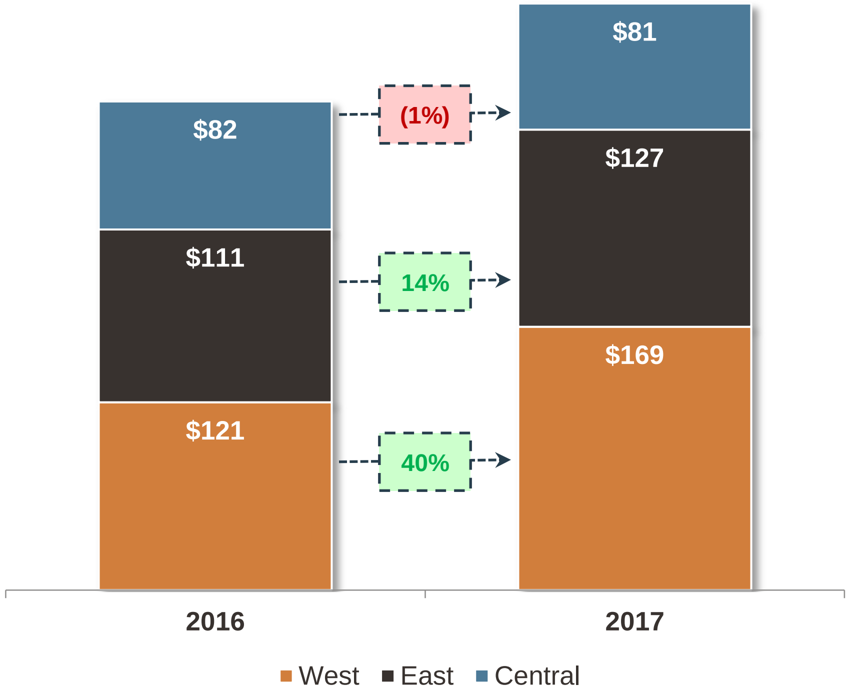
[1] This measure does not have a standardized meaning prescribed by GAAP. See Non-GAAP and Additional GAAP measures in Appendix 1.

[2] 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

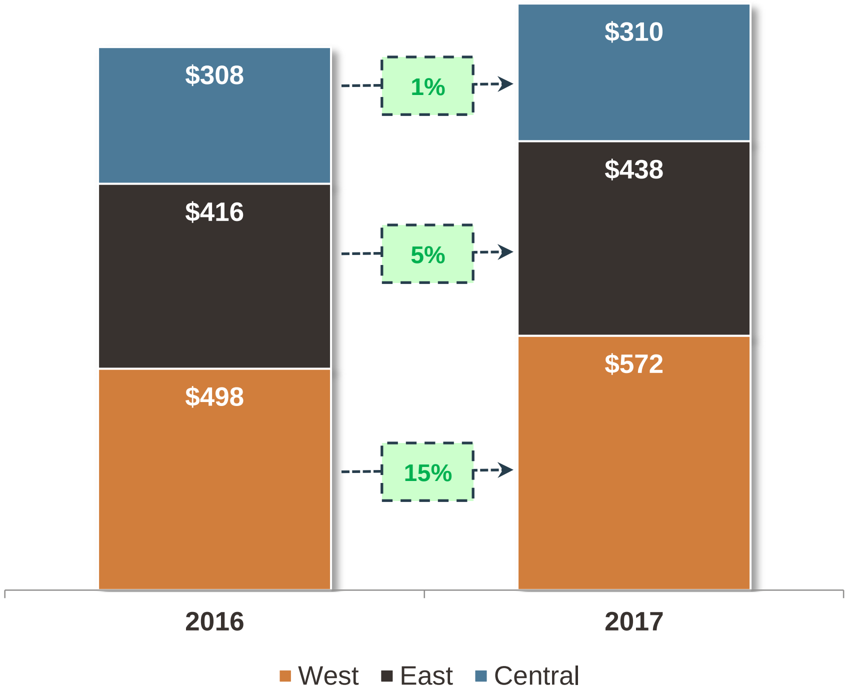
Q4 2017[1]

- Revenue increased $62.9 million or 20.0%, to $376.6 million in Q4 2017 versus $313.7 million for the same period in 2016.
- Increase primarily due to higher equipment sales and product support revenues in western and eastern Canada, led by strong gains in the construction, forestry and engines & transmissions product categories



YTD 2017[1]

- For the twelve months ended December 31, 2017, revenue increased 8.0%, or $97.4 million, to $1,319.3 million from $1,221.9 million in 2016.
- Largest increase from Western Canada, despite four large mining shovel deliveries in 2016 that were not repeated in 2017.



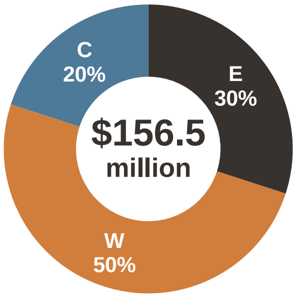
---

[1] *Totals may not add due to rounding.*

Revenue Analysis

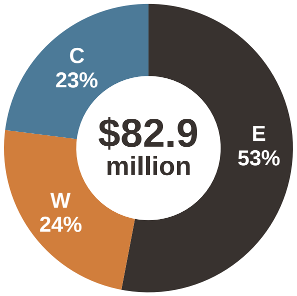
Q4

Equipment Sales



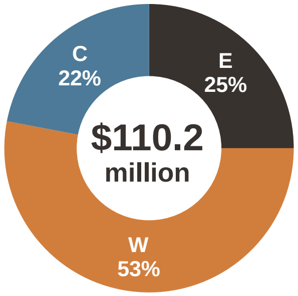
- $44.9 million (40.3%) increase compared to Q4 2016
- Higher construction sales in all regions and higher forestry sales in western Canada offset by lower mining and power generation sales in eastern and central Canada respectively

Industrial Parts



- $5.0 million (6.4%) increase compared to Q4 2016
- Higher bearings and process equipment sales in all regions

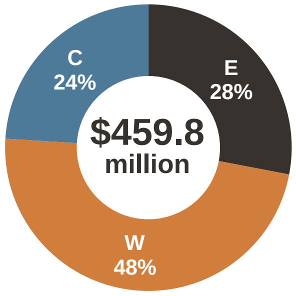
Product Support



- $8.4 million (8.3%) increase compared to Q4 2016
- Higher revenue in construction and mining in western Canada and higher engines & transmissions and power generation parts and service sales in eastern Canada

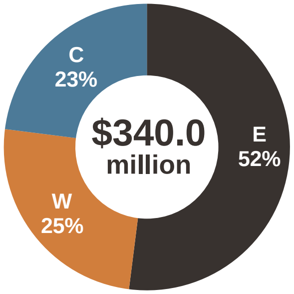
YTD

Equipment Sales



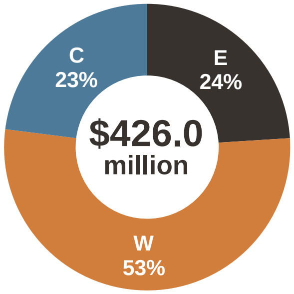
- $47.2 million (11.4%) increase compared to 2016
- Higher construction sales in all regions and higher forestry and engines & transmissions sales in western Canada offset by lower mining sales in western and eastern Canada

Industrial Parts



- $19.5 million (6.1%) increase compared to 2016
- Higher bearings and process equipment sales in all regions

Product Support



- $27.8 million (7.0%) increase compared to 2016
- Revenue has increased on strength in construction parts and service sales in western Canada and on-highway parts and service sales in all regions

Revenue by Category

							YTD		
Category[1]	Q4 2017	Q4 2016	Change	YTD 2017	YTD 2016	Change	E	W	C
Industrial Parts	$ 82.9	$ 78.0	$ 4.9	$ 340.0	$ 320.4	$ 19.6	↑	↑	↑
Construction	62.2	41.5	20.7	230.5	169.9	60.6	↑	↑	↑
Forestry	44.6	31.1	13.5	144.0	130.3	13.7	↓	↑	↓
Material Handling	34.0	24.4	9.6	119.9	109.2	10.7	↓	↑	↑
Mining	33.1	40.8	(7.7)	112.0	146.9	(34.9)	↓	↓	↑
On-Highway	27.2	27.8	(0.6)	109.2	101.9	7.3	↑	↑	↑
Engines & Transmissions	31.7	18.2	13.5	90.2	70.5	19.7	↓	↑	↓
Power & Marine	27.4	23.5	3.9	72.2	77.6	(5.4)	↑	↓	↓
ERS	18.9	14.9	4.0	63.1	58.3	4.8	↑	↑	↓
Crane & Utility	15.9	14.6	1.3	41.2	40.9	0.3	↑	↑	↓
Total[2]	**$ 376.6**	**$ 313.7**	**$ 62.9**	**$ 1,319.3**	**$ 1,221.9**	**$ 97.4**	↑	↑	↑
Change			***20.1%***			***8.0%***			

---

[1] *Category values contain equipment sales and rental, parts and related services, where applicable*. [2] *Totals may not add due to rounding.*

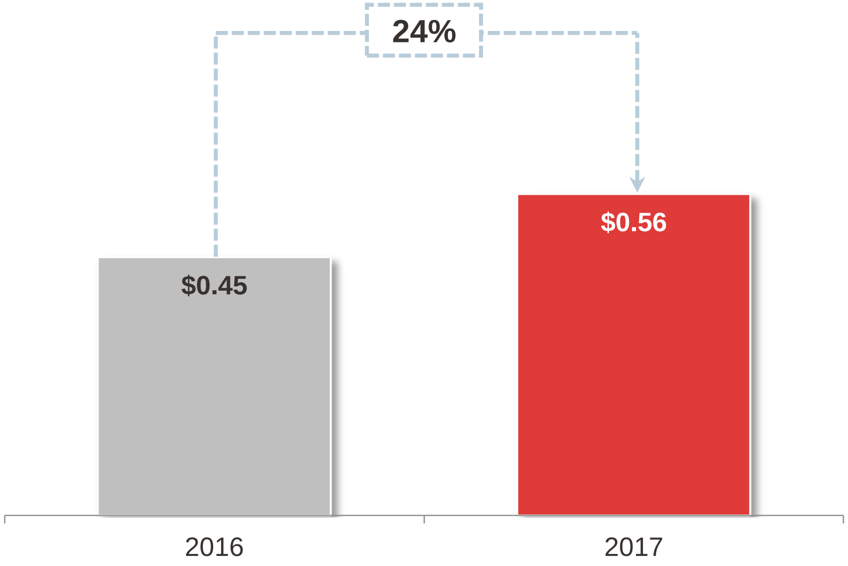
Adjusted Basic EPS[1]

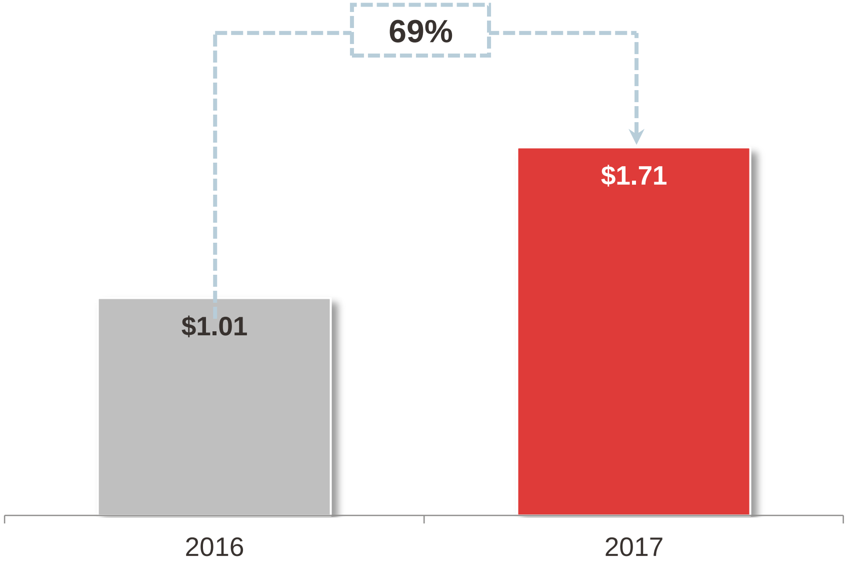
Q4 2017

- Q4 adjusted net earnings[1] of $10.9 million or $0.56 per share, representing a $2.0 million improvement over the prior year period
- Improvement is primarily attributable to increased revenue and lower finance costs
- Partially offset by lower gross profit margins and higher SG&A expenses relating primarily to incentive compensation and a pre-tax accrual of $2.6 million in the prior year period for insurance proceeds (Fort McMurray wildfires)

YTD 2017

- YTD adjusted net earnings[1] of $33.5 million or $1.71 per share, representing a $13.4 million improvement over the prior year period
- The improvement in adjusted net earnings[1] resulted primarily from higher volumes and gross profit margins
- Partially offset by a pre-tax accrual of $3.7 million in the prior year for insurance proceeds (Fort McMurray wildfires) and higher SG&A expenses





---

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

Backlog[1]

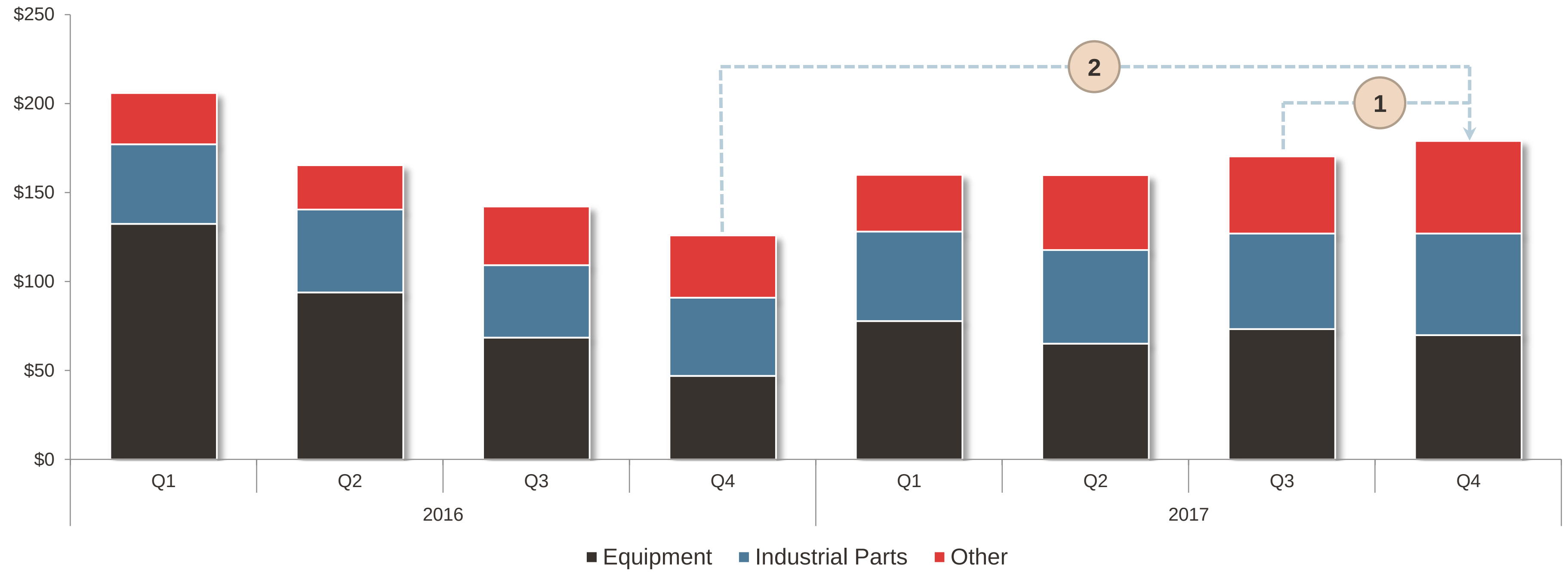
- Since our Q4 2016 cyclical low, we have seen steady growth in our backlog and remain encouraged by the strength and breadth of our sales pipeline

① Backlog increased by $8.6 million from Q3 2017 to $178.9 million

  - Increase primarily driven by new construction orders

② Backlog increased by $53.1 million compared to Q4 2016

  - Increase primarily driven by power generation, construction and industrial parts orders



---

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

\\ Inventory

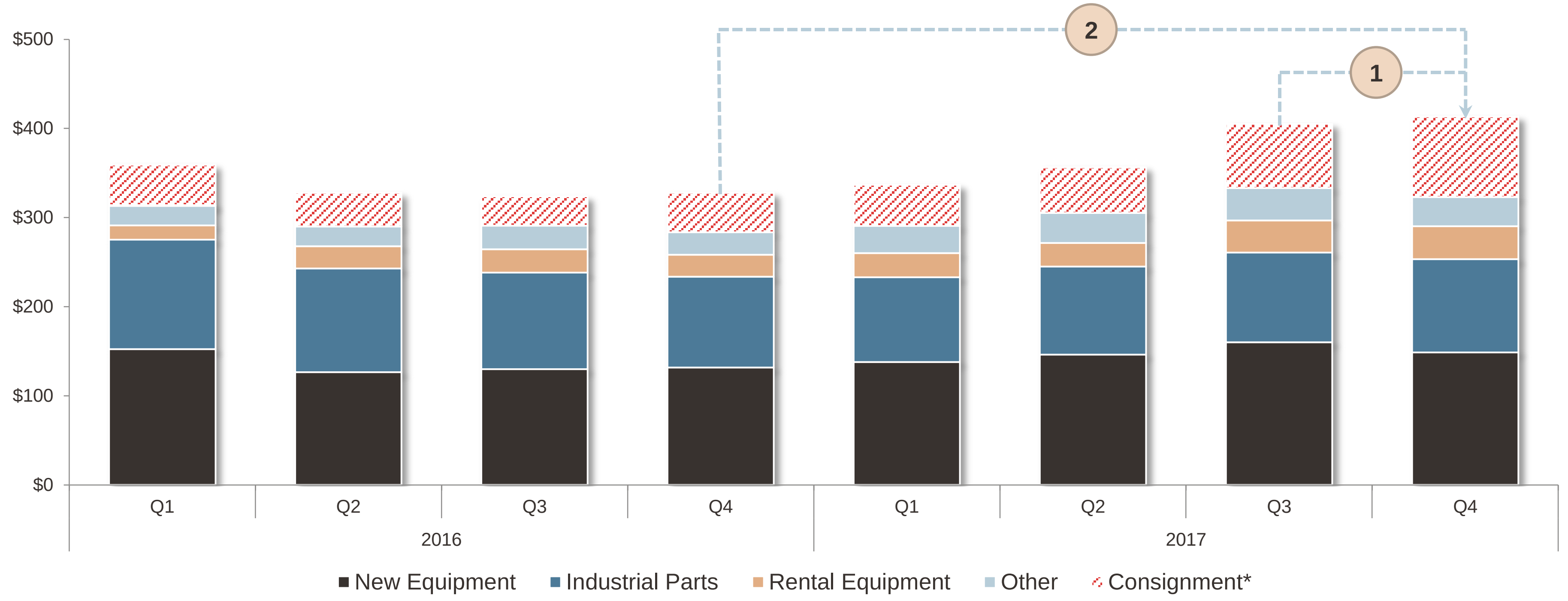
- Tied to the growth in our backlog, we continue to invest in inventory to support the strength of our sales pipeline and 2018 revenue projections while maintaining adequate working capital

① Inventory (including consignment) increased by $8.3 million from Q3 2017 to $413.4 million

  - Increase primarily driven by higher industrial parts and equipment on consignment

② Inventory (including consignment) increased by $85.5 million compared to Q4 2016

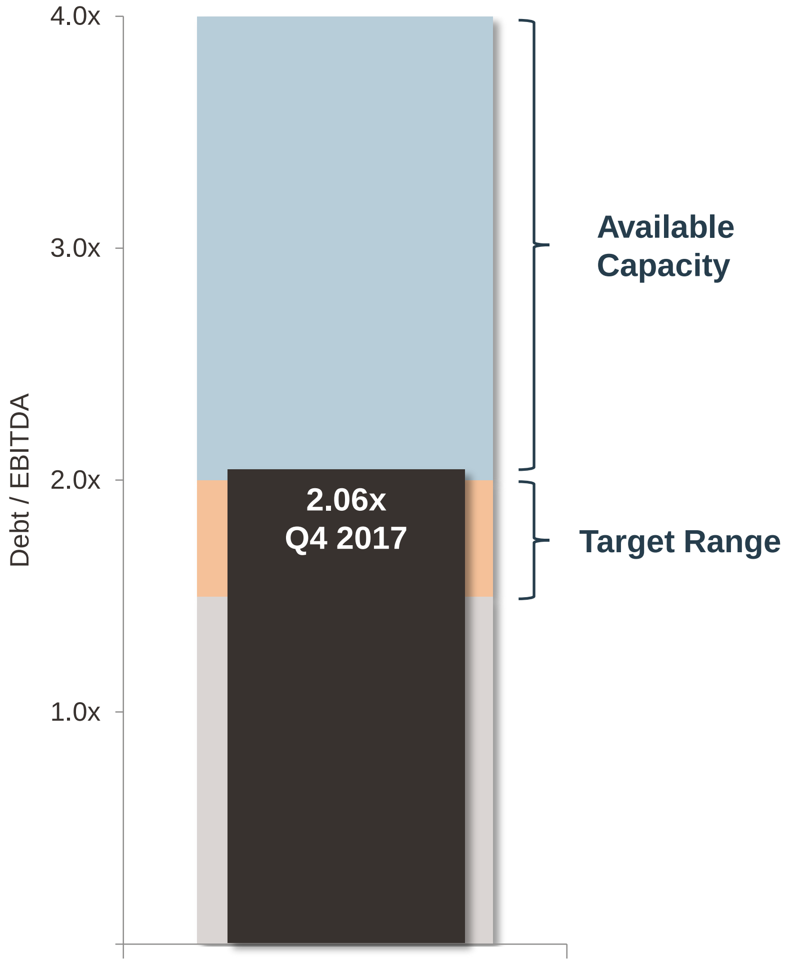
  - Inventory is higher across all product categories as a result of improving market conditions and reflects our higher revenue projections for 2018 relative to 2017



Equipment received on consignment is not included as inventory on the balance sheet as it is not owned by Wajax.

Robust Balance Sheet

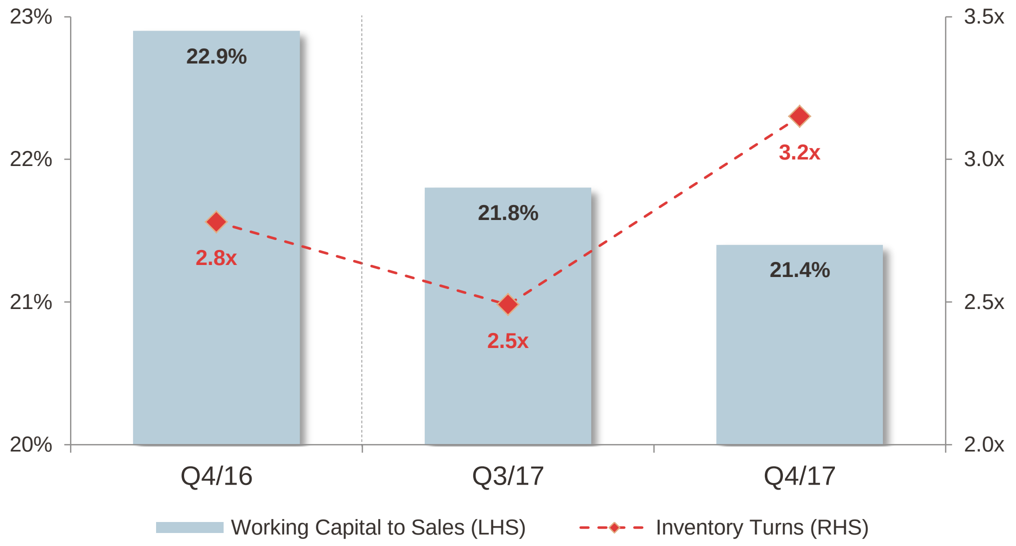
Credit Capacity



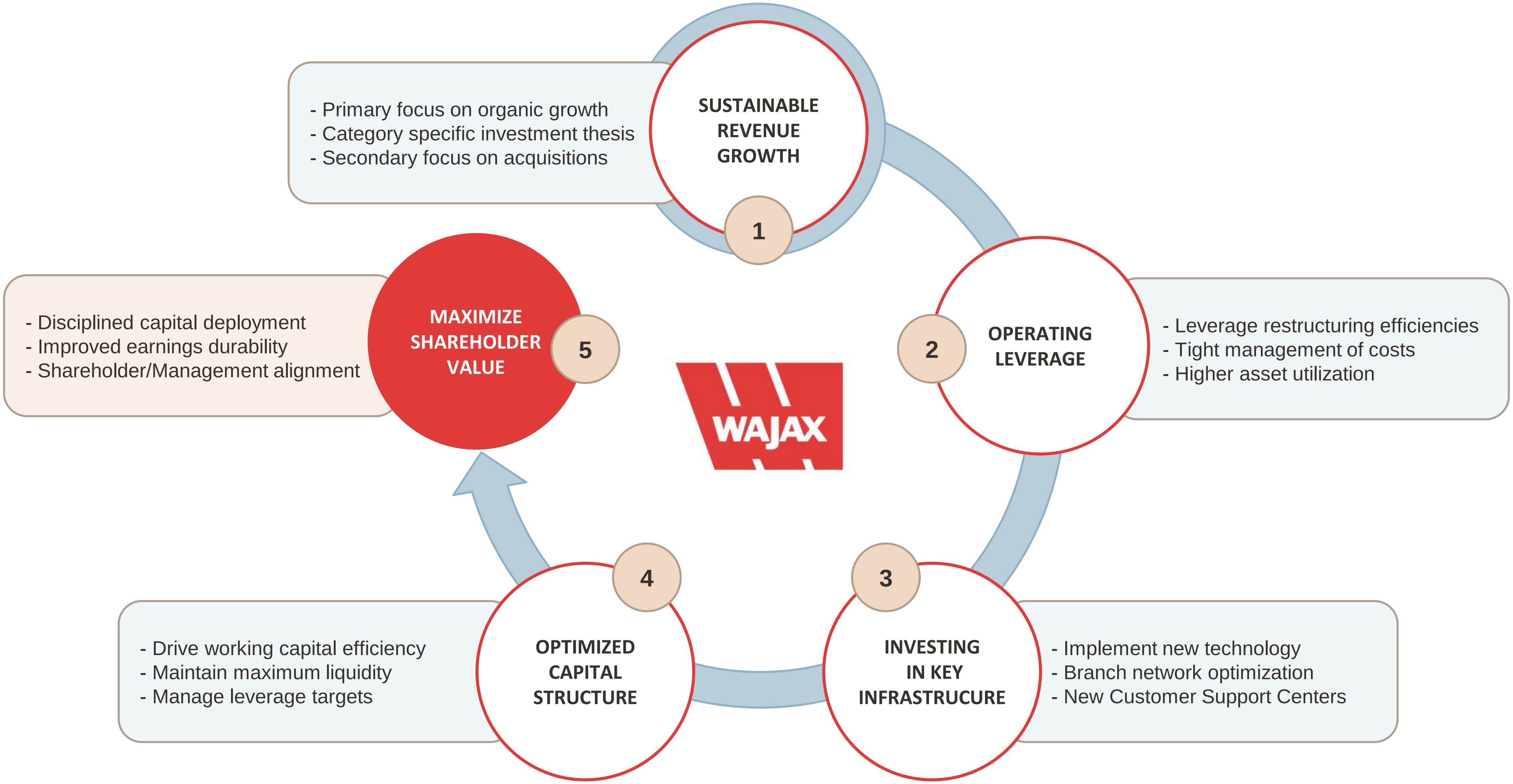
Available Liquidity

- Recently enhanced $300 million committed, revolving credit facility with additional $100 million accordion
- Tier 1 relationship banks in our lending syndicate with strong interest from additional banks to participate
- Strong access to Canadian debt and equity capital markets

Working Capital Efficiency



Strategic Update



- Primary focus on organic growth
- Category specific investment thesis
- Secondary focus on acquisitions

SUSTAINABLE REVENUE GROWTH 1

2 **OPERATING LEVERAGE**

- Leverage restructuring efficiencies
- Tight management of costs
- Higher asset utilization

3 **INVESTING IN KEY INFRASTRUCURE**

- Implement new technology
- Branch network optimization
- New Customer Support Centers

4 **OPTIMIZED CAPITAL STRUCTURE**

- Drive working capital efficiency
- Maintain maximum liquidity
- Manage leverage targets

MAXIMIZE SHAREHOLDER VALUE 5

- Disciplined capital deployment
- Improved earnings durability
- Shareholder/Management alignment

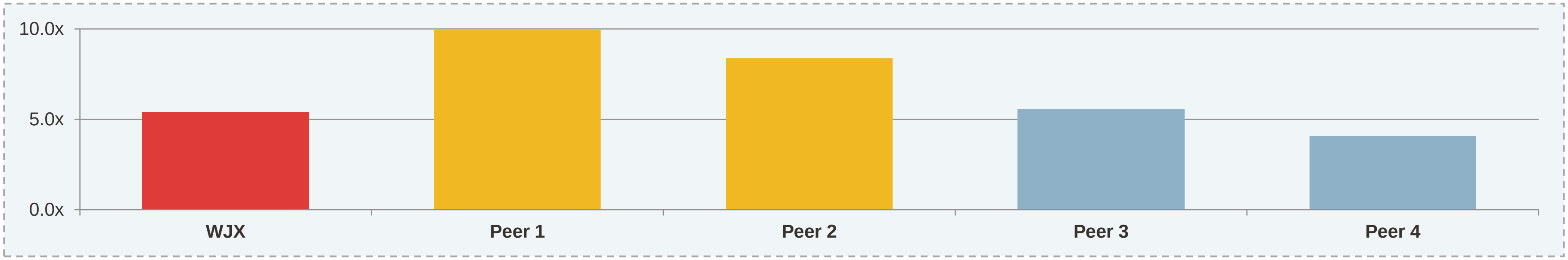
Wajax Outlook

- Achieving our three year strategic plan is based on the following assumptions:
  - Modest revenue growth supported by robust business plans
  - Mid-cycle market conditions
  - Stable gross margins reflecting current competitive dynamics
  - Leveraging our fixed asset investments to keep SG&A rates flat as we grow
- Executing our strategy is expected to lead to higher per share cash flow generation and structurally higher EBITDA[4] margins

($ millions)	**2017**	**Low**	**Mid**	**High**
2017 Actual Revenue	$ 1,319			
3 Year Revenue CAGR[1]	*8.0%[2]*	*5.0%*	*7.0%*	*9.0%*
Implied Revenue Range		**$ 1,527**	**$ 1,616**	**$ 1,708**
Assumed EBITDA[4] Margin	6.0%[3]	7.0%	8.0%	9.0%
Implied EBITDA[4]	**$ 79[3]**	**$ 107**	**$ 129**	**$ 154**
EBITDA[5] CAGR		*10.6%*	*17.8%*	*24.8%*

[1] Growth rates shown are illustrative and are based solely on organic growth
[2] Year over year increase from December 31, 2016
[3] December 31, 2017 reported Adjusted EBITDA margin and Adjusted EBITDA

2018 Consensus EBITDA[4] Trading Multiples *(based on Feb. 23, 2018 closing share prices)*



- Based on 2018 consensus EBITDA[4] estimates, Wajax trades at a significant discount to its larger peers
- As our EBITDA[4] margins improve, the valuation gap relative to these peers should compress, creating meaningful shareholder value

---

[4] EBITDA does not have a standardized meaning prescribed by GAAP. See Non-GAAP and Additional GAAP measures in the Appendix.

Conclusion

- In 2018, Wajax expects adjusted net earnings[1] 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
- Regionally, 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

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

Appendix 1: Non-GAAP[1] and Additional GAAP Measures

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, and
(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures and restructuring (recovery) costs.
(iv) "Adjusted net earnings" provides an indication of the results by the Corporation's principal business activities prior to recognizing the restructuring (recovery) costs, (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 (recovery) costs, (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 (recovery) costs, (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 (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBITDA	EBITDA before restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs.
Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Backlog	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

---

1. Generally accepted accounting principles.

Appendix 1: Non-GAAP and Additional GAAP Measures

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 December 31		**Twelve months ended December 31**	
	2017	2016	**2017**	2016
Net earnings	**$ 8.0**	$ 8.9	**$ 30.9**	$ 11.0
Restructuring (recovery) costs, after-tax	**-**	-	**(0.2)**	9.1
(Gain) recorded on sales of properties, after-tax	**(1.2)**	-	**(1.2)**	-
Senior notes redemption, after-tax	**4.0**	-	**4.0**	-
Adjusted net earnings	**$ 10.9**	$ 8.9	**$ 33.5**	$ 20.1
Adjusted basic earnings per share(1)(2)	**$ 0.56**	$ 0.45	**$ 1.71**	$ 1.01
Adjusted diluted earnings per share(1)(2)	**$ 0.54**	$ 0.44	**$ 1.66**	$ 1.00

(1) At December 31, 2017 the numbers of basic and diluted shares outstanding were 19,504,107 and 20,132,863, respectively for the three months ended and 19,605,884 and 20,204,738, respectively for the twelve months ended.

(2) At December 31, 2016 the numbers of basic and diluted shares outstanding were 19,805,485 and 20,250,820, respectively for the three months ended and 19,898,004 and 20,203,771, respectively for the twelve months ended.

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 December 31
		2017
Net earnings	$	30.9
Income tax expense		11.8
EBT		42.7
Finance costs		9.8
Senior notes redemption(1)		5.5
EBIT		58.0
Depreciation and amortization		22.4
EBITDA		80.4
Restructuring recovery(2)		(0.3)
(Gain) recorded on sales of properties (3)		(1.5)
Adjusted EBITDA	$	78.6

(1) For the twelve months ended 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 December 31, 2017 – Includes the $0.3 million restructuring recovery recorded in the second quarter of 2017.
(3) For the twelve months ended December 31, 2017 – Includes the $1.5 million gain recorded on sales of properties recorded in the fourth quarter of 2017.

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

		December 31
		2017
Bank indebtedness	$	1.7
Obligations under finance leases		9.5
Long-term debt		143.7
Funded net debt	$	154.9
Letters of credit		7.3
Debt	$	162.2
Leverage ratio(1)		2.06

(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 agreement"). The resulting leverage ratio under the agreement is not significantly different.

WAJAX

\\ Together We Get More Done.

wajax.com