



WAJAX 2022 ANNUAL REPORT

\\ Together We Get More Done.™

2022 Financial Highlights

In 2022, Wajax generated record revenue, near-record earnings and our leverage ratio declined to its lowest point in 10 years. This strong financial performance was led by robust heavy equipment and industrial parts sales growth. Improved earnings enabled the early repayment of Wajax's acquisition credit facility and its current balance sheet strength provides flexibility to pursue both organic and acquisitive growth in the year ahead.

2022

2021

Revenue (millions)

\$1,963

\$1,637

Adjusted Basic Earnings Per Share⁽¹⁾

\$3.26

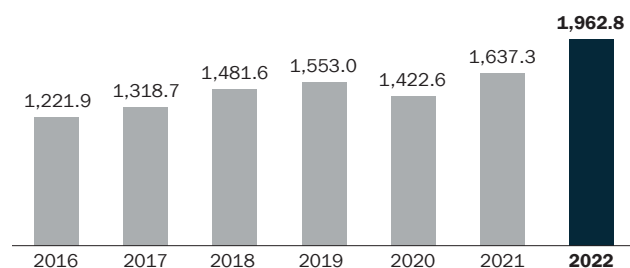
\$2.41

Adjusted EBITDA⁽¹⁾ (millions)

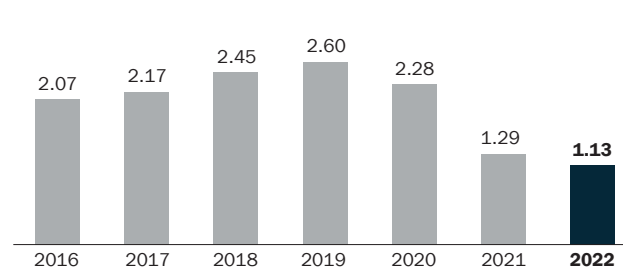
\$165.9

\$145.6

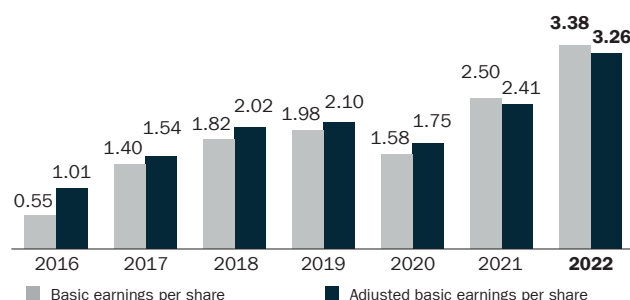
Revenue (\$ millions)



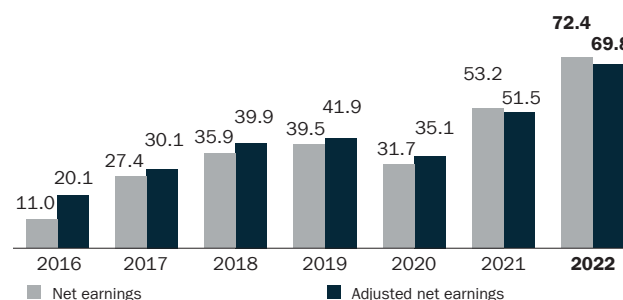
Leverage Ratio⁽¹⁾ (%)



Earnings and Adjusted Earnings Per Share⁽¹⁾ (\$ millions)



Net Earnings and Adjusted Net Earnings⁽¹⁾ (\$ millions)



(1) "Leverage ratio", "Adjusted EBITDA", "Adjusted earnings per share" and "Adjusted net earnings" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). See Management's Discussion and Analysis, page 17.

Forward-Looking Statements and Information: This Annual Report, including the accompanying Management's Discussion and Analysis, includes forward-looking statements and information that is based on Wajax's current beliefs, expectations, estimates and assumptions in light of information currently available. Actual results, performance and achievements may differ materially from those anticipated or implied in such forward-looking statements or information. Please see page 37 for a discussion of the risks and uncertainties related to such statements and information.



With 121 branches and more than 160 years of experience offering world-class brands, unwavering customer support and advanced technical expertise to diverse industries, Wajax is able to provide solutions that help customers nationwide get more done – efficiently and effectively.

BUILDING THE BUSINESS TOGETHER

In 2022, Wajax:

- Entered into an expanded direct distribution relationship with Hitachi spanning construction excavators, mining equipment and related aftermarket parts, which strengthens the brand's competitive position in the Canadian marketplace
- Completed two tuck-in Industrial Parts and Engineered Repair Services acquisitions, adding three new valve servicing and repair locations in northern Alberta and an Ontario-based specialist provider of industrial process pumps, valves, and monitoring and control systems
- Exited the year with a strong backlog of \$469 million⁽¹⁾
- Extended the maturity date of its \$400 million bank credit facility to October 1, 2027
- Grew its team of employees to over 3,000, including more than 1,100 skilled technicians, while delivering its best-ever safety results

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(1) "Backlog" does not have a standardized meaning prescribed by GAAP See Management's Discussion and Analysis, page 17.

Message to Shareholders

During its 165th year in business, Wajax grew revenue by 20% and earnings per share by 35% over 2021, and achieved its safest year on record. Our strong balance sheet, expanded relationship with Hitachi and growing acquisition pipeline ideally position us for continued growth.

Investing in Our Most Valuable Resource

At Wajax, people are our most valuable resource. Customers rely on our 3,000+ team members every day for technical sales, maintenance and repair of sophisticated equipment and components, as well as innovative technical solutions, all delivered with exceptional customer service. In the current tight labour market, diversified industrial companies are competing for an increasingly scarce number of talented individuals, especially those with advanced technical and heavy equipment skills. In 2022, our Recruitment, Training and Development, and Total Rewards teams worked diligently to target, hire, train and retain key talent. Specific initiatives included: expanding onboarding programs; implementing a new learning management system with additional courses focused on safety, technical skills and leadership training; enhancing recognition initiatives; the addition of a new healthcare spending account; expanding wellness initiatives; and new special retention bonuses and incentives. We were also recognized during the year by the Canada Awards for Excellence, achieving Gold certification in the Healthy Workplace® and Mental Health at Work® categories.

The results show, and our employee Net Promoter Score® increased again in 2022 to +25, up from +21 in 2021 and 2020, and +10 in 2019. In the coming year, we will continue our efforts to ensure that our team members have all the tools they need to thrive and succeed.

Driving Efficiency in the Business

As we managed through the supply chain issues continuing to affect organizations globally, we focused particular effort on maintaining inventories of key products. This resulted in a significant improvement in our fill rates, which was in turn reflected in our excellent customer Net Promoter ScoreSM of +71.

The implementation of our new Enterprise Resource Planning ("ERP") system – now operational in 50% of our branches – continues to gather momentum as we work to further upgrade the speed and efficiency of our business, with the ultimate goal of driving improved margins.

Hitachi Leading the Way in Heavy Equipment

In March 2022, our expanded direct distribution relationship with Hitachi became a reality. While we have enjoyed a multi-decade relationship with this premium provider of mining and construction equipment, we are tremendously excited to move ahead in 2023 with Hitachi as a strong, committed and exclusive partner. Although we are still in the early days of this expanded relationship, we are seeing healthy growth in new equipment sales, driven in part by a



Ignacy (Iggy) Domagalski, President and CEO

growing volume of multi-unit deals – and the continued expansion of the deployed fleet is expected to generate greater product support opportunities over the mid-term. Hitachi has reinvigorated its approach to the Americas – investing heavily in building its brand through additional marketing initiatives and expanded infrastructure, and we are proud to play an important role in its growth plans.

Multiple Avenues for Growth in Industrial Parts and Engineered Repair Services

The heavy equipment business has historically made up a significant portion of Wajax's revenues and 2022 was no exception, with 59% of overall revenue coming from equipment sales, product support, and equipment rentals. Our longer-term goal is for our less cyclical, higher margin Industrial Parts ("IP") and Engineered Repair Services ("ERS") business to represent a larger share of overall revenue, even as our heavy equipment business continues to grow. Although we continue to pursue significant organic opportunities to grow our IP and ERS business, to accelerate growth, we have deployed over \$180 million in acquisition capital over the last five years to increase our product and service offerings, and expand our geographic footprint. In the last year, we completed two tuck-in acquisitions, adding three new valve servicing and repair locations in northern Alberta and an Ontario-based specialist provider of industrial process pumps, valves and control systems. Our acquisition strategy continues to be largely focused on small- and medium-sized businesses that enhance our capabilities, expand our geographic reach, and add skilled technical labour.

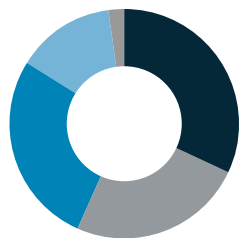
Excellent Results and a Strong Balance Sheet

In 2022 we delivered record revenue of nearly \$2.0 billion, up 20% over the prior year, and saw our adjusted, fully diluted EPS grow 35% to \$3.15⁽¹⁾.

We generated \$69 million in cash flow from operations, reflecting investments in inventory and increases in receivables to support a growing business.

We continue to manage our balance sheet prudently, and saw our leverage ratio decline to a 10-year low of 1.10 times⁽¹⁾ during the year, before rising slightly to 1.13 times⁽¹⁾ at year-end. Our strong balance sheet gives us the flexibility to invest in our expanded Hitachi relationship, additional organic initiatives and acquisition opportunities to help drive future growth.

Revenue Sources (\$ millions)



For the year ended December 31	2022	2021	% change
■ Equipment Sales	\$ 628.6	\$ 484.2	30%
■ Product Support	483.9	437.6	11%
■ Industrial Parts	535.8	438.1	22%
■ ERS	275.5	241.7	14%
■ Equipment Rental	39.1	35.5	10%
	\$ 1,962.8	\$ 1,637.3	20%

Revenue by Geographic Region (\$ millions)



For the year ended December 31	2022	2021	% change
■ Western Canada	\$ 935.9	\$ 698.4	34%
■ Central Canada (Ontario)	317.9	311.7	2%
■ Eastern Canada*	709.0	627.2	13%
	\$ 1,962.8	\$ 1,637.3	20%

* Includes Quebec and the Atlantic provinces.

Revenue by End Market



For the year ended December 31	2022	2021
■ Mining	16%	16%
■ Construction	16%	15%
■ Industrial/Commercial	13%	12%
■ Forestry	12%	14%
■ Oil Sands	9%	9%
■ Oil and Gas	9%	8%
■ Transportation	7%	8%
■ Metal Processing	6%	6%
■ Government and Utilities	5%	6%
■ Other	7%	6%

Expanding Our Commitment to Sustainability

As detailed in our third annual sustainability update, during the year we continued to build on our solid foundation. Environmentally, we remain focused on lowering greenhouse gas emissions through reduced energy consumption and waste. Socially, we remained committed to improving the whole health of our people and delivered a TRIF result⁽²⁾ of 0.84, our best safety result on record. We also furthered our diversity and inclusion efforts by doubling the number of female technicians we employ, hiring Ukrainian refugees, and rehiring retirees to leverage their significant stored skills and experience. From a governance perspective we enshrined ESG-specific responsibilities in our board and board committee charters, further entrenching sustainability at the highest levels of the organization. I would encourage shareholders to review the Sustainability section of this report for more detailed information, including the evolving list of key metrics we track.

Our Outlook Remains Favourable

Moving into 2023, we continue to see solid fundamentals in many of the markets we serve – particularly mining, energy and construction – supported by relatively elevated key commodity prices and sustained budgeting for capital projects. We started 2023 with a strong start-of-year backlog of \$469 million⁽¹⁾, up 11% from 2022, which supports our confidence in the near-term future.

In addition to expected growth in our heavy equipment business, we anticipate further strong demand in our less cyclical IP and ERS businesses, building on the 22% and 14% top-line growth we saw in those respectively, in 2022. We expect the challenges of 2023 to be similar to those of 2022 – ongoing supply chain volatility, higher interest rates, inflation and a tight labour market.

Our core strategic priorities remain unchanged and we are focused on continuing to invest in our people and their overall health and well-being, delivering exceptional customer value, organically growing our business, transacting on a robust acquisition pipeline, leveraging our enhanced relationship with Hitachi, prudently managing our balance sheet, deploying our ERP system, and entrenching sustainability into the business.

We're Excited for the Future

In closing, I want to thank each of our team members for a safe and successful year. I especially want to recognize our senior leaders, many of whom took on additional work and new roles during the year, who contributed to our strong financial performance. I also want to thank our new Chair, Ed Barrett, and our board for their wise counsel and guidance as we work to maximize the significant opportunities we have before us. Finally, I want to thank our customers and suppliers, as together we have managed through one of the most trying periods in recent history. I am proud of all that we have accomplished together in the last year, excited by what the future holds for our organization, and look forward to reporting to you all on our progress throughout the next year.

Ignacy (Iggy) Domagalski
President and Chief Executive Officer

(1) "Adjusted diluted earnings per share", "backlog" and "leverage ratio" do not have standardized meanings prescribed by GAAP. See Management's Discussion and Analysis, page 17.

(2) Total Recordable Incident Frequency ("TRIF") = total recordable injuries x 200,000 / number of hours worked.

Heavy Equipment

Wajax's combination of heavy equipment expertise and long-standing relationships with best-in-class OEMs allows us to offer solutions that meet our customers' productivity, safety and sustainability goals. Our teams work to deliver unparalleled sales, product support and service, keeping Canadian businesses running smoothly and efficiently.

STRONGER TOGETHER

Leveraging an Expanded Relationship with Hitachi

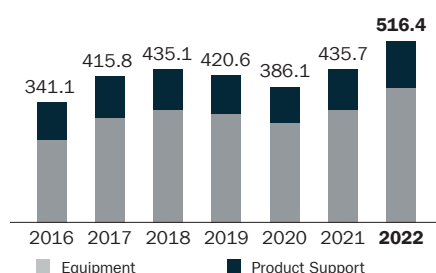
Over more than two decades, Wajax has been one of Hitachi's largest and most successful independent distributors globally. In August 2021, Hitachi Construction Machinery ("HCM") announced its intention to relaunch its business in the Americas and to enter into an expanded direct relationship with Wajax in the Canadian market commencing on March 1, 2022. Building on their reputation for premium construction and mining equipment solutions, Hitachi is focused on supporting customers beyond the sale of new machinery through expanded parts and service, rentals, used equipment, parts remanufacturing and financing solutions. By leveraging capabilities from within the HCM group of companies, including digital fleet management and monitoring solutions, establishing selected joint ventures outside the group, and investing in upgraded regional infrastructure, Hitachi is supporting an enhanced customer experience through improved safety, better productivity and lower lifecycle costs. Hitachi also

continues to work with customers globally to sustainably electrify their fleets with a growing array of hybrid and, incrementally, full electric solutions.

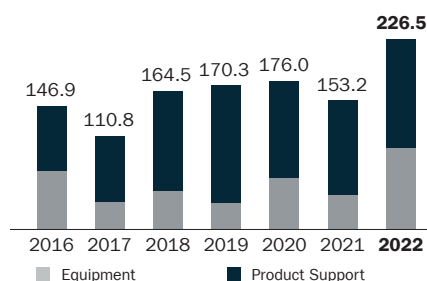
The expanded direct distribution relationship is expected to yield a number of benefits for Wajax, including:

- Better sales pipeline visibility with greater multiple-unit sales potential;
- A growing stream of product support opportunities across an expanding installed base;
- Improved access to both equipment and parts which helps ease global supply chain challenges;
- Access to an evolving and differentiated suite of premium products; and
- Enhanced customer service and support across the relationship value chain.

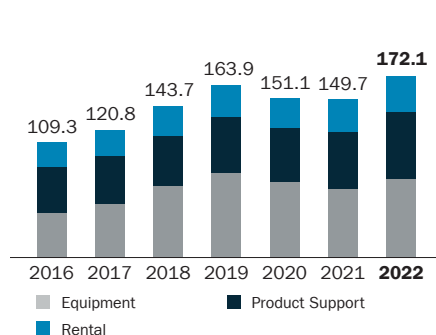
Construction, Forestry, Crane and Utility Revenue (\$ millions)



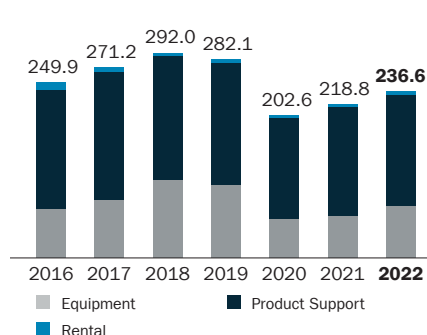
Mining Revenue (\$ millions)



Material Handling Revenue (\$ millions)



Power Systems Revenue (\$ millions)





Q&A with Steve Deck, Chief Operating Officer and Senior Vice President, Heavy Equipment

Q: Where do you think the best growth opportunities lie?

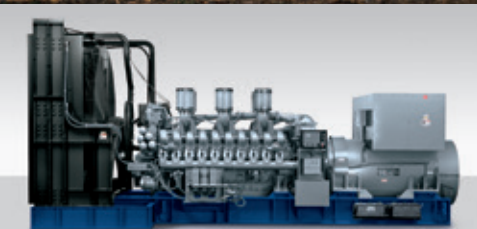
A: Wajax continues to work with a full range of leading OEMs spanning construction (Hitachi and Bell Equipment), material handling (Hyster-Yale Group), forestry (Tigercat), and power systems (Rolls-Royce Power Systems, Allison Transmission, Detroit and Volvo Group), and we work diligently with each one of our valued partners annually to develop targets and strategies to drive market share gains. Each of these innovative manufacturers deliver specialized solutions that Wajax is proud to sell, provide parts for, and service. Working with leading suppliers ensures we have the latest solutions to address our customers' increasing productivity and sustainability requirements.

Q: How has Wajax's Heavy Equipment business managed through the ongoing global supply chain issues?

A: We have worked closely with our customers to fully understand their specific needs and multi-year capital equipment strategies. This has translated into a growing number of advance orders with staggered delivery dates, replacing what were previously nearer-term orders fulfilled directly from inventory. We continue to work with all of our suppliers to secure inventory of key products as they become available. In Hitachi's case, their commitment to expansion in the Americas has seen them re-allocate selected units across regions, which supported high fill rates in 2022 and is expected to help do so again in 2023.

Q: How has Wajax's Heavy Equipment business managed inventory levels in the last year?

A: As a team, we've carefully managed inventory levels to rapidly meet customer needs wherever possible. Based on strong demand for heavy equipment, and to tackle ongoing supply chain issues, we have worked to invest in replenishing depleted inventories where product is available. A significant portion of the investment has been on parts to help drive growth in the higher margin product support side of the business, where we believe there are opportunities to grow by servicing an increasingly larger base of heavy equipment sold to customers.



Wajax offers a full suite of products from leading OEMs with solutions for moving earth, tree harvesting, handling heavy loads and powering a range of commercial and industrial vehicles. We serve customers across the mining, oil and gas, forestry, construction, industrial and transportation sectors.



Industrial Parts and Engineered Repair Services



Through a combination of acquisitions and organic growth, Wajax has established itself as a leader in the Canadian industrial products and services market. Customers face a series of challenges as they work to drive operational efficiencies, maintain high levels of safety, and support improved sustainability, all against a backdrop of accelerating shortages in labour and engineering expertise. Wajax understands these challenges and has the experience to address them now and into the future, with the technical expertise across a broad set of applications and engineering skill sets.

PUTTING THE PIECES TOGETHER

Engineered Solutions from Design to Integration, Fabrication and Maintenance

Offering on-site, in-house and in the field maintenance, repair and overhaul services, Wajax's team of ERS engineers and technicians help ensure customer operations run at peak performance. With both preventative maintenance and emergency services, Wajax helps minimize wear and tear and keeps key equipment up and running with high levels of efficiency.

Supported by a Full Suite of Industrial Parts

Wajax's line of industrial parts are sourced from trusted brands and include an extensive range of OEM and warranty approved aftermarket components, including bearings, power transmission, hydraulics, pneumatics, bulk material handling, fluid handling, filtration, motors, valves, instrumentation and safety and mill supply. A centralized approach to fulfillment ensures customers receive their parts quickly, when and where they need them.

Building a Unique Industrial Products and Services Growth Platform

Since 2018, Wajax has deployed more than \$180 million in acquisition capital to build an industrial products and services platform that is unrivalled in the Canadian marketplace. Through its Voice of the Customer ("VOC") program, the Corporation has taken a focused approach to developing and acquiring unique service capabilities in mission-critical market applications that customers value highly.

Offering Differentiated Services that Create Incremental Industrial Parts Demand

The strategy of leading with a differentiated service offering creates opportunities to "pull through" incremental demand for Wajax products. Combined with the Wajax Heavy Equipment offering, the Corporation has a breadth of expertise that is unrivalled in the Canadian marketplace and enables cross-selling opportunities.

Leading Technical Expertise to Help Customers Solve Their Engineering Challenges

Since the program's inception in 2018, all the data collected through Wajax's VOC program has consistently shown that the two biggest drivers of customer satisfaction are: 1) "knowledgeable and helpful representatives" and 2) "easy access to technical or service support". Thus, Wajax's team is the cornerstone of the Corporation's brand positioning and value proposition. Wajax continues to invest heavily through the Wajax University employee training program in the technical skills and competencies so highly valued by its customers.

Establishing a Scalable Model Not Easily Replicated

Wajax's differentiated ERS strategy, combined with providing customer access to a broader Wajax offering has enabled us to build a scalable model that is not easily replicated either on- or off-line. Successful execution of the model through Wajax's Key Account Program has enabled the company to continue to gain share in the estimated \$10 billion industrial products and services market, and more than double revenues since 2016⁽¹⁾. In 2022, the Corporation established an innovation hub with a focus on the development and introduction of new digital customer offerings that will be launched to the market under the new Wajax TechIQ brand, creating further customer value.

THE ONE WAJAX APPROACH IN ACTION

A leading global mining group that had previously purchased excavators and haul trucks from Wajax was looking for assistance in maintaining the ore processing loop at one of its mines. Using vibration monitoring, the client had identified that a critical bearing in one of their finishing mills was degrading and likely to fail within six months.

The assignment was to come up with a replacement plan that met stringent criteria. Downtime had to be minimal, and neighbouring components could not be exposed to cutting or heating tools – precluding the use of standard extraction methods. Lastly, the replacement parts had to be reliable with a long service life. In competition with three other service providers, and without the benefit of original design details, Wajax leveraged its IP and ERS expertise and developed a solution that permitted replacement of the bearing from outside the mill, preserving the integrity of the neighbouring components. This value-added approach and ability to draw on expertise from across the country resulted in minimal downtime of only 29 hours and saved Wajax's customer an estimated \$3.5 million in potential costs.



Wajax's nationwide network of skilled ERS technicians provide a full range of engineering, reliability, specialty field work and program management solutions and services to sectors across Canadian industry.



Q&A with Justin Warren, Senior Vice President, IP and ERS

Q: How do you plan to grow Wajax's Industrial Products and Engineered Repair Services Business?

A: Since developing the IP and ERS strategy in 2016, we have more than doubled our revenues in this market by successfully developing a unique set of service capabilities, and leveraging these to drive incremental parts demand. We will continue to introduce new ERS capabilities across mining and resources, energy and renewables, and manufacturing markets through a combination of organic investments and targeted acquisitions. We also made significant progress in 2022 in improving customer service levels on parts, which creates another source of competitive advantage, and we will continue to invest in this area. We are also growing our key accounts team across the country to increase share of wallet.

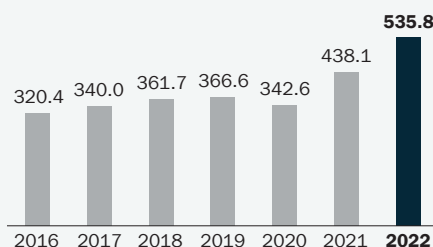
Q: How has Wajax's Industrial Parts business managed through the ongoing global supply chain issues?

A: Wajax offers more than four million SKUs. In 2022, we prioritized ensuring we had a steady supply of our top selling SKUs that compose a meaningful portion of our Industrial Parts sales. Beyond that, as a leading supplier often representing multiple brands within the same category, we worked to ensure that we had a least one option for our customers, even in the absence of their usual preferred brand.

Q: How are you leveraging technology within the Industrial Parts and Engineered Repair Services business?

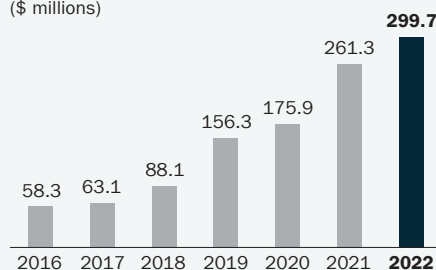
A: With technology being such a broad area, we are focusing our digital strategy in three specific technology areas: 1) improved customer experience; 2) improved employee experience, particularly that which allows our field technicians to better serve our customers; and 3) improved productivity of our operations. The new TechIQ platform is one of the customer-focused applications of our approach – providing real-time condition monitoring to maximize uptime. Our focus on employee technology is on the deployment of tools and applications that assist our technicians in the field and can help us train new ones faster. Together, over time, these tools can help to address the shortages of skilled labour. Some of the technology we are deploying across our operations to improve functional productivity include a new engineering platform that standardizes processes across the business and new mobile applications to improve shop and field productivity.

Industrial Parts Revenue (\$ millions)



Engineered Repair Services Revenue⁽¹⁾

(\$ millions)



(1) Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

Sustainability at Wajax

As an organization, we believe individuals, communities, and organizations all need to play their part in addressing societal and environmental challenges that lay ahead. This is important to Wajax because it is the right thing to do, and because we have an obligation to manage the Corporation in a socially, environmentally and progressive fashion.



Wajax is committed to supporting the United Nations' Sustainable Development Goals as applicable to our operations.

Growing Commitment to Sustainability

In 2022, our broader sustainability program gained momentum as we further incorporated Environmental, Social and Governance (“ESG”) priorities into our operational culture along with our board and committee mandates. We also worked hard to improve our employees’ working lives and the lives of those in the communities around us. In short, in 2022 Wajax was a safer, greener, more employee-, customer- and community-focused organization, with stronger governance practices, than ever before.

Sustainability Roadmap		
Area	Priorities	Progress
Environment	- Reduce our carbon footprint from owned or controlled sources. - Offer increasingly sustainable products, support renewable industries, and help customers meet their own environmental goals.	- Conducted LED lighting upgrades and other initiatives resulting in a combined 279 tCO₂e GHG reduction from Scope 2 emissions. - Avoided another 2,458 tCO₂e GHG through recycling. - Conducted energy audits at six branches to determine further GHG reduction opportunities. - Established environmental priorities and carbon reduction targets that align with The Science Based Targets Initiative's (“SBTi”) Well-Below-2C (“WB2C”) scenario, and a strategy with goals and near-term actions to achieve targets⁽¹⁾. 2,200 wind turbines serviced. 4,200 diesel engine components remanufactured.
Social	- Focus on employee health, safety and well-being as a core value. - Give back to the community. - Support diversity and equal opportunity.	- Delivered our safest year on record. - Received validation of our Health and Wellness program at the Gold Level with Excellence Canada. - Record charitable giving of \$260,000, up 108% from last year. - Increased representation of women in skilled trades, frontline roles, management, and on the board of directors. - Supported indigenous communities in their post-secondary journeys; re-hired retirees as well as Ukrainian refugees.
Governance	- Enhance ESG governance for future disclosures and regulated reporting e.g., TCFD and Scope 3. - Uphold high ethical standards in the conduct of our business.	- Added Indirect GHG emissions from employee travel (air), in addition to downstream transportation, to partial Scope 3 baseline. - Enshrined ESG oversight in the Board Mandate and the Charters of the Governance, Audit and Human Resources and Compensation committees of the board. - Continued to deepen our understanding and remained current with ESG regulatory and industry trends.

(1) For GHG emission targets, Wajax is adopting the SBTi's criteria but have not submitted for validation.



Q&A with Cristian Rodriguez, Vice President, Environment, Health and Safety, and Sustainability

Q: Can you describe Wajax's overall approach to sustainability?

A: In recent years, Wajax has significantly increased its commitment to sustainability, recognizing this is critical to our role as a good corporate citizen. The early part of our journey has focused on employee safety while we conducted materiality assessments and developed environmental benchmarks and baselines, before beginning to release our longer-term goals, which we began to do last year. Given our nationwide presence and heavy reliance on our employees to meet the varied needs of our customers, we are working to build a strong position with respect to social initiatives both within the Corporation and in the communities we serve. We also continue to make progress on the environmental and governance elements of our overall sustainability strategy.

Q: Hiring and retaining skilled employees remains a challenge for businesses – how is Wajax addressing the issue?

A: At Wajax, people are our most critical resource. We want our employees to reach their maximum potential, over a long career, with an organization that respects and values them. Our overriding focus has been on our team members' whole health and well-being, and we have received numerous accolades, including this past year, for our mental and workplace health programs in particular. Beyond ensuring we offer competitive compensation and equal opportunities, we have deployed numerous initiatives to help attract and retain key personnel throughout their career lifecycle. These include enhanced onboarding practices, comprehensive training opportunities at all position levels, multiple learning paths, flexible work arrangements, increasingly valuable health benefits and whole well-being programs, employee recognition initiatives, and the opportunity for team members to provide constructive feedback across the board. We are also actively advancing women in skilled trades, supporting indigenous communities in their post-secondary education journeys, hiring retirees to address generational knowledge gaps and support retention and transfer of skills, and hiring Ukrainian refugees. In combination, we feel these initiatives make Wajax an employer of choice in the marketplace as evidenced by the improvement in our employee Net Promoter ScoreSM this year.

Q: What is Wajax doing to fight climate change?

A: Wajax is employing a multi-pronged approach to fight climate change. In addition to reducing our own carbon footprint from the emission sources we control, we are working with our OEM partners and parts suppliers to bring to market increasingly green products and services that help customers achieve their own sustainability targets; offering engineering solutions to the renewable energy sector, which keeps turbine and non-emitting sources of electricity, like wind generation, running; and remanufacturing key components, which reduces the use of raw materials and helps minimize the supply chain carbon footprint.



Wajax is doing its part to reduce its impact on the environment to help ensure that the planet thrives for future generations.

Wajax has significantly increased its commitment to sustainability, recognizing this is critical to our role as good corporate citizens.

4% reduction

in electricity associated
GHG emissions

85% diverted

hazardous waste
through recycling

0.84 TRIF rate⁽¹⁾

\$260,000

charitable contributions in 2022



Gold certification in Healthy Workplace® and Mental Health at Work®

Wajax is committed to being a good steward of the environment. We want to ensure that our operations are managed with a clear focus on minimizing their environmental impact and will increasingly target initiatives that lower energy intensity and reduce waste.

On the Path to Net-Zero

In 2022, Wajax established greenhouse gas (“GHG”) reduction targets that align with SBTi’s WB2C scenario. Our short-term goal is a 10% reduction in GHG by 2025 and 25% reduction by 2030. Wajax aspires to be net-zero by 2050 through a combination of energy efficiency measures and other emission reduction and offset programs.

Reducing GHG Emissions

Facility and Infrastructure Upgrades

LED lighting upgrades and other initiatives resulted in a combined 279 tCO₂e GHG reduction in 2022. This is equivalent to an approximate 4% reduction in electricity-associated GHG emissions, or 1% reduction of total Scope 1 and 2 emissions. Energy audits were conducted to identify further energy efficiency opportunities that could be piloted in 2023, including building automation systems, heat economizers and variable frequency drives. Waste recycling and landfill diversion continues to be a priority with a 2,458 tCO₂e GHG avoided through recycling activities and the further expansion of our waste management program.

Last year Wajax made significant strides toward mitigating the risks associated with spills. Specific initiatives included training associated with prevention, while also implementing additional procedures around incident tracking and corrective actions so that key learnings could be shared across the organization. As part of this ongoing initiative, in 2022 Wajax initiated a three-year tank replacement project to help further minimize the risk of spills.

Offering Sustainable Products

Wajax is committed to leveraging both broad in-house expertise and partnerships with innovative vendors that deliver increasingly sustainable solutions without compromising quality or performance. The use of various solutions that reduce fuel/power consumption involves alternative fuel and power sources including hybrid, full electric and hydrogen fuel cells deployed by manufacturers such as Columbia Vehicle Group and Hyster-Yale Group which helps promote efficient fleet management and reduce GHG emissions and waste.

Over 50% of forklift sales in 2022 were for electric units.

An estimated 4,200 diesel engine components remanufactured in 2022.



Wajax supports sustainable electricity generation, with more than 2,200 wind turbines serviced in 2022 through a comprehensive suite of in-shop, in-the-field and up-tower services.

ERS Supports the Broader Use of Renewables

Wajax’s ERS business continues to support Canada’s multi-decade investment in wind power through a combination of both in-shop and up-tower services. Delom Services’ Wind Division has built a reputation for the provision of high quality electrical, mechanical and safety solutions that keep thousands of Canada’s wind turbines turning and delivering an increasingly large share of non-emitting electricity to Canada’s grid. Wajax’s nationwide branch network allows us to meet the demands of a growing number of customers’ wind power parts and service agreements at the local level.

Remanufacturing Reduces Waste

Remanufacturing of critical components extends their useful life, is often less costly than buying and shipping new ones from source, and helps mitigate supply chain challenges, all of which ultimately contributes to a lower carbon footprint. Wajax remanufactures hydraulic cylinders and rebuilds engines and engine parts. At our state-of-the-art facilities, like the one in Bathurst, New Brunswick, a broken hydraulic cylinder is disassembled, repaired, honed and tested. Every step of the process is completed in-house utilizing modern technology and the latest techniques to ensure the component is returned to OEM specifications. To reduce downtime for valued customers, a remanufactured cylinder from inventory is often sent as replacement while we await the arrival of the damaged component, which is then repaired and placed in our inventory. Likewise, skilled technicians in our Quebec City workshop rebuild engines and remanufacture parts suffering from wear, corrosion, leaks or mechanical failure. Each year Wajax remanufactures thousands of components for diesel engine rebuilds for customers in the mining, defense, on-highway and marine sectors.

Key Environmental Metrics					
Metric	What it Measures	Data			Discussion and Progress
Gasoline fuel consumed megawatt hours (MWh)	Energy consumption within the organization – fleet unleaded and premium gasoline consumption.	6,932	9,911 ⁽⁶⁾	9,907	Fleet fuel consumption remained flat for 2022. Future replacement of fleet vehicles with hybrid and electric vehicles.
		2020	2021	2022	
Diesel Fuel consumed megawatt hours (MWh)	Energy consumption within the organization – fleet diesel fuel consumption.	6,569	7,757*	7,551	
		2020	2021	2022	
Electricity consumed megawatt hours (MWh)	Energy consumption within the organization – building electricity consumption i.e. lighting and equipment operation.	26,916	26,251	26,176	LED lighting upgrades at four branches in 2022.
		2020	2021	2022	
Natural gas consumed megawatt hours (MWh)	Energy consumption within the organization – building natural gas consumption i.e. boilers for heating.	51,941	53,854	58,578	See “Reducing GHG Emissions” section.
		2020	2021	2022	
Tonnes of CO ₂ equivalent (tCO ₂ e)	Direct (Scope 1) GHG emissions from owned or controlled sources – natural gas, fleet fuel gasoline, fleet fuel diesel.	12,243	13,644 ⁽⁶⁾	14,587	Energy audits conducted at six branches with energy reduction measures pilot planned for 2023.
	2020	2021	2022		
	Indirect (Scope 2) GHG emissions from the generation of purchased energy – electricity.	5,121	5,209	4,939	
		2020	2021	2022	
Tonnes of CO ₂ equivalent (tCO ₂ e)	Indirect (Scope 3) GHG emissions from downstream transportation and distribution.	N/A	2,434	2,435	Downstream transportation and distribution GHG’s have remained flat for top five carriers year over year. Over 2022 we initiated reducing our number of less-than-load carriers and couriers from close to 400 to a goal of 100, which will lower GHG emissions.
		2020	2021	2022	
Tonnes of CO ₂ equivalent (tCO ₂ e)	Indirect (Scope 3) GHG emissions from employee travel.	N/A	N/A	621	This is the first year we have collected employee air travel GHG emissions which will serve as a baseline.
		2020	2021	2022	
Non-hazardous waste recycled: percent of total waste stream/tonnes recycled (t)	Non-hazardous waste recycled and landfilled such as packaging and paper products, steel, wood and scrap metal.	565	776	825	The volume of recycled waste increased by 5.9% over last year through a reduction in waste contamination rates leaving more materials suitable for recycling.
		2020	2021	2022	
Hazardous waste recycled: percent of total waste stream/tonnes recycled (t)	Hazardous waste recycled and landfilled such as used oil, oily rags and absorbents, aerosol cans, antifreeze, fluorescent lamps, lead acid batteries, paint related waste.	518	566	547	We remained consistent in the percentage of hazardous waste diverted from landfill by working with our recycling partner.
		2020	2021	2022	
E-waste reused and/or recycled kilograms (kg)	E-waste reused and/or recycled after equipment is taken out of service through obsolescence or breakdown. ⁽⁵⁾	N/A	4,608	2,803	Wajax is recognized by the ERA for e-waste donation. The amount of equipment recycled in 2022 was lower due to the cyclical nature of electronics obsolescence.
		2020	2021	2022	
Tonnes of CO ₂ equivalent (tCO ₂ e)	tCO ₂ e avoided from non-hazardous waste diversion from landfill (recycling cardboard, paper, plastics, wood, metal).	1,407	1,859	1,937	2,458 tCO ₂ e GHG avoided through recycling and waste management program expansion.
	2020	2021	2022		
	tCO ₂ e avoided from hazardous waste diversion from landfill (oil and solvent recycling).	547	686	521	
		2020	2021	2022	

(1) Scope 1, 2, 3 GHG emissions are calculated in accordance with the Greenhouse Gas Protocol Accounting and Reporting principles.

(2) GHG Scope 1, 2 emissions: GHG emissions variance due to real estate mix, acquisitions, and changes in emission factors.

(3) GHG Scope 3 emissions: downstream transportation and distribution, and air business travel only reported at this time.

(4) Energy consumption: 2020 established as baseline.

(5) E-waste: equipment reused or recycled through Electronics Recycling Association (“ERA”).

(6) Increase in diesel consumption and associated Direct (Scope 1) GHG emissions due to fleet size from acquisitions in 2021 and better-quality data.

Wajax believes that employee safety, health and wellness is critical to the overall strength and performance of our business, and our goal is to provide meaningful opportunities throughout employment, including recruitment, development, retention and support of employees of all backgrounds. We also believe that being a good corporate citizen goes beyond just providing employment. We want to invest in and contribute to the communities that we are part of across the country.

Safety Remains a Core Value

In 2022, our diverse team of 22 trained environmental, health and safety (“EHS”) professionals continued to focus on safety, implementing a fresh back-to-basics safety plan, expanded training initiatives, and new safety programs spanning incident investigation, respiratory protection and hearing conservation. The New Hire Orientation Program was revamped to reflect specific job types, including situational awareness training for safety-sensitive roles. 1,259 employees have been trained in situational awareness since the program moved online in 2020, including 315 in 2022. We also implemented safety leadership training for new supervisors and managers to provide them with an overview of the Wajax safety program and culture while building foundational leadership skills. New Wajax-specific safety training programs were also developed (e.g., Lockout-Tagout protocols) and were completed by 692 employees.

Managing EHS Risk Across the Business

Wajax has a third-party contractor management program to minimize the risk associated with third-party work to ensure accepted safety standards are met and contractors are trained and competent for any tasks performed. Exposure to contractor related risk is low at Wajax with most of the safety-sensitive work performed by trained Wajax technicians.

To avoid business disruption, a Crisis Management Team and an emergency alert system is in place with a three-tier escalation process for response based on severity and potential impact to the health and safety of employees, IT infrastructure and business continuity.

Key Indicators of Safety Performance					
Priority	Objectives and Target	Metric	What it Measures	Data	Discussion and Progress
Continuous safety Improvement	TRIF <=1.0	TRIF	Overall safety performance of the organization. A TRIF rate of 1.00 or less is considered exceptional for companies performing high-risk activities.	1.39 1.08 1.02 0.84 2019 2020 2021 2022	2022 was our safest year on record.
	MVA rate <=1.00	Motor Vehicle Accident (“MVA”) Rate ⁽¹⁾	Safety performance of a vehicle fleet. The MVA rate is an industry accepted metric to evaluate fleet safety performance. An MVA rate <1.00 is considered best in class.	3.20 2.66 2.23 0.71 2019 2020 2021 2022	The MVA rate definition was adjusted in 2022. Only incidents where Wajax was at fault, a recordable injury resulted, or damage exceeded \$5,000 are calculated in the MVA rate. For comparison purposes, the 2022 rate would have been 2.69 using the old methodology.
	Corrective Actions >90%	Corrective Actions Closed on Time Average Score (%)	Items requiring follow-up identified through inspections, audits, observations and incidents are each assigned a due date.	92% 95% 95% 92% 2019 2020 2021 2022	The 90% target was met in 2022. The EHS team monitors and provides support to ensure corrective actions are completed and implemented.
	Average Score >90%	Branch Health and Safety Evaluations (%)	Compliance with Wajax standards and occupational health and safety legislation. A 90% grade required to pass.	92% 86% 86% 88% 2019 2020 2021 2022	The fallout of COVID-19 has impacted audit grades since the beginning of the pandemic, however there was improvement in 2022.
	Successful re-certification of all COR certified branches	Certificate of Recognition (“COR”) scores (%)	Confirms our adherence to industry-best safety practices. External audit every three years and a maintenance audit in subsequent years.	94% 100% 98% 86% 2019 2020 2021 2022	Thirty branches are in the COR program. 2022 was a self-assessment year (action plan in lieu of an external maintenance audit).
	LTIF <0.10	Lost Time Incident Frequency (“LTIF”)	The number of lost time injuries for every 200,000 hours worked, which represents approximately 100 employees. An LTIF of <0.10 is considered exceptional for companies performing high-risk activities.	0.52 0.31 0.46 0.16 2019 2020 2021 2022	LTIF in 2022 showed significant improvement and was our lowest rate in the last four years.

(1) MVA Rate = Total number of motor vehicle traffic collisions x 1,000,000 kilometers / number of kilometers driven (does not include Tundra Process Solutions).



Wajax is committed to a diverse and inclusive workplace, which includes both internal initiatives and work with third parties to promote gender equity.

Strength in Diversity

Wajax believes that organizations benefit from having a more diverse workforce, supported by a strong culture of equal opportunity and belonging. Our diversity goal is to attract, retain and develop a diverse and skilled workforce that best represents Canadian society, and to provide a work environment that values and utilizes the contributions of employee's diverse backgrounds, experiences, and perspectives.

Embracing Diversity and Inclusion

In 2022, we continued to build our partnerships with Women Building Futures and Inspire, as well as internally through groups like the Wajax LGBTQ2S+ Community and the Wajax Ukrainian Community. More broadly, we continued to raise awareness around the importance of diversity and inclusion by celebrating events throughout the year including Black History Month, Pride Month, and the National Day for Truth and Reconciliation.

Our recruitment team is focused on presenting a diverse group of candidates to hiring managers, and training for managers was completed to reduce unconscious bias in the selection process. 150 leaders also completed the "Diversity, Equity in the Workplace" course, a three-hour live virtual workshop.

Through these initiatives we successfully onboarded new female technicians and Ukrainian refugees. Through an ongoing pay equity assessment, we determined there was no overall existing gender wage gap at Wajax. Effective in January 2023, and to further support those who identify as female at Wajax, we partnered with Catalyst – a premier global non-profit organization whose stated mission is to advance gender equity through workplace inclusion.

Diversity			
Priority	What it Measures	2021	2022
Diversity and Equal Opportunity – Continuous Improvement	Percentage of Women on Wajax Board of Directors	36.0%	44.0%
	Percentage of Women in Senior Management ⁽¹⁾	25.0%	13.0%
	Percentage of Women Direct Reports to Senior Management	(2)	48.0%
	Percentage of Women at Wajax	19.6%	21.0%
	Percentage of Women in Operational Roles (Technician, Warehouse)	8.3%	10.0%

(1) Composed of Wajax's corporate officers. Representation reported is based on voluntary self-identification.

(2) Comparable data not available.

Building a Culture Around Learning and Development

Learning and development remains an important part of the Wajax employee experience. As an organization we have prioritized access to tools and training that allows employees to excel and advance in their career. In 2022, we replaced our existing learning management system with a new platform, offering enhanced functionality, an improved user experience and better reporting. In 2022, Wajax employees took more than 61,000 hours of training including on-the-job training hours, Wajax University courses, and internal and third-party technical training. This was up 26.4% over the prior year. A core area of focus in 2022 was on customer service where we continue to work to improve our performance by piloting and adopting industry-leading development content. A year ago, we embarked on a multi-year project designed to establish dedicated learning paths for each position at Wajax, with an initial focus on strong areas for growth. We are also continuing to focus on management and leadership training focusing on foundational knowledge, more advanced leadership practices and longer-term career advancement.

Learning and Development			
Priority	What it Measures	2021	2022
Learning and Development	Employee Training Hours Total	48,361	61,120
	Environment, Health and Safety Training, Hours	19,864	27,303



A group of Wajax employees pose in front of the Mississauga Fire Service's "Pink Truck", which helps to raise breast cancer awareness. In 2022, Wajax employees raised close to \$25,000 for the Canadian Cancer Society through events like the annual Run for the Cure.

Delivering on our Commitment to Communities

Wajax has a long-standing commitment to supporting the communities we are part of. In recent years we have increased the number of charitable organizations we sponsor. In the last year we continued our support for the Canadian Cancer Society, Food Banks Canada, Indspire and Kids Cancer Care Foundation of Alberta, while also contributing to humanitarian relief efforts through the Canadian Red Cross for the Ukraine and Atlantic Canada following Hurricane Fiona. As a result, we set a record for annual charitable giving at Wajax, which was up 108% compared with 2021.

Communities			
Priority	What it Measures	2021	2022
Community Service	Charitable contributions to strengthen our organizational culture and our communities	\$125,000	\$260,000

Helping to Maintain Employee's Whole Well-being

At Wajax, we care about our employees' health and well-being. Our long-term strategy continues to focus on the whole person and an array of programs, services and resources were offered in 2022 to support employees and their families with managing their mental, financial, and physical health. In 2022, we were recognized by the Canada Awards for Excellence, achieving Gold certification in Healthy Workplace® and Mental Health at Work®. The Canada

108 Wellness Champions helped engage employees and promote our programming nationwide.

Awards for Excellence are the most prestigious organizational award program in Canada for recognizing organizational performance. Working collaboratively with the Learning and Development team, the Health and Wellness team updated the in-house Mental Health and Wellness Training program in 2022, with training to be launched to all employees in March 2023. Wajax's first summer Wellness Challenge launched in July 2022 with employees making submissions to show how they were staying active and focusing on their physical and mental well-being. The Helping Hands initiative continued to be promoted and used by employees in 2022. It allows team members to offer financial assistance and support to colleagues and/or their family members who are in need following a major life changing event.

Working to Drive the Highest Levels of Employee Satisfaction

Wajax wants its employees to thrive in their roles and enjoy long and successful careers with the organization, while enjoying positive work-life balance. Each year, we conduct our Voice of the Employee survey, which provides team members with the opportunity to share their feedback confidentially, on how Wajax is doing, and what improvements can be made. The results and feedback are reviewed and local action plans are implemented to help drive positive change.

Voice of the Employee			
Priority	What it Measures	2021	2022
Employee Survey Feedback	Employee Net Promoter Score SM (eNPS)	+21	+25

Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business. Earning the trust and confidence of our customers starts with having high ethical standards and strong governance practices in place.

Setting a Highly Ethical Standard

Wajax's Code of Business Conduct (the "**Code**") sets out expected behaviour and conduct for all employees and directors. The Code sets forth important guiding principles regarding dignity, respect, and fairness in the workplace, and sets a clear "zero tolerance" approach for bribery and corruption in Wajax's business dealings and relationships. The Corporation has implemented online anti-bribery and anti-corruption training for all managers, and they are required to complete this training every 24 months. Wajax also maintains an ethics hotline, dedicated e-mail account and post office box where concerns may be reported anonymously; all submissions are investigated and reported on to the Audit Committee of the Board of Directors.

Clear Expectations of Our Team Members

To supplement the principles set out in the Code, Wajax has comprehensive policies in place that clearly spell out the Corporation's expectations in specific areas. Each year all employees are required to review and acknowledge the following policies:

- Code of Business Conduct
- Violence and Harassment in the Workplace Policy
- Alcohol and Drug Policy
- Environmental, Health and Safety Policy
- Health and Wellness Policy
- Acceptable Use (Information Systems) Policy
- Travel, Entertainment and Expense Policy
- Social Media Policy
- Cyber Security Training

Selected employees also must sign off on Chart of Authority and Customer Facing Project policies.

Committed to Sound Corporate Governance Practices

As a publicly traded company, we take our obligation to adhere to sound corporate governance practices very seriously and believe that they are integral to the creation of long-term shareholder value. Our board is strong and experienced, and our directors possess the appropriate competencies, skills and personal attributes to effectively discharge their mandate. Our corporate governance practices are more fully described in our annual management information circular, which is publicly filed and available via SEDAR. A summary of key corporate governance practices is set out in the adjacent table.

Committed to Sustainability

Wajax's board is committed to sustainability, viewing it as essential to being a good corporate citizen and the long-term success of the Corporation. In 2022, we enshrined ESG oversight in our Board Mandate and the Charters of the Governance, Audit and Human Resources and Compensation committees of the board. The board and its committees oversee and monitor the Corporation's approach, policies and practices related to ESG matters, which includes policies proposed by management in respect of environmental, health and safety issues and reviewing regular management reports on the operation of the Corporation's environmental and occupational health and safety management systems.

Key Corporate Governance Practices

Independent board – 89% of directors are independent⁽¹⁾

Independent committees – 100% of board committees are independent

Equity ownership – directors and certain senior officers are required to own shares or have an equity interest in the Corporation to further align their interests with those of shareholders

Non-executive chair – separate Chair and CEO positions and an independent Chair of the board

Majority voting for directors – the board has adopted a majority voting policy

Strong risk oversight – the board and its committees oversee risk management and strategic financial and operating risks

Formal board evaluation process – the directors evaluate the board, committees, chairs and individual director performance every year

Board renewal – the board has adopted age and term limits for directors

Board diversity – the board has adopted a diversity policy, including a target of 30% for the number of women on board, and 44% of directors are women⁽¹⁾

Independent advice – each board committee has full authority to retain independent advisors to assist them in carrying out their duties and responsibilities

Code of conduct – directors, officers and employees must comply with the Corporation's Code of Business Conduct and confirm their compliance every year

Say-on-pay – an advisory vote on our approach to executive compensation has been held every year since 2013

No overboarding of directors – no director sits on more than two other public company boards

No stock options – no stock option awards for directors and officers

(1) As of the date of this report.

Message from the Chair

Wajax again delivered excellent performance in 2022, achieving record revenue and improved profitability for a second straight year, as well as its safest year on record. Robust operational results allowed for the early repayment of the Corporation's acquisition credit facility and the funding of two tuck-in acquisitions, while work continued to develop Wajax's "people first" culture, build the Corporation's acquisition pipeline and support its expanded relationship with Hitachi. As the worst of the coronavirus pandemic recedes, Wajax has emerged stronger, poised to pursue additional growth.

It was a year of notable transitions for Wajax, with Iggy Domagalski assuming the role of President and CEO on January 1, 2022, following the retirement of Mark Foote. As expected, the transition was a smooth one, and the senior management team did not break stride in advancing the Corporation's initiatives throughout the year. The board has been very pleased thus far with Iggy's fresh perspective and approach to building corporate culture and will continue to offer feedback and support as he dives even deeper into the role and plans for Wajax's future. Operationally, Wajax transitioned to its expanded direct distribution relationship with Hitachi on March 1, 2022. Although this expanded relationship remains in its early stages, the board shares management's excitement and enthusiasm regarding Hitachi's reinvigorated approach to the Americas, in which Wajax expects to play an important role.

Working directly with Hitachi has opened up significant new opportunities for Wajax in both equipment sales and product support, with the latter in particular expected to add a recurring stream of higher margin revenue.

The board is strongly committed to supporting this enhanced relationship with Hitachi, and management's work to expand market share for this premium, world-class brand.

More generally, as the global recovery from the coronavirus pandemic continues to evolve, the board is very satisfied with how the Corporation has emerged from the unpredictability and volatility of the past 36 months. Wajax employees from coast-to-coast have continuously gone above and beyond for customers, and each other, while management has consistently prioritized the health and safety of the entire team. Additional management focus areas, including prudent financial management, have ensured that Wajax has the flexibility to continue to execute its organic growth initiatives and ERS/Industrial Parts focused acquisition strategy, and the fruits of these labours are detailed in Iggy's message to shareholders. Although significant challenges persist, including the uneven recovery of global supply chains, constrained labour availability (and particularly skilled technician labour), high levels of inflation and high interest rates, Wajax's robust backlog continues to show momentum in the business, and the board remains confident in the growth strategy and direction of the Corporation.



Edward M. Barrett, Chair of the Board

Another growth area for Wajax is its commitment to sustainability, and the Corporation continues to evaluate ways in which to reduce its environmental footprint, focus on the well-being of employees, and contribute to the communities it serves. Elsewhere in this report is the Corporation's third sustainability update, which details progress made during the year on safety, accolades received for Wajax's mental health programming, and the highest level of charitable giving generated to date. As part of the board's own renewal process, Chair Robert Dexter and director John Eby retired following the close of the Corporation's 2022 annual meeting, and I would be remiss in not recognizing each of them for their service and outstanding contributions. I would also be remiss in not thanking my fellow directors for placing their trust in me as Chair, as we navigate the next exciting chapter in Wajax's long history.

In closing, and on behalf of the board, I want to thank Iggy and his management team for their tremendous work this year in growing the business despite the new and complex challenges occasioned by global events. I also want to thank our employees for their tireless efforts in serving our customers, our suppliers for their continued – and, in many cases, growing – support, and our customers for their loyalty. To Wajax's shareholders and other stakeholders, rest assured we are working diligently to take Wajax to new heights in the years ahead.

A handwritten signature in dark ink, enclosed within a thin, hand-drawn oval border. The signature is stylized and appears to read 'E. Barrett'.

Edward M. Barrett
Chair of the Board

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2022. This MD&A should be read in conjunction with the information contained in the consolidated financial statements and accompanying notes for the year ended December 31, 2022. Information contained in this MD&A is based on information available to management as of March 6, 2023.

Management is responsible for the information disclosed in this MD&A and the consolidated financial statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. Wajax's Board of Directors has approved this MD&A and the consolidated financial statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax and has reviewed this MD&A and the consolidated financial statements and accompanying notes.

Wajax reports on certain non-GAAP measures, non-GAAP ratios, and supplementary financial measures that are used by management to evaluate the performance of the Corporation. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Wajax includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in the Non-GAAP and Other Financial Measures section.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except ratio calculations, share, share rights and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Wajax Corporation Overview

Founded in 1858, Wajax (TSX: WJX) is one of Canada's longest-standing and most diversified industrial products and services providers. The Corporation operates an integrated distribution system, providing sales, parts and services to a broad range of customers in diverse sectors of the Canadian economy, including: construction, forestry, mining, industrial and commercial, oil sands, transportation, metal processing, government and utilities, and oil and gas.

Strategic Direction and Outlook

The goal of the One Wajax strategy is to provide customers with access to the Corporation's full range of products and services while delivering a consistently excellent level of customer service. Wajax is focused on delivering a strong experience for its customers and employees through the execution of clear plans in five key areas:

- **Investing in the Wajax team and putting people first** – The safety, well-being and engagement of our approximately 3,000 employees is the foundation of the Corporation. To help its team members thrive, Wajax is taking a holistic approach to health and wellness, spanning physical, mental, and financial well-being, in addition to providing extensive learning and development opportunities.
- **Investing in Wajax customers and creating a differentiated customer experience** – The Corporation has the privilege of supporting approximately 32,000 customers across Canada, ranging from small local contractors to the country's largest industrial and resource organizations. People are the cornerstone of Wajax's brand and value proposition, and the Corporation will continue to invest in the best tools, training and support to deliver the technical expertise and experience that is highly valued by its customers.
- **Executing a clear organic growth strategy** – The Corporation has organic growth opportunities in each of its heavy equipment and industrial parts and services categories. Heavy equipment categories include construction and forestry, mining, material handling and power systems, which serve a broad range of customer capital equipment and related product support needs. Industrial parts and services categories include industrial parts and engineered repair services ("ERS"), which serve a broad range of customer fixed plant maintenance, repair and reliability needs.
- **Accretive acquisitions strategy** – Acquisitions are an important aspect of the Corporation's growth strategy. The Corporation focuses primarily on acquisitions that add to the breadth and scale of its industrial parts and services categories. Wajax's national infrastructure and extensive customer relationships position it as an aggregator in the highly fragmented ERS and related industrial parts market. Secondly, the Corporation considers acquisitions in heavy equipment categories where extensions to existing major distribution relationships are enhanced.
- **Investing in Wajax infrastructure** – The Corporation invests in its infrastructure to improve the consistency of customer service and lower costs. The Corporation's current programs include the ongoing consolidation of its branch network and investing in new information systems.

In addition to the above and to meet the Corporation's long-term sustainability goals, the Corporation continues to focus and develop its environmental, social and governance programs as outlined below and further discussed in the Corporation's 2022 Annual Report:

Sustainability Roadmap

Areas	Priorities
Environment	Wajax is committed to being a good steward of the environment. The Corporation wants to ensure that its operations are managed with a clear focus on minimizing its environmental impact and will increasingly target initiatives that lower energy intensity and reduce waste. Wajax is also committed to offer increasingly sustainable products, support renewable industries, and help customers meet their own environmental goals.
Social	Wajax believes its most important resource is its people. Wajax wants to ensure employees are safe on the job and physically, mentally and financially healthy. Wajax offers employees the ability to learn continuously across a broad range of topics. Wajax wants a diverse workforce that broadly represents Canadian society. Wajax believes that being a good corporate citizen goes well beyond just providing employment. Wajax wants to invest in and contribute to the communities that it operates in across the country. The Corporation does this through a combination of volunteer hours, fundraising and in-kind donations. Each of these elements is critical to providing world-class service and solutions and the Corporation's overall, long-term success as an organization.
Governance	Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business. Wajax wants its customers to trust the Corporation to help them find solutions across their business, and having high ethical standards and strong governance practices in place are key to maintaining their confidence.

Outlook

In 2022 Wajax delivered record revenue of nearly \$2.0 billion, up 19.9% over the prior year, and saw adjusted diluted earnings per share grow 34.7% to \$3.15. The Corporation generated \$69.1 million in cash flow from operations, reflecting investments in inventory and increases in receivables to support a growing business. Wajax continues to manage its balance sheet prudently, and saw its leverage ratio decline to a 10-year low of 1.10 times during the year, before rising slightly to 1.13 times at year-end. The Corporation's strong balance sheet gives it the flexibility to invest in its expanded Hitachi relationship, additional organic initiatives and acquisition opportunities to help drive future growth.⁽¹⁾

Moving into 2023, Wajax continues to see solid fundamentals in many of the markets it serves – particularly mining, energy and construction – supported by relatively elevated key commodity prices and sustained budgeting for capital projects. The Corporation started 2023 with a strong backlog of \$468.8 million, up 10.5% from 2022, which supports management's confidence in the near-term future. In addition to expected growth in its heavy equipment business, Wajax anticipates further strong demand in its less cyclical industrial parts

and engineered repair services businesses, building on the 22.3% and 14.0% top-line growth seen in those categories, respectively, in 2022. Wajax expects the challenges of 2023 to be similar to those of 2022 – ongoing supply chain volatility, higher interest rates, inflation, and a tight labour market.⁽¹⁾

The Corporation's core strategic priorities remain unchanged and Wajax is focused on continuing to invest in its people and their overall health and well-being, delivering exceptional customer value, organically growing its business, transacting on a robust acquisition pipeline, leveraging its enhanced relationship with Hitachi, prudently managing its balance sheet, deploying its ERP system, and entrenching sustainability into the business.

See the Cautionary Statement Regarding Forward-Looking Information section.⁽¹⁾

(1) "Backlog", "Leverage ratio", and "Adjusted basic and diluted earnings per share" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Other Financial Measures section.

Annual and Fourth Quarter Highlights

2022 Full Year Highlights

- Revenue increased \$325.5 million, or 19.9%, to \$1,962.8 million in 2022 from \$1,637.3 million in 2021. Regionally:
 - Revenue in western Canada of \$935.9 million increased 34.0% from the prior year due primarily to ERS and industrial parts strength, and higher construction and forestry, and mining revenue in the equipment sales and product support categories.
 - Revenue in central Canada of \$317.9 million increased 2.0% from the prior year due primarily to industrial parts strength, offset partially by lower construction and forestry equipment sales.
 - Revenue in eastern Canada of \$709.0 million increased 13.1% from the prior year due primarily to strength in bearings sales, which drove higher industrial parts revenue, and higher equipment sales in the construction and forestry, and power systems categories.
- Gross profit margin of 19.9% in 2022 decreased 40 basis points ("bps") compared to 2021. Excluding the Canada Emergency Wage Subsidy ("CEWS") program recoveries in the prior year of \$3.7 million, gross profit margin decreased 20 bps compared to 2021. The decrease in margin was driven primarily by lower ERS and product support margins, and a higher proportion of equipment sales, largely due to the sale of several large mining shovels in the fourth quarter of 2022. These factors contributing to the decrease in margin were partially offset by higher equipment and industrial parts margins.⁽¹⁾
- Selling and administrative expenses as a percentage of revenue decreased to 14.1% in 2022 from 14.6% in 2021. Excluding the CEWS recoveries last year of \$4.7 million, selling and administrative expenses as a percentage of revenue decreased to 14.1% from 14.9% in the prior year. For the year ended December 31, 2022, selling and administrative expenses increased \$36.9 million compared to last year. This increase was due primarily to higher personnel costs as the volume of business increased over the prior year, and the prior year \$4.7 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year.⁽¹⁾
- EBIT increased \$21.6 million, or 23.4%, to \$113.9 million in 2022 versus \$92.3 million in 2021. The year-over-year increase resulted primarily from higher sales volumes and higher equipment and industrial parts margins. These increases were offset partially by lower product support and ERS margins, a higher proportion of equipment sales, higher selling and administrative expenses, and the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year.

- The Corporation generated net earnings of \$72.4 million, or \$3.38 per share in 2022, versus \$53.2 million, or \$2.50 per share in 2021. The Corporation generated adjusted net earnings of \$69.8 million, or \$3.26 per share in 2022, versus \$51.5 million, or \$2.41 per share in 2021. Adjusted net earnings for the year ended December 31, 2022 excludes non-cash gains on mark to market of derivative instruments of \$2.6 million after-tax, or \$0.12 per share (2021 – losses of less than \$0.1 million after-tax, or less than \$0.01 per share). Adjusted net earnings in 2021 also excluded a gain recorded on the sale of properties of \$2.1 million after-tax, or \$0.10 per share, and Tundra Process Solutions Ltd. (“**Tundra**”) transaction costs of \$0.3 million after-tax, or \$0.01 per share.⁽¹⁾
- Adjusted EBITDA margin decreased to 8.5% in 2022 from 8.9% in 2021. Excluding the CEWS recoveries in the prior year of \$8.4 million, adjusted EBITDA margin increased to 8.5% from 8.4% in the prior year.⁽¹⁾
- Cash flows generated from operating activities amounted to \$69.1 million in 2022, compared to \$190.1 million in 2021. The decrease in cash generated of \$121.0 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of \$148.4 million, which was driven largely by an increase in accounts receivable of \$80.0 million compared to a decrease in accounts receivable of \$8.5 million in the previous year, as well as an increase in inventory of \$72.9 million compared to an increase of \$15.6 million in the previous year. The increase in inventory of \$72.9 million resulted primarily from an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives. These decreases in cash generated were partially offset by an increase in net earnings excluding items not affecting cash flow of \$23.0 million.
- The Corporation's backlog at December 31, 2022 of \$468.8 million increased \$44.5 million, or 10.5%, compared to December 31, 2021 due to higher orders in the construction and forestry, industrial parts and ERS categories, offset partially by lower mining, material handling, and power systems orders.⁽¹⁾
- Working capital at December 31, 2022 increased \$32.6 million from December 31, 2021 due primarily to higher trade and other receivables and inventory levels, offset partially by increased accounts payable and accrued liabilities and higher income taxes payable. Working capital efficiency was 16.8%, a decrease of 370 bps from 2021, due primarily to the higher trailing 12-month average revenue.⁽¹⁾
- The Corporation's leverage ratio decreased to 1.13 times at December 31, 2022 compared to 1.29 times at December 31, 2021 due to the higher trailing 12-month pro-forma adjusted EBITDA. The Corporation's senior secured leverage ratio was 0.71 times at December 31, 2022, compared to 0.82 times at December 31, 2021.⁽¹⁾
- On January 31, 2022, the Corporation announced the acquisition of the net operating assets of Thunder Bay, Ontario-based Process Flow Systems Ltd. (“**Process Flow**”). The net operating assets of Process Flow were acquired in exchange for cash consideration of approximately \$4.0 million, plus a three-year performance-based earnout of up to \$0.7 million in the aggregate, payable in cash. Process Flow's trailing twelve-month revenue at the time of acquisition was \$6.5 million.
- Effective March 1, 2022, Wajax and Hitachi Construction Machinery Loaders America Inc. (“**Hitachi**”) expanded their Canadian direct distribution relationship to include construction excavators, mining equipment and related aftermarket parts. Prior to this, and since 2001, these products had been supplied to Wajax via a third-party joint venture partner to Hitachi Construction Machinery (“**HCM**”). HCM and its joint venture partner dissolved their partnership effective February 28, 2022.
- In June 2022, the Corporation fully repaid its \$50.0 million non-revolving acquisition term credit facility via a drawdown from its revolving term facility. With the repayment, Wajax's bank credit facility now has a \$400.0 million credit limit as at December 31, 2022, composed of a \$50.0 million non-revolving term facility and a \$350.0 million revolving term facility. At December 31, 2022, Wajax had borrowed \$85.0 million and issued \$6.2 million of letters of credit for a total utilization of \$91.1 million of its \$400.0 million bank credit facility.
- Effective June 30, 2022, Tundra, a wholly owned subsidiary of the Corporation, acquired the net operating assets of an Alberta-based division of Powell Canada Inc. (“**Powell Valve**”) specializing in valve sales, service and support. The net operating assets of Powell Valve were acquired for total cash consideration of approximately \$5.4 million, subject to post-closing adjustments. Powell Valve's trailing twelve-month revenue at the time of acquisition was approximately \$8.8 million.
- Effective October 6, 2022, the Corporation amended its \$400.0 million bank credit facility to extend the maturity date from October 1, 2026 to October 1, 2027.
- Subsequent to year-end and effective January 23, 2023, Mark Edgar was appointed to the role of Chief People Officer. Prior to joining Wajax, Mr. Edgar's career has included extensive human resources experience gained as Senior Vice President, Human Resources for Royal Sun Alliance Canada, Head of Human Resources – Corporate, for Centrica plc, the parent company of British Gas, and Head of Human Resources – Customer Group, for British Sky Broadcasting plc (now Sky plc).
- Subsequent to year-end, on March 6, 2023, Wajax announced a 32% increase in its quarterly dividend. The Corporation declared a dividend of \$0.33 per share for the first quarter of 2023 payable on April 4, 2023 to shareholders of record on March 15, 2023.

Fourth Quarter Highlights

- Revenue in the fourth quarter of 2022 increased \$138.5 million, or 34.4%, to \$541.3 million, from \$402.8 million in the fourth quarter of 2021. Regionally:
 - Revenue in western Canada of \$278.8 million increased 64.3% from the prior year due primarily to robust growth in equipment and product support sales in the mining, and construction and forestry categories, and strength in the ERS and industrial parts categories.
 - Revenue in central Canada of \$86.9 million increased 14.4% from the prior year mainly due to organic growth in industrial parts sales.
 - Revenue in eastern Canada of \$175.6 million increased 11.8% from the prior year due primarily to organic industrial parts growth driven by higher bearings sales, and higher equipment sales in the construction and forestry, and material handling categories.
- Gross profit margin of 18.1% in the fourth quarter of 2022 decreased 220 bps compared to the same period of 2021. The decrease in margin was driven primarily by lower product support margins and a higher proportion of equipment sales, largely due to the sale of several large mining shovels in the fourth quarter of 2022 without any similar sales in the same period of the prior year. These factors contributing to the decrease in margin were partially offset by higher equipment margins.⁽¹⁾
- Selling and administrative expenses as a percentage of revenue decreased to 13.2% in the fourth quarter of 2022 from 16.5% in the fourth quarter of 2021, driven by the 34.4% increase in revenue over the prior year. Selling and administrative expenses

in the fourth quarter of 2022 increased \$4.9 million, or 7.4%, compared to the fourth quarter of 2021, due primarily to higher personnel costs as the volume of business increased over the prior year.⁽¹⁾

- EBIT increased \$11.4 million, or 74.4%, to \$26.7 million in the fourth quarter of 2022 versus \$15.3 million in 2021. The year-over-year increase in EBIT resulted primarily from higher sales volumes and equipment margins, offset partially by lower product support margins, a higher proportion of equipment sales, and increased selling and administrative expenses.
- The Corporation generated net earnings of \$16.6 million, or \$0.78 per share, in the fourth quarter of 2022 versus \$8.0 million, or \$0.37 per share, in 2021. The Corporation generated adjusted net earnings of \$17.8 million, or \$0.83 per share, in the fourth quarter of 2022 versus \$7.0 million, or \$0.33 per share, in 2021. Adjusted net earnings for the quarter excludes non-cash losses on mark to market of derivative instruments of \$1.1 million after-tax, or \$0.05 per share (2021 – losses of \$0.2 million after-tax, or \$0.01 per share). Adjusted net earnings in the same period of 2021 also excluded a gain recorded on the sale of properties of \$1.2 million after-tax, or \$0.06 per share.⁽¹⁾
- Adjusted EBITDA margin increased to 7.8% in the fourth quarter of 2022 from 7.1% in 2021.⁽¹⁾
- Cash flows generated from operating activities amounted to \$19.1 million in the fourth quarter of 2022, compared to \$36.0 million in the same quarter of the previous year. The decrease of \$16.9 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of \$30.3 million, which was driven largely by an increase in accounts receivable of \$33.0 million in the fourth quarter of 2022 as compared to an increase in accounts receivable of \$1.9 million in the same quarter of the previous year. This decrease in cash generated was partially offset by an increase in net earnings excluding items not affecting cash flow of \$14.5 million.
- The Corporation's backlog at December 31, 2022 of \$468.8 million decreased \$90.0 million, or 16.1%, compared to September 30, 2022 due primarily to deliveries of multiple mining shovels that were in the prior quarter's backlog, along with most other categories completing more deliveries in the quarter versus new orders added to backlog, most notably in the construction and forestry category. These decreases were partially offset by higher ERS orders.⁽¹⁾
- Working capital of \$346.0 million at December 31, 2022 increased \$3.4 million from September 30, 2022, due primarily to higher trade and other receivables and inventory, partially offset by higher accounts payable and accrued liabilities and income taxes payable. Working capital efficiency was 16.8%, a decrease of 80 bps from September 30, 2022, due to the higher trailing 12-month revenue.⁽¹⁾
- The Corporation's leverage ratio decreased to 1.13 times at December 31, 2022, compared to 1.28 times at September 30, 2022. The decrease in the leverage ratio was due to the combination of the lower debt level in the current period driven by cash generated from operating activities, and the higher trailing 12-month pro-forma adjusted EBITDA. The Corporation's senior secured leverage ratio was 0.71 times at December 31, 2022, compared to 0.81 times at September 30, 2022.⁽¹⁾

(1) "Backlog", "Working capital", "Gross profit margin", "Selling and administrative expenses as a percentage of revenue", "Working capital efficiency", "Leverage ratio", "Senior secured leverage ratio", "Adjusted net earnings", "Adjusted basic and diluted earnings per share", "Adjusted EBITDA", "Adjusted EBITDA margin", and "Pro-forma adjusted EBITDA" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Summary of Annual Operating Results

Statement of earnings highlights

	2022	2021	% change
Revenue	\$ 1,962.8	\$ 1,637.3	19.9%
Gross profit	\$ 390.3	\$ 331.9	17.6%
Selling and administrative expenses	276.5	239.6	15.4%
Earnings before finance costs and income taxes	\$ 113.9	\$ 92.3	23.4%
Finance costs	17.3	19.1	(9.3)%
Earnings before income taxes	\$ 96.5	\$ 73.2	31.9%
Income tax expense	24.1	19.9	21.0%
Net earnings	\$ 72.4	\$ 53.2	36.0%
– Basic earnings per share ⁽²⁾	\$ 3.38	\$ 2.50	35.4%
– Diluted earnings per share ⁽²⁾	\$ 3.26	\$ 2.42	34.9%
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 69.8	\$ 51.5	35.7%
– Adjusted basic earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 3.26	\$ 2.41	35.1%
– Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 3.15	\$ 2.34	34.7%
Adjusted EBITDA ⁽¹⁾	\$ 165.9	\$ 145.6	13.9%
Key ratios:			
Gross profit margin ⁽¹⁾	19.9%	20.3%	
Selling and administrative expenses as a percentage of revenue ⁽¹⁾	14.1%	14.6%	
EBIT margin ⁽¹⁾	5.8%	5.6%	
Adjusted EBITDA margin ⁽¹⁾	8.5%	8.9%	
Effective income tax rate	25.0%	27.2%	

Statement of financial position highlights

As at December 31	2022	2021
Trade and other receivables	\$ 307.1	\$ 223.5
Inventory	462.2	388.7
Accounts payable and accrued liabilities	(423.8)	(305.8)
Other working capital amounts ⁽¹⁾	0.7	7.1
Working capital ⁽¹⁾	\$ 346.0	\$ 313.5
Rental equipment	\$ 39.4	\$ 45.8
Property, plant and equipment	\$ 44.1	\$ 39.6
Funded net debt ⁽¹⁾	\$ 144.6	\$ 143.5
Key ratios:		
Leverage ratio ⁽¹⁾	1.13	1.29
Senior secured leverage ratio ⁽¹⁾	0.71	0.82

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

(2) Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the year ended December 31, 2022 was 21,423,140 (2021 – 21,328,093) and 22,196,918 (2021 – 22,026,875), respectively.

(3) Net earnings excluding the following:

- a. after-tax non-cash gains on mark to market of derivative instruments of \$2.6 million (2021 – losses of less than \$0.1 million), or basic and diluted earnings per share of \$0.12 (2021 – loss of less than \$0.01) for the year ended December 31, 2022.
- b. after-tax gain recorded on the sale of properties of nil (2021 – \$2.1 million), or basic and diluted earnings per share of nil (2021 – \$0.10) for the year ended December 31, 2022.
- c. after-tax Tundra transaction costs of nil (2021 – \$0.3 million), or basic and diluted earnings per share of nil (2021 – \$0.01) for the year ended December 31, 2022.

Annual Results of Operations

Revenue

For the year ended December 31, 2022, revenue increased 19.9%, or \$325.5 million, to \$1,962.8 million, from \$1,637.3 million in 2021. In addition to the regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due to higher construction and forestry revenue in western and eastern Canada, strong mining revenue in western Canada, and higher power systems revenue in eastern Canada, offset partially by lower construction and forestry revenue in central Canada.
- Industrial parts sales have increased due mainly to strong sales in all regions, especially in eastern Canada.
- Product support sales have increased due primarily to higher construction and forestry revenue in western and eastern Canada, strong mining revenue in western Canada, and higher material handling revenue in all regions.
- ERS sales have increased due to strength in western Canada.

Backlog

The Corporation's backlog at December 31, 2022 of \$468.8 million increased \$44.5 million, or 10.5%, compared to December 31, 2021 due to higher orders in the construction and forestry, industrial parts and ERS categories, offset partially by lower mining, material handling, and power systems orders. "Backlog" does not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Gross profit

For the year ended December 31, 2022, gross profit increased \$58.5 million, or 17.6%, compared to the same period last year primarily due to higher sales volumes, and higher equipment and industrial parts margins. These increases were offset partially by the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year, and a higher proportion of equipment sales, largely due to the sale of several large mining shovels in the fourth quarter of 2022.

For the year ended December 31, 2022, gross profit margin of 19.9% decreased 40 bps compared to the same period last year. Excluding the CEWS recoveries in the prior year of \$3.7 million, gross profit margin decreased 20 bps compared to 2021. The decrease in margin was driven primarily by lower ERS and product support margins, and a higher proportion of equipment sales as described above, partially offset by higher equipment and industrial parts margins. See the Non-GAAP and Other Financial Measures section.

Selling and administrative expenses

For the year ended December 31, 2022, selling and administrative expenses increased \$36.9 million compared to the same period last year. This increase was due primarily to higher personnel costs as the volume of business increased over the prior year, and the prior year \$4.7 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year. Selling and administrative expenses as a percentage of revenue decreased to 14.1% in 2022 from 14.6% in 2021. Excluding the CEWS recoveries last year of \$4.7 million, selling and administrative expenses as a percentage of revenue decreased to 14.1% from 14.9% in the prior year. See the Non-GAAP and Other Financial Measures section.

Revenue by Geographic Region (\$ millions)



For the year ended December 31	2022	\$ change	% change
■ Western Canada	\$ 935.9	\$ 237.5	34.0 %
■ Central Canada	317.9	6.2	2.0 %
■ Eastern Canada ⁽¹⁾	709.0	81.9	13.1 %
Total	\$ 1,962.8	\$ 325.5	19.9 %

(1) Includes Quebec and the Atlantic provinces.



For the year ended December 31	2021
■ Western Canada	\$ 698.4
■ Central Canada	311.7
■ Eastern Canada ⁽¹⁾	627.2
Total	\$ 1,637.3

Revenue by End Market



For the year ended December 31	2022
■ Mining	16%
■ Construction	16%
■ Industrial/Commercial	13%
■ Forestry	12%
■ Oil Sands	9%
■ Oil and Gas	9%
■ Transportation	7%
■ Metal Processing	6%
■ Government and Utilities	5%
■ Other	7%

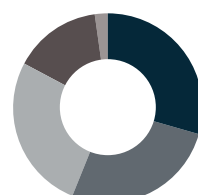


For the year ended December 31	2021
■ Mining	16%
■ Construction	15%
■ Industrial/Commercial	12%
■ Forestry	14%
■ Oil Sands	9%
■ Oil and Gas	8%
■ Transportation	8%
■ Metal Processing	6%
■ Government and Utilities	6%
■ Other	6%

Revenue Sources (\$ millions)



For the year ended December 31	2022	\$ change	% change
■ Equipment sales	\$ 628.6	\$ 144.3	29.8 %
■ Product support	483.9	46.3	10.6 %
■ Industrial parts	535.8	97.7	22.3 %
■ Engineered repair services (ERS)	275.5	33.7	14.0 %
■ Equipment rental	39.1	3.6	10.0 %
Total	\$ 1,962.8	\$ 325.5	19.9 %



For the year ended December 31	2021
■ Equipment sales	\$ 484.2
■ Product support	437.6
■ Industrial parts	438.1
■ Engineered repair services (ERS)	241.7
■ Equipment rental	35.5
Total	\$ 1,637.3

Finance costs

For the year ended December 31, 2022, finance costs of \$17.3 million decreased \$1.8 million compared to the same period in 2021 due primarily to lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 25.0% for the year ended December 31, 2022 was lower compared to the statutory rate of 26.0% due mainly to the impact of changes in estimates related to prior years as a result of the settlement of an uncertain tax position. The Corporation's effective income tax rate of 27.2% for the same period in 2021 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings

For the year ended December 31, 2022, the Corporation generated net earnings of \$72.4 million, or \$3.38 per share, compared to \$53.2 million, or \$2.50 per share, in 2021. The \$19.2 million increase in net earnings resulted primarily from higher sales volumes and higher equipment and industrial parts margins. These increases were offset partially by lower product support and ERS margins, a higher proportion of equipment sales, higher selling and administrative expenses, and the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year.

Adjusted net earnings (See the Non-GAAP and Other Financial Measures section)

Adjusted net earnings for the year ended December 31, 2022 excludes non-cash gains on mark to market of derivative instruments of \$2.6 million after-tax, or \$0.12 per share (2021 – losses of less than \$0.1 million after-tax, or less than \$0.01 per share). Adjusted net earnings in 2021 also excludes a gain recorded on the sale of properties of \$2.1 million after-tax, or \$0.10 per share, and Tundra transaction costs of \$0.3 million after-tax, or \$0.01 per share.

As such, adjusted net earnings increased \$18.4 million to \$69.8 million, or \$3.26 per share, for the year ended December 31, 2022 from \$51.5 million, or \$2.41 per share, in 2021.

Comprehensive income

For the year ended December 31, 2022, the total comprehensive income of \$80.1 million included net earnings of \$72.4 million and an other comprehensive gain of \$7.7 million. The other comprehensive gain of \$7.7 million in the current year resulted primarily from \$8.6 million of unrealized after-tax gains on derivatives designated as cash flow hedges.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2022 annual audited consolidated financial statements.

For the year ended December 31	2022	2021	2020
Revenue	\$ 1,962.8	\$ 1,637.3	\$ 1,422.6
Net earnings	\$ 72.4	\$ 53.2	\$ 31.7
Basic earnings per share	\$ 3.38	\$ 2.50	\$ 1.58
Diluted earnings per share	\$ 3.26	\$ 2.42	\$ 1.55
Total assets	\$ 1,249.9	\$ 1,080.8	\$ 981.4
Non-current liabilities	\$ 286.0	\$ 323.0	\$ 376.9
Dividends declared per share	\$ 1.00	\$ 1.00	\$ 1.00

Since 2020, the COVID-19 pandemic has resulted in governments and public health authorities worldwide enacting emergency measures to combat the spread of the novel coronavirus and its variants, including the implementation of travel bans, physical distancing, self-isolation and quarantine periods. These measures impacted economies and financial markets worldwide, resulting in an economic slowdown that negatively affected the Corporation's end markets, supply chains, and financial results, most notably in 2020.

Revenue in 2022 of \$1,962.8 million increased \$325.5 million compared to 2021. While Wajax saw revenue increases across all categories, the favourable variance was notably driven by industrial parts strength in all regions, higher ERS revenue in western Canada, and robust western Canada equipment sales in the construction and forestry, and mining categories. Revenue in 2021 of \$1,637.3 million increased \$214.6 million compared to 2020. The increase in 2021 was driven largely by ERS and industrial parts strength in western Canada. This was due to the acquisition of Tundra during the year as the Corporation continued to grow its industrial parts and ERS business.

Net earnings in 2022 of \$72.4 million increased \$19.2 million, or 36.0%, from 2021. The increase in net earnings resulted primarily from higher sales volumes and higher equipment and industrial parts margins. These increases were offset partially by lower product support and ERS margins, a higher proportion of equipment sales, higher selling and administrative expenses, and the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year. The Corporation generated adjusted net earnings of \$69.8 million, or \$3.26 per share in 2022, versus \$51.5 million, or \$2.41 per share in 2021. Net earnings in 2021 of \$53.2 million increased \$21.6 million, or 68.2%, from 2020. The increase in net earnings resulted primarily from increased volumes and margins, a higher proportion of industrial parts and ERS sales compared to equipment sales, and prior year restructuring and other related costs of \$7.8 million without a similar cost in the current year. These increases were offset partially by higher selling and administrative expenses and a lower recovery of personnel expenses from the CEWS program. The Corporation generated adjusted net earnings of \$51.5 million, or \$2.41 per share in 2021, versus \$35.1 million, or \$1.75 per share in 2020.

The \$268.5 million increase in total assets from December 31, 2020 to December 31, 2022 was mainly attributable to higher inventory of \$104.7 million, increased trade and other receivables of \$92.5 million, higher goodwill and intangible assets of \$80.0 million, and increased contract assets of \$34.9 million. These increases were offset partially by lower deposits on inventory of \$35.7 million, and lower rental equipment of \$17.5 million.

Non-current liabilities at December 31, 2022 of \$286.0 million decreased \$90.8 million from December 31, 2020, primarily attributable to a decrease in long-term debt of \$88.0 million.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters.

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 541.3	\$ 470.8	\$ 511.2	\$ 439.5	\$ 402.8	\$ 401.3	\$ 446.1	\$ 387.1
Net earnings	\$ 16.6	\$ 18.0	\$ 21.7	\$ 16.1	\$ 8.0	\$ 14.7	\$ 18.1	\$ 12.5
Earnings per share								
– Basic	\$ 0.78	\$ 0.84	\$ 1.01	\$ 0.75	\$ 0.37	\$ 0.68	\$ 0.85	\$ 0.59
– Diluted	\$ 0.75	\$ 0.81	\$ 0.98	\$ 0.73	\$ 0.36	\$ 0.66	\$ 0.82	\$ 0.58
Adjusted net earnings ⁽¹⁾	\$ 17.8	\$ 16.7	\$ 19.7	\$ 15.7	\$ 7.0	\$ 15.5	\$ 16.6	\$ 12.4
Adjusted earnings per share ⁽¹⁾								
– Basic	\$ 0.83	\$ 0.78	\$ 0.92	\$ 0.73	\$ 0.33	\$ 0.72	\$ 0.77	\$ 0.59
– Diluted	\$ 0.80	\$ 0.75	\$ 0.89	\$ 0.71	\$ 0.32	\$ 0.70	\$ 0.75	\$ 0.57
Dividends declared per share	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Weighted average common shares outstanding – basic (in thousands)	21,453	21,400	21,424	21,415	21,409	21,409	21,409	21,080

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak resource sector activity, the first quarter will tend to have seasonally lower revenues. However, the project timing of large mining trucks and shovels and power generation packages can shift revenue and net earnings throughout the year. In addition, the sale of large construction units can also impact revenue due to the seasonality in that industry. In the fourth quarter of 2022, the Corporation sold several large mining shovels resulting in particularly strong revenue in the quarter. In 2020 and 2021, revenues and net earnings were also impacted by COVID-19, with the impact being felt more significantly in 2020 versus 2021.

Effective January 22, 2021, the Corporation acquired Tundra. The results of operations and financial position of this acquired business has been included in the above figures since the date of acquisition.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A available on SEDAR at www.sedar.com.

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31	
	2022	2021
Shareholders' equity	\$ 449.8	\$ 389.9
Funded net debt ⁽¹⁾	144.6	143.5
Total capital ⁽¹⁾	\$ 594.4	\$ 533.4
Funded net debt to total capital ⁽¹⁾	24.3%	26.9%
Leverage ratio ⁽¹⁾	1.13	1.29
Senior secured leverage ratio ⁽¹⁾	0.71	0.82

(1) These measures do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

The Corporation's objective is to manage its working capital and normal-course capital investment programs within a leverage range of 1.5 to 2.0 times and to fund those programs through operating cash flow and its bank credit facilities as required. There may be instances whereby the Corporation is willing to maintain a leverage ratio outside of this range during changes in economic cycles. The Corporation may also maintain a leverage ratio above the stated range as a result of investments in acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors. The Corporation's leverage ratio is currently below the target range, due to strength in the trailing

12-month pro-forma adjusted EBITDA, combined with reduced debt levels on account of cash generated from operating activities. See the Funded Net Debt section.

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2022 of \$449.8 million increased \$59.9 million from December 31, 2021, due primarily to total comprehensive income of \$80.1 million, offset partially by dividends declared of \$21.4 million.

The Corporation's share capital included in shareholders' equity on the consolidated statements of financial position, consists of:

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2021	21,531,428	\$ 207.8
Common shares issued to settle share-based compensation plans	71,408	1.0
Issued and outstanding, December 31, 2022	21,602,836	\$ 208.8
Shares held in trust, December 31, 2021	(122,105)	(1.1)
Released for settlement of certain share-based compensation plans	23,915	0.2
Purchased for future settlement of certain share-based compensation plans	(33,544)	(0.3)
Shares held in trust, December 31, 2022	(131,734)	\$ (1.2)
Issued and outstanding, net of shares held in trust, December 31, 2022	21,471,102	\$ 207.6

At the date of this MD&A, the Corporation had 21,471,102 common shares issued and outstanding, net of shares held in trust.

At December 31, 2022, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan (the "SOP"), the Directors' Deferred Share Unit Plan (the "DDSUP"), the Mid-Term Incentive Plan for Senior Executives (the "MTIP") (with MTIP awards being composed of performance share units ("PSUs") and restricted share units ("RSUs")) and the Deferred Share Unit Plan (the "DSUP").

Each fully vested right under the SOP and DDSUP is settled by the issuance of a common share from treasury. As of December 31, 2022, there were a total of 539,614 rights outstanding under the SOP and DDSUP, of which 512,023 were fully vested. Each fully vested MTIP PSU and certain fully vested deferred share units issued under the DSUP (“**equity settled DSUs**”) are settled by the delivery of a market-purchased common share. As of December 31, 2022, a total of 304,862 MTIP PSUs and equity settled DSUs were outstanding, of which 32,099 were fully vested. Each fully vested MTIP RSU and non-equity settled DSUs (“**cash settled DSUs**”) are settled in cash. As of December 31, 2022, a total of 530,176 MTIP RSUs and cash settled DSUs were outstanding, of which 11,223 were fully vested. Depending on the actual level of achievement of the performance targets associated with the outstanding MTIP PSUs, the number of market-purchased shares required to satisfy the Corporation’s obligations thereunder could be higher or lower.

Wajax recorded compensation expense of \$5.4 million for the year ended December 31, 2022 (2021 – expense of \$6.9 million) in respect of these plans.

Funded Net Debt (See the Non-GAAP and Other Financial Measures section)

		December 31 2022	2021
Bank indebtedness (cash)	\$	5.2	\$ (10.0)
Debentures		55.8	55.2
Long-term debt		83.6	98.2
Funded net debt⁽¹⁾	\$	144.6	\$ 143.5

Funded net debt of \$144.6 million at December 31, 2022 increased \$1.1 million compared to \$143.5 million at December 31, 2021. The increase during the year was due primarily to the payment of lease liabilities of \$32.0 million, dividends paid of \$21.4 million, property, plant and equipment additions of \$9.2 million, and \$9.1 million in cash paid as consideration for business acquisitions, almost fully offset by cash generated from operating activities of \$69.1 million.⁽¹⁾

The Corporation’s ratio of funded net debt to total capital decreased to 24.3% at December 31, 2022 from 26.9% at December 31, 2021 due primarily to the higher shareholders’ equity level in the year.⁽¹⁾

The Corporation’s leverage ratio of 1.13 times at December 31, 2022 decreased from the December 31, 2021 ratio of 1.29 times due primarily to a higher trailing 12-month pro-forma adjusted EBITDA.⁽¹⁾

See the Liquidity and Capital Resources section.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency, interest rate and share-based compensation exposures. Wajax policy restricts the use of derivative financial instruments for trading or speculative purposes.

Wajax monitors the proportion of variable rate debt to its total debt portfolio and may enter into interest rate hedge contracts to mitigate a portion of the interest rate risk on its variable rate debt. A change in interest rates, in particular related to the Corporation’s unhedged variable rate debt, is not expected to have a material impact on the Corporation’s results of operations or financial condition over the long term.

Wajax has entered into interest rate swap contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate swap contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2022, Wajax had the following interest rate swap contracts outstanding:

- \$150.0 million, expiring in October 2026 to October 2027, with a weighted average interest rate of 2.32% (December 31, 2021 – \$150.0 million, expiring in October 2026, with a weighted average interest rate of 2.21%)

Wajax enters into foreign exchange forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 31, 2022, Wajax had the following contracts outstanding:

- to buy U.S. \$135.6 million (December 31, 2021 – to buy U.S. \$96.5 million),
- to buy Euro €0.4 million (December 31, 2021 – to buy Euro €0.5 million),
- to sell U.S. \$37.5 million (December 31, 2021 – to sell U.S. \$37.0 million), and
- to sell Euro €0.6 million (December 31, 2021 – to sell Euro €0.9 million).

The U.S. dollar contracts expire between January 2023 and August 2024, with an average U.S./Canadian dollar rate of 1.3135.

The Euro contracts expire between January 2023 and December 2023, with an average Euro/Canadian dollar rate of 1.3644.

Wajax has entered into total return swap contracts to hedge the exposure to share price market risk on a class of MTIP rights that are cash-settled. All total return swap contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2022, Wajax had the following total return swap contracts outstanding:

- contracts totaling 402,000 shares at an initial share value of \$7.8 million (December 31, 2021 – contracts totaling 390,000 shares at an initial share value of \$6.6 million)

The total return swap contracts expire between March 2023 and March 2025.

Wajax measures derivatives not designated as hedging instruments at fair value with subsequent changes in fair value being recorded in earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being recorded in other comprehensive income until the related hedged item is recorded and affects income or inventory. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the statement of financial position for financial instruments are not significantly different from their fair values.

A change in foreign currency value, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures is not expected to have a material impact on the Corporation’s results of operations or financial condition over the longer term.

Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

(1) “Funded net debt”, “Total capital”, “Leverage ratio”, and “Pro-forma adjusted EBITDA” do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

The impact of a change in the Corporation's share price on cash-settled MTIP rights is not expected to have a material impact on the Corporation's results of operations or financial condition over the longer term.

Wajax is exposed to the risk of non-performance by counterparties to foreign exchange forward contracts, long-term interest rate swap

contracts and total return swap contracts. These counterparties are large financial institutions that maintain high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to Wajax. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

Contractual Obligations

Contractual Obligations	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 423.8	\$ 423.8	\$ —	\$ —	\$ —
Undiscounted lease obligations	221.4	44.8	66.9	47.2	62.4
Bank debt	85.0	—	—	85.0	—
Debentures	57.0	—	57.0	—	—
Total	\$ 787.2	\$ 468.6	\$ 123.9	\$ 132.2	\$ 62.4

The lease obligations relate to contracts to lease properties for the Corporation's branch network, certain vehicles, computer hardware, and equipment. The bank debt obligation relates to the bank credit facility, and the debentures obligation relates to the senior unsecured debentures. See the Liquidity and Capital Resources section.

Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled \$7.2 million in 2022 (2021 – \$7.6 million).

Off Balance Sheet Financing

The inventory consignment program of a major supplier and joint venture partner to HCM, relating to construction-class excavators, ended October 31, 2021. Effective November 1, 2021, the Corporation began assuming ownership of new stock received from the supplier. Inventory on hand as at October 31, 2021 remained subject to the prior consignment terms, which included the opportunity for the Corporation to purchase the inventory prior to sale to a customer. Due to certain preferential terms offered by the supplier, the Corporation purchased all consignment inventory on hand during the fourth quarter of 2021. The Corporation also purchased all inventory received from the supplier during the period from January 1, 2022 to February 28, 2022. On March 1, 2022, new payment terms from HCM took effect. As at December 31, 2022, the Corporation has no consignment inventory on hand from the supplier (December 31, 2021 – nil).

Although management currently believes the Corporation has adequate debt capacity, Wajax would have to access the equity or debt capital markets, or reduce dividends to accommodate any shortfalls in Wajax's credit facility.

See the Liquidity and Capital Resources section.

Liquidity and Capital Resources

The Corporation's liquidity is maintained through various sources, including bank and non-bank credit facilities, debentures and cash generated from operations.

Bank and Non-bank Credit Facilities and Debentures

In June 2022, the Corporation fully repaid its \$50.0 million non-revolving acquisition term facility via a drawdown from its revolving term facility. With the repayment, Wajax's bank credit facility now has a \$400.0 million credit limit as at December 31, 2022, composed

of a \$50.0 million non-revolving term facility and a \$350.0 million revolving term facility. Effective October 6, 2022, the Corporation extended the maturity date of its \$400.0 million bank credit facility from October 1, 2026 to October 1, 2027. The \$0.3 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

At December 31, 2022, Wajax had borrowed \$85.0 million and issued \$6.2 million of letters of credit for a total utilization of \$91.1 million of its \$400.0 million bank credit facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2022, borrowing capacity under the bank credit facility was equal to \$400.0 million, of which \$308.9 million was accessible to the Corporation.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2022. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's senior secured leverage ratio, as defined in the bank credit facility agreement, exceeds 4.0 times. At December 31, 2022, the Corporation's senior secured leverage ratio was 0.71 times.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar SOFR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar SOFR borrowings, and 0.5% and 2.0% for prime rate borrowings.

In addition, Wajax had \$57.0 million of senior unsecured debentures outstanding at December 31, 2022, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025. On and after January 15, 2023 and prior to January 15, 2024, the debentures will be redeemable in whole or in part from time to time at the Corporation's option at a redemption price equal to 103.0% of the principal amount of the debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after January 15, 2024 and prior to the maturity date, the debentures will be redeemable, in whole or in part, from time to time at the Corporation's option at par plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Corporation shall provide not more than 60 nor less than 30 days' prior notice of redemption of the debentures.

The Corporation will have the option to satisfy its obligation to repay the principal amount of the debentures due at redemption or maturity in either cash or freely tradable common shares determined in accordance with the terms of the indenture governing the debentures. The debentures will not be convertible into common shares at the option of the holders at any time.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of \$25.0 million. As such, Wajax has up to \$25.0 million of demand inventory equipment financing capacity with two non-bank lenders. At December 31, 2022, Wajax had no utilization of the interest bearing equipment financing facilities.

In addition, the Corporation has an agreement with a financial institution to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under this facility, up to \$20.0 million of accounts receivable is permitted to be sold to the financial institution and can remain outstanding at any point in time. After the sale, Wajax does not retain any interests in the accounts receivable, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at December 31, 2022, the Corporation did not have any accounts receivable to service and collect on behalf of this financial institution.

As at December 31, 2022, \$308.9 million was accessible under the bank facility and \$25.0 million was unutilized under the non-bank facilities. As of March 6, 2023, Wajax continues to maintain its \$400.0 million bank credit facility and an additional \$25.0 million in credit facilities with non-bank lenders. Wajax maintains sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and fund certain strategic investments. However, Wajax may be required to access the equity or debt capital markets to fund significant acquisitions.

The Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2022, 100.0% of the Corporation's funded net debt was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2022 and December 31, 2021:

	2022	2021	\$ Change
Net earnings	\$ 72.4	\$ 53.2	\$ 19.2
Items not affecting cash flow	98.8	94.9	3.9
Changes in non-cash operating working capital	(65.0)	83.4	(148.4)
Finance costs paid on debts	(9.2)	(10.6)	1.5
Finance costs paid on lease liabilities	(7.9)	(7.9)	—
Income taxes paid	(10.6)	(18.2)	7.6
Rental equipment additions	(10.9)	(10.1)	(0.8)
Rental equipment disposals	2.6	5.9	(3.4)
Other	(1.1)	(0.5)	(0.6)
Cash generated from operating activities	\$ 69.1	\$ 190.1	\$ (121.0)
Cash used in investing activities	\$ (14.3)	\$ (62.6)	\$ 48.2
Cash used in financing activities	\$ (70.0)	\$ (124.2)	\$ 54.2

Operating Activities

For the year ended December 31, 2022, cash flows generated from operating activities amounted to \$69.1 million, compared to cash flows generated from operating activities of \$190.1 million for the previous year. The decrease in cash generated of \$121.0 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of \$148.4 million, which was driven largely by an increase in accounts receivable of \$80.0 million compared to a decrease in accounts receivable of \$8.5 million in the previous year, as well as an increase in inventory of \$72.9 million compared to an increase of \$15.6 million in the previous year. The increase in inventory of \$72.9 million resulted primarily from an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives. These decreases in cash generated were partially offset by an increase in net earnings excluding items not affecting cash flow of \$23.0 million. The changes in non-cash operating working capital are discussed in more detail below.

For the year ended December 31, 2022, rental equipment additions of \$10.9 million (2021 – \$10.1 million) related to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the years ended December 31, 2022 and December 31, 2021 include the following:

Changes in Non-cash Operating Working Capital ⁽¹⁾	2022	2021	\$ Change
Trade and other receivables	\$ (80.0)	\$ 8.5	\$ (88.5)
Contract assets	(20.9)	(6.0)	(14.9)
Inventory	(72.9)	(15.6)	(57.3)
Deposits on inventory	(1.5)	37.1	(38.6)
Prepaid expenses	(3.2)	(2.0)	(1.2)
Accounts payable and accrued liabilities	115.9	50.3	65.5
Provisions	(2.4)	(1.2)	(1.2)
Contract liabilities	0.0	12.3	(12.3)
Total Changes in Non-cash Operating Working Capital	\$ (65.0)	\$ 83.4	\$ (148.4)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2022 compared to the year ended December 31, 2021 are as follows:

- Trade and other receivables increased \$80.0 million in 2022 compared to a decrease of \$8.5 million in 2021 when excluding the trade and other receivables acquired from Tundra of \$16.6 million in 2021. The increase in 2022 resulted primarily from higher sales activity in the year, including the sale of large mining shovels late in the fourth quarter of 2022 without comparable sales in the same period of the prior year.
- Inventory increased \$72.9 million in 2022 compared to an increase of \$15.6 million in 2021 when excluding the inventory acquired from Tundra of \$15.3 million in 2021. The increase in 2022 resulted primarily from an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives. The increase in 2021 was due to higher work-in-process and parts inventory due to increased sales volumes, offset partially by lower equipment inventory.

- Accounts payable and accrued liabilities increased \$115.9 million in 2022 compared to an increase of \$50.3 million in 2021 when excluding the accounts payable and accrued liabilities acquired from Tundra of \$20.2 million in 2021. The increase in 2022 resulted primarily from higher trade payables on increased inventory purchasing activity. The increase in 2021 resulted primarily from greater inventory purchasing activity and higher incentive accruals.
- Contract assets increased \$20.9 million compared to an increase of \$6.0 million in 2021 when excluding the contract assets acquired from Tundra of \$8.0 million in 2021. The increase in 2022 was driven by increased sales activity resulting in more work completed but not yet billed on customer contracts.
- Deposits on inventory increased \$1.5 million in 2022 compared to a decrease of \$37.1 million in 2021. The decrease in 2021 was due to the purchase by the Corporation of all construction-class excavator consignment inventory on hand. See the Corporation's press release dated November 1, 2021.

Investing Activities

For the year ended December 31, 2022, the Corporation used \$14.3 million of cash in investing activities compared to a use of \$62.6 million in 2021. Investing activities in the year included property, plant and equipment additions of \$9.2 million (2021 – \$5.9 million), business acquisitions, net of cash acquired, of \$9.1 million (2021 – \$75.4 million), collection of lease receivables of \$3.9 million (2021 – \$2.6 million), and proceeds on the disposal of property, plant and equipment of \$0.9 million (2021 – \$17.6 million).

Financing Activities

For the year ended December 31, 2022, the Corporation used \$70.0 million of cash in financing activities compared to a use of \$124.2 million in 2021. Financing activities for the year ended December 31, 2022 included the payment of lease liabilities of \$32.0 million (2021 – \$28.9 million), dividends paid to shareholders of \$21.4 million (2021 – \$21.1 million), and a net bank credit facility repayment of \$15.0 million (2021 – net repayment of \$73.0 million).

Dividends

Dividends to shareholders for the 2022 and 2021 years were declared and payable to shareholders of record as follows:

Record Date	Payment Date	Per Share	Amount
March 15, 2022	April 5, 2022	\$ 0.25	\$ 5.4
June 15, 2022	July 5, 2022	0.25	5.4
September 15, 2022	October 4, 2022	0.25	5.4
December 15, 2022	January 4, 2023	0.25	5.4
Year Ended			
December 31, 2022		\$ 1.00	\$ 21.4

Record Date	Payment Date	Per Share	Amount
March 15, 2021	April 6, 2021	\$ 0.25	\$ 5.4
June 15, 2021	July 6, 2021	0.25	5.4
September 15, 2021	October 5, 2021	0.25	5.4
December 15, 2021	January 5, 2022	0.25	5.4
Year Ended			
December 31, 2021		\$ 1.00	\$ 21.4

On March 6, 2023, the Corporation declared a dividend of \$0.33 per share for the first quarter of 2023 payable on April 4, 2023 to shareholders of record on March 15, 2023.

Fourth Quarter Consolidated Results

For the three months ended December 31	2022	2021	% change
Revenue	\$ 541.3	\$ 402.8	34.4%
Gross profit	\$ 98.2	\$ 81.8	20.0%
Selling and administrative expenses	71.4	66.5	7.4%
Earnings before finance costs and income taxes	\$ 26.7	\$ 15.3	74.4%
Finance costs	4.2	4.5	(7.4)%
Earnings before income taxes	\$ 22.6	\$ 10.8	108.5%
Income tax expense	5.9	2.9	107.3%
Net earnings	\$ 16.6	\$ 8.0	108.9%
Basic earnings per share ⁽²⁾	\$ 0.78	\$ 0.37	108.5%
Diluted earnings per share ⁽²⁾	\$ 0.75	\$ 0.36	108.1%
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 17.8	\$ 7.0	154.2%
Adjusted basic earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 0.83	\$ 0.33	153.7%
Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 0.80	\$ 0.32	153.3%
Adjusted EBITDA ⁽¹⁾	\$ 42.3	\$ 28.5	48.6%
Key ratios:			
Gross profit margin ⁽¹⁾	18.1%	20.3%	
Selling and administrative expenses as a percentage of revenue ⁽¹⁾	13.2%	16.5%	
EBIT margin ⁽¹⁾	4.9%	3.8%	
Adjusted EBITDA margin ⁽¹⁾	7.8%	7.1%	
Effective income tax rate	26.2%	26.4%	

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

(2) Weighted average shares, net of shares held in trust outstanding for calculation of basic and diluted earnings per share for the three months ended December 31, 2022 was 21,453,250 (2021 – 21,409,323) and 22,228,401 (2021 – 22,145,597), respectively.

(3) Net earnings excluding the following:

- after-tax gain recorded on the sale of properties of nil (2021 – \$1.2 million), or basic and diluted earnings per share of nil (2021 – \$0.06 and \$0.05 respectively) for the three months ended December 31, 2022.
- after-tax non-cash losses on mark to market of derivative instruments of \$1.1 million (2021 – losses of \$0.2 million), or basic and diluted loss per share of \$0.05 (2021 – loss per share of \$0.01) for the three months ended December 31, 2022.

Revenue by Geographic Region

For the three months ended December 31	2022	2021	\$ change	% change
Western Canada	\$ 278.8	\$ 169.7	\$ 109.2	64.3%
Central Canada	86.9	75.9	10.9	14.4%
Eastern Canada ⁽¹⁾	175.6	157.2	18.5	11.8%
Total revenue	\$ 541.3	\$ 402.8	\$ 138.5	34.4%

(1) Includes Quebec and the Atlantic provinces.

Revenue Sources

For the three months ended December 31

	2022	2021	\$ change	% change
Equipment sales	\$ 202.2	\$ 119.8	\$ 82.5	68.8%
Product support	118.3	102.8	15.5	15.1%
Industrial parts	137.9	108.7	29.2	26.9%
Engineered repair services (ERS)	72.6	61.9	10.7	17.2%
Equipment rental	10.2	9.6	0.7	7.1%
Total revenue	\$ 541.3	\$ 402.8	\$ 138.5	34.4%

Revenue in the fourth quarter of 2022 increased 34.4%, or \$138.5 million, to \$541.3 million from \$402.8 million in the fourth quarter of 2021. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due primarily to higher mining, and construction and forestry sales in western Canada.
- Industrial parts revenue has increased due to organic strength in industrial parts sales in all regions, led by increased bearings sales.
- Product support revenue has increased due primarily to strength in construction and forestry, and mining revenue in western Canada, and higher power systems revenue in eastern Canada.
- ERS revenue has increased due to strength in western Canada.

Backlog

The Corporation's backlog at December 31, 2022 of \$468.8 million decreased \$90.0 million, or 16.1%, compared to September 30, 2022 due primarily to deliveries of multiple mining shovels that were in the prior quarter's backlog, along with most other categories completing more deliveries in the quarter versus new orders added to backlog, most notably in the construction and forestry category. These decreases were partially offset by higher ERS orders. "Backlog" does not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Gross profit

Gross profit increased \$16.3 million, or 20.0%, in the fourth quarter of 2022 compared to the same quarter last year primarily due to higher sales volumes and higher equipment margins. These increases were partially offset by lower product support margins and a higher proportion of equipment sales, largely due to the sale of several large mining shovels in the fourth quarter of 2022 without any similar sales in the same period of the prior year.

Gross profit margin of 18.1% in the fourth quarter of 2022 decreased 220 bps compared to the same period of 2021. The decrease in margin was driven primarily by lower product support margins and a higher proportion of equipment sales as described above, offset partially by higher equipment margins. See the Non-GAAP and Other Financial Measures section.

Selling and administrative expenses

Selling and administrative expenses in the fourth quarter of 2022 increased \$4.9 million, or 7.4%, compared to the fourth quarter of 2021 due primarily to higher personnel costs as the volume of business increased over the prior year. Selling and administrative expenses as a percentage of revenue decreased to 13.2% in the fourth quarter of 2022 from 16.5% in the fourth quarter of 2021, driven by the 34.4% increase in revenue over the prior year. See the Non-GAAP and Other Financial Measures section.

Finance costs

Finance costs of \$4.2 million in the fourth quarter of 2022 decreased \$0.3 million compared to the same quarter last year due primarily lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 26.2% for the fourth quarter of 2022 was higher compared to the statutory rate of 26.0% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 26.4% for the fourth quarter of 2021 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings

In the fourth quarter of 2022, the Corporation had net earnings of \$16.6 million, or \$0.78 per share, compared to \$8.0 million, or \$0.37 per share, in the fourth quarter of 2021. The \$8.7 million increase in net earnings resulted primarily from higher sales volumes and higher equipment margins, offset partially by lower product support margins, a higher proportion of equipment sales, and higher selling and administrative expenses.

Adjusted net earnings (See the Non-GAAP and Other Financial Measures section)

Adjusted net earnings for the three months ended December 31, 2022 excludes non-cash losses on mark to market of derivative instruments of \$1.1 million after-tax, or \$0.05 per share (2021 – losses of \$0.2 million after-tax, or \$0.01 per share). Adjusted net earnings in the same period of 2021 also excludes a gain recorded on the sale of properties of \$1.2 million after-tax, or \$0.06 per share.

As such, adjusted net earnings increased \$10.8 million to \$17.8 million, or \$0.83 per share, for the three months ended December 31, 2022 from \$7.0 million, or \$0.33 per share, in 2021.

Comprehensive income

Total comprehensive income of \$16.1 million in the fourth quarter of 2022 included net earnings of \$16.6 million and an other comprehensive loss of \$0.5 million. The other comprehensive loss of \$0.5 million in the current period resulted primarily from \$1.4 million of realized after-tax gains on derivatives designated as cash flow hedges that were reclassified to net earnings during the period, offset partially by \$1.2 million of actuarial gains on pension plans.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow for the quarters ended December 31, 2022 and December 31, 2021:

For the quarter ended December 31	2022	2021	\$ Change
Net earnings	\$ 16.6	\$ 8.0	\$ 8.7
Items not affecting cash flow	27.2	21.3	5.9
Changes in non-cash operating working capital	(16.4)	14.0	(30.3)
Finance costs paid on debts	(1.2)	(1.4)	0.2
Finance costs paid on lease liabilities	(2.0)	(2.0)	—
Income taxes paid	(2.4)	(4.5)	2.0
Rental equipment additions	(3.4)	(2.3)	(1.1)
Rental equipment disposals	0.6	1.2	(0.5)
Other	—	1.7	(1.7)
Cash generated from operating activities	\$ 19.1	\$ 36.0	\$ (16.9)
Cash (used in) generated from investing activities	\$ (2.0)	\$ 0.9	\$ (2.9)
Cash used in financing activities	\$ (24.0)	\$ (33.8)	\$ 9.8

Operating Activities

Cash flows generated from operating activities amounted to \$19.1 million in the fourth quarter of 2022, compared to \$36.0 million in the same quarter of the previous year. The decrease of \$16.9 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of \$30.3 million, which was driven largely by an increase in accounts receivable of \$33.0 million in the fourth quarter of 2022 as compared to an increase in accounts receivable of \$1.9 million in the same quarter of the previous year. This decrease in cash generated was partially offset by an increase in net earnings excluding items not affecting cash flow of \$14.5 million.

Rental equipment additions in the fourth quarter of 2022 of \$3.4 million (2021 – \$2.3 million) related to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the quarters ended December 31, 2022 and December 31, 2021 include the following:

Changes in Non-cash Operating Working Capital ⁽¹⁾	2022	2021	\$ Change
Trade and other receivables	\$ (33.0)	\$ (1.9)	\$ (31.2)
Contract assets	(3.5)	9.2	(12.7)
Inventory	(15.5)	(19.9)	4.4
Deposits on inventory	0.7	4.4	(3.6)
Prepaid expenses	1.8	0.7	1.1
Accounts payable and accrued liabilities	38.1	13.7	24.4
Provisions	(1.7)	0.8	(2.4)
Contract liabilities	(3.2)	7.0	(10.3)
Total Changes in Non-cash Operating Working Capital	\$ (16.4)	\$ 14.0	\$ (30.3)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021 are as follows:

- Trade and other receivables increased \$33.0 million in the fourth quarter of 2022 compared to an increase of \$1.9 million in the same period of 2021. The increase in the fourth quarter of 2022 resulted primarily from higher sales activity in the quarter, including increased sales of large mining shovels late in the quarter as compared to the previous quarter.
- Inventory increased \$15.5 million in the fourth quarter of 2022 compared to an increase of \$19.9 million in 2021. The increase in the fourth quarter of 2022 was largely due to higher parts inventory driven by an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives. The increase in the fourth quarter of 2021 was largely due to the purchase by the Corporation of all construction-class excavator consignment inventory on hand.
- Accounts payable and accrued liabilities increased \$38.1 million in the fourth quarter of 2022 compared to an increase of \$13.7 million in 2021. The increase in the fourth quarter of 2022 resulted primarily from higher trade payables on increased inventory purchasing activity, and higher accrued liabilities including higher incentive accruals. The increase in 2021 resulted primarily from higher trade payables due to larger forestry equipment purchases from a major supplier in the fourth quarter as compared to the previous quarter, and higher incentive accruals.
- Contract assets increased \$3.5 million in the fourth quarter of 2022 compared to a decrease of \$9.2 million in the same period of 2021. The decrease in the fourth quarter of 2021 resulted primarily from lower work-in-progress that had not yet been billed as compared to the previous quarter.

Investing Activities

The Corporation used \$2.0 million of cash in investing activities in the fourth quarter of 2022 compared to cash generated from investing activities of \$0.9 million in the same quarter of 2021. Investing activities in the quarter included property, plant and equipment additions of \$3.1 million (2021 – \$1.6 million), the collection of lease receivables of \$1.1 million (2021 – \$0.8 million), and proceeds on the disposal of property, plant and equipment of \$0.5 million (2021 – \$2.1 million).

Financing Activities

The Corporation used \$24.0 million of cash in financing activities in the fourth quarter of 2022 compared to cash used in financing activities of \$33.8 million in the same quarter of 2021. Financing activities in the quarter included a net bank credit facility repayment of \$10.0 million (2021 – net repayment of \$20.1 million), the payment of lease liabilities of \$8.3 million (2021 – \$7.8 million), and dividends paid to shareholders of \$5.4 million (2021 – \$5.4 million).

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Corporation's financial results were a different estimate or assumption used.

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for credit losses

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is partially mitigated by the Corporation's diversified customer base of over 32,000 customers who operate in many business sectors across Canada, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales. In addition, the Corporation's customer base spans large public companies, small independent contractors, original equipment manufacturers and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains an allowance for possible credit losses, and any such losses to date have been within management's expectations. The allowance for credit losses is determined by estimating the lifetime expected credit losses, taking into account the Corporation's past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. At the point when the Corporation is satisfied that no recovery of the amount owing is possible, the amount is deemed not recoverable and the financial asset is written off. The \$1.2 million allowance for credit losses at December 31, 2022 increased \$0.1 million from \$1.1 million at December 31, 2021. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to prior periods which would result in an increased charge to earnings.

Inventory obsolescence

The value of the Corporation's new and used equipment and high value parts are evaluated by management throughout the year, on a unit-by-unit basis considering projected customer demand, future market conditions, and other considerations evaluated by management. When required, provisions are recorded to ensure that the book value of equipment and parts are valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete lower value parts inventory and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence impact on earnings for the three months ended December 31, 2022 was a recovery of \$0.7 million (2021 – charge of \$2.9 million) and for the year ended December 31, 2022 was a charge of \$0.8 million (2021 – charge of \$3.2 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Acquisition accounting, goodwill and intangible assets

For acquisition accounting purposes, all identifiable assets and liabilities acquired in a business acquisition are recognized at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair value of these assets and liabilities. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets like customer relationships and brands. The Corporation's significant assumptions used in determining the acquisition date fair value of intangible assets

include projected revenues and cash flows attributable to acquired intangible assets, customer attrition rates, discount rates, royalty rates, and estimations of useful life.

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next five years. The key assumptions for the estimate are those regarding revenue growth, EBITDA margin, tax rates, discount rates and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

Unanticipated changes in management's assumptions or estimates could materially affect the determination of the fair value of the Corporation and therefore, could reduce or eliminate the excess of fair value over the carrying value of the Corporation and could potentially result in an impairment charge in the future.

The Corporation performs an annual impairment test based on value in use of its goodwill and intangible assets with an indefinite life based on its single cash generating unit group unless there is an early indication that the assets may be impaired, in which case the impairment tests would occur earlier. There was no early indication of impairment in the quarter ended December 31, 2022.

Lease term of contracts with renewal options

The lease term is defined as the non-cancellable term of the lease, including any periods covered by a renewal option to extend the lease if it is reasonably certain that the renewal option will be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that the termination option will not be exercised.

Judgement is used when evaluating whether the Corporation is reasonably certain that the lease renewal option will be exercised, including examining any factors that may provide an economic advantage for renewal.

Changes in Accounting Policies

During the year, the Corporation did not adopt any new accounting standards or amendments that had an impact on the Corporation's consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024) clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments remove the requirement for a right to defer settlement of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period in order to qualify for non-current classification. Management is currently assessing the impact of adopting these amendments on its financial statements.

Risk Management and Uncertainties

As with most businesses, the Corporation is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and the Corporation's ability to pay cash dividends to shareholders. The Corporation attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, the Corporation has adopted an annual enterprise risk management assessment which is prepared by senior management and overseen by the Board of Directors and committees of the Board of Directors. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across the Corporation.

The following are a number of risks that deserve particular comment:

Manufacturer relationships and product access

Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In equipment and certain industrial categories, manufacturer relationships are governed through effectively exclusive distribution agreements. Distribution agreements are typically multi-year terms and are cancellable by Wajax or the manufacturer based on a notification period specified in the agreement. Although Wajax enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significant adverse effect on Wajax's results of operations or cash flow.

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact the products distributed by Wajax, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation.

Suppliers generally have the ability to unilaterally change distribution terms and conditions, product lines or limit supply of product in times of intense market demand. Supplier changes in the area of product pricing and availability can have a negative or positive effect on Wajax's revenue and margins. A change in one of a supplier's product lines can result in conflicts with another supplier's product lines that may have a negative impact on the results of operations or cash flow if one of the suppliers cancels its distribution with Wajax due to the conflict. In addition, from time to time suppliers make changes to payment terms for distributors. This may affect Wajax's interest-free payment period which may have a materially negative or positive impact on working capital balances such as cash, inventory, deposits on inventory, trade and other payables and bank debt.

Economic conditions/Business cyclicality

Wajax's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing, industrial processing and utilities industries. These industries can be capital intensive and cyclical in nature and, as a result, customer demand for Wajax's products and services may be affected by economic conditions at both a global or local level. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence Wajax's customers' operating, maintenance and capital spending, and therefore Wajax's sales and results of operations. Although Wajax has attempted to address its exposure to business and industry cyclicality by diversifying its operations by geography, product offering and customer base, there can be no assurance that Wajax's results of operations or cash flows will not be adversely affected by changes in economic conditions.

Commodity prices

Many of Wajax's customers are directly and indirectly affected by fluctuations in commodity prices in the forestry, metals and minerals and petroleum and natural gas industries and, as a result, Wajax is also indirectly affected by fluctuations in these prices. In particular, each of Wajax's products and services categories are exposed to fluctuations in the price of oil and natural gas. A downward change in commodity prices, and particularly in the price of oil and natural gas, could therefore adversely affect Wajax's results of operations or cash flows.

Growth initiatives, integration of acquisitions and project execution

The Corporation's Strategic Plan establishes priorities for organic growth, acquisitions and operating infrastructure, including maintaining a target leverage ratio range of 1.5 – 2.0 times unless a leverage ratio outside this range is required either to support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. The Corporation may also maintain a leverage ratio above the stated range as a result of investment in significant acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors. See the Strategic Direction and Outlook section and the Non-GAAP and Other Financial Measures sections. While end market conditions remain challenging, the Corporation believes it has a robust strategy and is confident in its growth prospects. The Corporation's confidence is strengthened by the enhanced earnings potential of the One Wajax model and by relationships with its customers and vendors. Wajax's ability to develop its core capabilities and successfully grow its business organically will be dependent on achieving the individual growth initiatives. Wajax's ability to successfully grow its business through acquisitions will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including any necessary regulatory approvals; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities associated with growing the business, realizing enhanced earnings potential from the One Wajax structure and investments made in systems may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to successfully manage its growth strategy, including acquisitions, could have a material adverse impact on Wajax's business, results of operations or financial condition.

Key personnel

The success of Wajax is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where Wajax competes. Wajax continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. There can be no assurance, however, that Wajax will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, may have an adverse impact on Wajax's current operations or future prospects.

Leverage, credit availability and restrictive covenants

Wajax has a \$400.0 million bank credit facility which matures October 1, 2027. The bank credit facility contains restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility. There can be no assurance that Wajax's assets would be sufficient to repay the facility in full.

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital. Conversely, as Wajax experiences economic slowdowns, the need for working capital is reduced, reflecting the lower activity levels. While management believes its bank credit facility will be adequate to meet the Corporation's normal course working capital requirements, maintenance capital requirements and certain strategic investments, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the bank credit facility matures.

Wajax may be required to access the equity or debt markets or reduce dividends in order to fund significant acquisitions and growth related working capital and capital expenditures. The amount of debt service obligations under the bank credit facility will be dependent on the level of borrowings and fluctuations in interest rates to the extent the rate is unhedged. As a result, fluctuations in debt servicing costs may have a detrimental effect on future earnings or cash flow.

Wajax also has credit lines available with other financial institutions for purposes of financing inventory. These facilities are not committed lines and their future availability cannot be assured, which may have a negative impact on cash available for dividends and future growth opportunities.

Quality of products distributed

The ability of Wajax to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by Wajax to sustain or improve the quality of their products. The quality and reputation of such products are not within Wajax's control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect Wajax's results of operations or cash flow.

Inventory obsolescence

Wajax maintains substantial amounts of inventory in its business operations. While Wajax believes it has appropriate inventory management systems in place, variations in market demand for the products it sells can result in certain items of inventory becoming obsolete. This could result in a requirement for Wajax to take a material write down of its inventory balance resulting in Wajax not being able to realize expected revenue and cash flows from its inventory, which would negatively affect results from operations or cash flow.

Government regulation

Wajax's business is subject to evolving laws and government regulations, particularly in the areas of taxation, the environment, and health and safety. Changes to such laws and regulations may impose additional costs on Wajax and may adversely affect its business in other ways, including requiring additional compliance measures by Wajax.

Insurance

Wajax maintains a program of insurance coverage that is comparable to those maintained by similar businesses, including property, general liability, directors and officers liability, and cyber security insurance. Although the limits and self-insured retentions of such insurance policies have been established through risk analysis and the recommendations of professional advisors, there can be no assurance that such insurance will remain available to Wajax at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by Wajax. If Wajax is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations or financial condition could be adversely affected.

Information systems and technology

Information systems are an integral part of Wajax's business processes, including marketing of equipment and support services, inventory and logistics, and finance. Some of these systems are integrated with certain suppliers' core processes and systems. Any disruptions to these systems or new systems due to, for example, the upgrade or conversion thereof, or the failure of these systems or new systems to operate as expected could, depending on the magnitude of the problem, adversely affect Wajax's operating results by limiting the ability to effectively monitor and control Wajax's operations.

Credit risk

Wajax extends credit to its customers, generally on an unsecured basis. Although Wajax is not substantially dependent on any one customer and it has a system of credit management in place, the loss of a large receivable would have an adverse effect on Wajax's profitability.

Labour relations

Wajax had approximately 3,000 employees as at December 31, 2022. At the outset of 2022, Wajax was party to 13 collective agreements covering approximately 297 employees. During 2022, four collective agreements expired covering approximately 73 employees. One agreement covering 16 employees with a March 2022 expiration date was extended upon mutual agreement between the Corporation and the union for a one-year term to March 2023. One agreement covering 30 employees was ratified in 2022 and two agreements, both with an expiration date of September 2022, covering 27 employees are yet to be ratified; one agreement has a deal in principle as of November 2022 and the other agreement is in active negotiations and completed a conciliation process in November 2022. Six agreements covering 138 employees expire in 2023. Three agreements covering 116 employees expire in 2024. Two agreements covering 37 employees expire in 2025. As at December 31, 2022, Wajax was party to 13 collective agreements covering a total of 318 employees. Wajax recognizes its employees' rights to join a union and is committed to integrity in its labour relations. Wajax strives to establish a constructive and cooperative dialogue that promotes collaborative union/management relations, a safe and respectful work culture, productive work environments and the equitable treatment of employees by consistently adhering to collective agreements, labour relations legislation and workplace policies. The Corporation believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's business, results of operations or financial condition.

Foreign exchange exposure

Wajax's operating results are reported in Canadian dollars. While the majority of Wajax's sales are in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on Wajax's revenue, margins and working capital balances. Wajax mitigates certain exchange rate risks by entering into foreign exchange forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign-currency denominated sales to customers. In addition, Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. The inability of Wajax to mitigate exchange rate risks or increase prices to offset foreign exchange rate increases, including sudden and volatile changes in the U.S. dollar exchange rate, may have a material adverse effect on the results of operations or financial condition of Wajax.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on Wajax's revenue and cash flows as a result of certain products being imported from the U.S. In some cases market conditions require Wajax to lower its selling prices as the U.S. dollar declines. As well, many of Wajax's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from Wajax.

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax's revenue, as Wajax will periodically institute price increases on inventory imported from the U.S. to offset the negative impact of foreign exchange rate increases to ensure margins are not eroded. However, a sudden strengthening U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short-term prior to price increases taking effect.

Wajax maintains a hedging policy whereby significant transactional currency risks are identified and hedged.

Interest rate risk

Wajax has exposure to interest rate fluctuations on its interest-bearing financial liabilities, in particular from its long-term debt. Changes in interest rates can have a negative or positive impact on Wajax's finance costs and cash flows. Wajax monitors the proportion of variable rate debt to its total debt portfolio and may enter into interest rate swap contracts to mitigate all or a portion of the interest rate risk on its variable rate debt. The inability of Wajax to mitigate interest rate risks to offset interest rate increases may have a material adverse effect on the results of operations or financial condition of Wajax.

Equity price risk

Certain share-based compensation plans of the Corporation, and the resulting liabilities, are exposed to fluctuations in the Corporation's share price. Changes in the Corporation's share price can have a positive or negative impact on Wajax's net earnings and cash flows. Wajax monitors the proportion of MTIP rights that are cash-settled and may enter into total return swap contracts to mitigate a portion of the equity price risk on these MTIP rights. The inability of Wajax to mitigate equity price risks to offset fluctuations in its share price may have a material adverse effect on the results of operations or financial condition of Wajax.

Competition

The categories in which Wajax participates are highly competitive and include competitors who are national, regional and local. Competitors can be grouped into three classifications:

Capital Equipment Dealers and Distributors – these competitors typically represent a major alternative manufacturer and provide sales, product support, rental, financing and other services in categories such as construction, forestry, mining and power generation. Examples include the regional dealer and distributor networks of Caterpillar, Komatsu, John Deere and Cummins. Competition is based on product range and quality, aftermarket support and price.

Industrial Parts Distributors – these competitors typically represent a broad range of industrial parts manufacturers and offer sales and, in many cases, product support services including design, assembly and repair. Competitive product range varies from focused on specific applications (e.g., hydraulics) to very broad (similar to Wajax). Competitors can be local, regional and national. Competition is based on brand access, product quality, customer service levels, price and ancillary services.

Aftermarket Service Providers – these competitors provide aftermarket services in areas such as on-highway transportation. Competitors vary from the dealer and distributor networks of manufacturers such as Freightliner and Western Star to local service providers. Competition is based on customer service levels and price.

There can be no assurance that Wajax will be able to continue to effectively compete. Increased competitive pressures, the growing influence of online distribution or the inability of Wajax to maintain the factors which have enhanced its competitive position could adversely affect its results of operations or cash flow.

Litigation and product liability claims

In the ordinary course of its business, Wajax may be made a party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Wajax carries product liability insurance, and management believes that this insurance is adequate to protect against potential product liability claims. Not all risks, however, are covered by insurance, and no assurance can be given that insurance will be consistently available, or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving Wajax's assets or operations.

Guaranteed residual value, recourse and buy-back contracts

In some circumstances Wajax makes certain guarantees to finance providers on behalf of its customers. These guarantees can take the form of assuring the resale value of equipment, guaranteeing a portion of customer lease payments, or agreeing to buy back the equipment at a specified price. These contracts are subject to certain conditions being met by the customer, such as maintaining the equipment in good working condition. Historically, Wajax has not incurred substantial losses on these types of contracts, however, there can be no assurance that losses will not be incurred in the future.

Future warranty claims

Wajax provides manufacturers' and/or dealer warranties for most of the product it sells. In some cases, the product warranty claim risk is shared jointly with the manufacturer. In addition, Wajax provides limited warranties for workmanship on services provided. Accordingly, Wajax has some liability for warranty claims. There is a risk that a possible product quality erosion or a lack of a skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If Wajax's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on Wajax's business, results of operations or financial condition.

Maintenance and repair contracts

Wajax frequently enters into long-term maintenance and repair contracts with its customers, whereby Wajax is obligated to maintain certain fleets of equipment at various negotiated performance levels. The length of these contracts varies significantly, often ranging up to five or more years. The contracts are generally fixed price, although many contracts have additional provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If Wajax has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the contracted inflationary adjustments, the contract profitability will be adversely affected. In order to mitigate this risk, Wajax closely monitors the contracts for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by Wajax to effectively price and manage these contracts could have a material adverse impact on Wajax's business, results of operations or financial condition.

Environmental factors

From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. Wajax has established environmental compliance and monitoring programs, including an internal compliance audit function, which management believes are appropriate for its operations. In addition, Wajax retains environmental engineering consultants to conduct the following activities: environmental site assessments prior to the acquisition or occupation by Wajax; ongoing monitoring of soil and groundwater contamination; and remediation of contaminated sites. There can be no assurance that any future incidents, emissions or spills will not result in a material adverse effect on Wajax's results of operations or cash flows. Management is not aware of any material environmental concerns for which a provision has not been recorded.

Cyber security

Wajax's business relies on information technology including third party service providers, to process, transmit and store electronic information including that related to customers, vendors and employees. A breach in the security of the Corporation's information technology, or that of its third party service providers, could expose the business to a risk of loss, misuse of confidential information and/or business interruption.

The Corporation has general security controls in place, including security tools, and reviews security internally and with the assistance of a third party. In addition, the Corporation has policies in place regarding security over confidential customer, vendor and employee information, performs employee security training, and has recovery plans in place in the event of a cyber-attack.

Despite such security controls, there is no assurance that cyber security threats can be fully detected, prevented or mitigated. Should such threats materialize and depending on the magnitude of the problem, they could have a material impact on Wajax's business, results of operations or financial condition.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

As at December 31, 2022, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2022, Wajax's management, under the supervision of its CEO and CFO, had designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2022.

Non-GAAP and Other Financial Measures

The MD&A contains certain non-GAAP and other financial 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) **"Adjusted net earnings"** and **"Adjusted basic and diluted earnings per share"** provide indications of the results by the Corporation's principal business activities prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to net earnings and basic and diluted earnings per share allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities and the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price;
- (iv) **"Adjusted EBITDA"** provides an indication of the results by the Corporation's principal business activities prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to net earnings allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities, the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price, the impact of fluctuations in finance costs related to the Corporation's capital structure, the impact of tax rates, and the impact of depreciation and amortization of long-term assets; and
- (v) **"Pro-forma adjusted EBITDA"** provides the same utility as Adjusted EBITDA described above, however pursuant to the terms of the bank credit facility, is adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period, and for the deduction of payments of lease liabilities. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, debentures and total long-term debt, net of cash. Funded net debt is relevant in calculating the Corporation's funded net debt to total capital, which is a non-GAAP ratio 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 relevant in calculating the Corporation's leverage ratio, which is a non-GAAP ratio commonly used as an indicator of a company's ability to raise and service debt.
Total capital	Total capital is shareholders' equity plus funded net debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
Adjusted net earnings (loss)	Net earnings (loss) before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.
Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.
Adjusted EBITDA	EBITDA before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.
Pro-forma adjusted EBITDA	Defined as adjusted EBITDA adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period pursuant to the terms of the bank credit facility and the deduction of payments of lease liabilities.
Working capital	Defined as current assets less current liabilities, as presented in the consolidated statements of financial position.
Other working capital amounts	Defined as working capital less trade and other receivables and inventory plus accounts payable and accrued liabilities, as presented in the consolidated statements of financial position.

Non-GAAP ratios are identified and defined below:

EBITDA margin	Defined as EBITDA (defined above) divided by revenue, as presented in the consolidated statements of earnings.
Adjusted EBITDA margin	Defined as adjusted EBITDA (defined above) divided by revenue, as presented in the consolidated statements of earnings.
Leverage ratio	The leverage ratio is defined as debt (defined above) at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above). The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Senior secured leverage ratio	The senior secured leverage ratio is defined as debt (defined above) excluding debentures at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above).
Funded net debt to total capital	Defined as funded net debt (defined above) divided by total capital (defined above).
Working capital efficiency	Defined as trailing four-quarter average working capital (defined above) as a percentage of the trailing 12-month revenue.

Supplementary financial measures are identified and defined below:

EBIT margin	Defined as EBIT divided by revenue, as presented in the consolidated statements of earnings.
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, including ERS projects. This differs from the remaining performance obligations as defined by IFRS 15 <i>Revenue from Contracts with Customers</i> . There is no directly comparable GAAP financial measure for Backlog.
Gross profit margin	Defined as gross profit divided by revenue, as presented in the consolidated statements of earnings.
Selling and administrative expenses as a percentage of revenue	Defined as selling and administrative expenses divided by revenue, as presented in 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		Year ended December 31	
	2022	2021	2022	2021
Net earnings	\$ 16.6	\$ 8.0	\$ 72.4	\$ 53.2
Gain recorded on the sale of properties, after-tax	—	(1.2)	—	(2.1)
Non-cash losses (gains) on mark to market of derivative instruments, after-tax	1.1	0.2	(2.6)	—
Tundra transaction costs, after-tax	—	—	—	0.3
Adjusted net earnings	\$ 17.8	\$ 7.0	\$ 69.8	\$ 51.5
Adjusted basic earnings per share⁽¹⁾⁽²⁾	\$ 0.83	\$ 0.33	\$ 3.26	\$ 2.41
Adjusted diluted earnings per share⁽¹⁾⁽²⁾	\$ 0.80	\$ 0.32	\$ 3.15	\$ 2.34

(1) At December 31, 2022, the numbers of basic and diluted shares outstanding were 21,453,250 and 22,228,401, respectively for the three months ended, and 21,423,140 and 22,196,918, respectively for the year ended.

(2) At December 31, 2021, the numbers of basic and diluted shares outstanding were 21,409,323 and 22,145,597, respectively for the three months ended, and 21,328,093 and 22,026,875, respectively for the year ended.

Reconciliation of the Corporation's EBIT to EBITDA, Adjusted EBITDA and Pro-forma adjusted EBITDA is as follows:

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
EBIT	\$ 26.7	\$ 15.3	\$ 113.9	\$ 92.3
Depreciation and amortization	14.1	14.3	55.5	55.4
EBITDA	\$ 40.8	\$ 29.7	\$ 169.3	\$ 147.7
Gain recorded on the sale of properties	—	(1.5)	—	(2.5)
Non-cash losses (gains) on mark to market of derivative instruments ⁽¹⁾	1.5	0.3	(3.5)	—
Tundra transaction costs ⁽²⁾	—	—	—	0.4
Adjusted EBITDA	\$ 42.3	\$ 28.5	\$ 165.9	\$ 145.6
Payment of lease liabilities ⁽³⁾	(8.3)	(7.8)	(32.0)	(28.9)
Pro-forma adjusted EBITDA	\$ 34.0	\$ 20.6	\$ 133.9	\$ 116.7

(1) Non-cash losses (gains) on mark to market of non-hedged derivative instruments.

(2) In 2021, the Corporation incurred transaction costs relating to the Tundra acquisition. These costs were primarily for advisory services.

(3) Effective with the reporting period beginning on January 1, 2019 and the adoption of IFRS 16, the Corporation amended the definition of Funded net debt to exclude lease liabilities not considered part of debt. As a result, the corresponding lease costs must also be deducted from EBITDA for the purpose of calculating the leverage ratio.

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

	December 31	
	2022	2021
Bank indebtedness (cash)	\$ 5.2	\$ (10.0)
Debentures	55.8	55.2
Long-term debt	83.6	98.2
Funded net debt	\$ 144.6	\$ 143.5
Letters of credit	6.2	7.3
Debt	\$ 150.8	\$ 150.7
Pro-forma adjusted EBITDA⁽¹⁾	\$ 133.9	\$ 116.7
Leverage ratio⁽²⁾	1.13	1.29
Senior secured leverage ratio⁽³⁾	0.71	0.82

(1) For the year ended December 31, 2022 and December 31, 2021.

(2) Calculation uses debt divided by the trailing four-quarter Pro-forma 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, and is different from the leverage ratio calculated under the Corporation's bank credit facility agreement.

(3) Calculation uses debt excluding debentures divided by the trailing four-quarter Pro-forma adjusted EBITDA. While 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. See the Liquidity and Capital Resources section.

Calculation of total capital and funded net debt to total capital is as follows:

	December 31	
	2022	2021
Shareholders' equity	\$ 449.8	\$ 389.9
Funded net debt	144.6	143.5
Total capital	\$ 594.4	\$ 533.4
Funded net debt to total capital	24.3%	26.9%

Calculation of the Corporation's working capital and other working capital amounts is as follows:

	December 31	
	2022	2021
Total current assets	\$ 860.1	\$ 681.4
Total current liabilities	514.1	367.9
Working capital	\$ 346.0	\$ 313.5
Trade and other receivables	(307.1)	(223.5)
Inventory	(462.2)	(388.7)
Accounts payable and accrued liabilities	423.8	305.8
Other working capital amounts	\$ 0.7	\$ 7.1

Cautionary Statement Regarding Forward-Looking Information

This MD&A and Annual Report contain 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. To the extent any forward-looking information in this MD&A and Annual Report constitutes future-oriented financial information or financial outlook within the meaning of applicable securities law, such information is being provided to demonstrate the potential of the Corporation and readers are cautioned that this information may not be appropriate for any other purpose. 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 MD&A and Annual Report are made as of the date of this MD&A, 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 MD&A and Annual Report includes forward looking statements regarding, among other things: the expected benefits to Wajax from the expanded direct distribution relationship with Hitachi, including better sales pipeline visibility with greater multiple-unit sales potential, a growing stream of product support opportunities across an expanding installed base, improved access to both equipment and parts, access to an evolving and differentiated suite of premium products, and enhanced customer service and support across the relationship value chain; our expectation that Hitachi's renewed commitment to the Americas will see them again reallocate selected units across regions in 2023, supporting high fill rates for Wajax; our belief that our development and introduction of new digital customer offerings will create further customer value; our intention to continue investing in improving customer service levels on parts; our expectation that we will play an important role in Hitachi's reinvigorated approach to the Americas, and that new Hitachi product support opportunities will add a recurring stream of higher margin revenue; the main elements of our One Wajax strategy, including our focus on executing clear plans in five key areas: (1) investments in our team and putting people first, (2) investments in our customers and creating a differentiated customer experience, (3) executing a clear organic growth strategy, (4) our accretive acquisitions strategy, and (5) investments in our infrastructure; our plans to meet our long-term sustainability goals by continuing to focus on and develop our environmental, social and governance programs; our belief that the Corporation's strong balance sheet gives us the flexibility to invest in our expanded Hitachi relationship, additional organic initiatives and acquisition opportunities to help drive future growth; our outlook for 2023, including the view that solid fundamentals

persist in many of the markets Wajax serves – particularly, mining, energy and construction, and that our strong start-of-year backlog is supportive of our confidence in the near-term future; our expectation that Wajax's heavy equipment business will grow in 2023, and our anticipation of further strong demand in Wajax's less cyclical industrial parts and ERS businesses; our expectation that the challenges of 2023 will be similar to 2022 – ongoing supply chain volatility, higher interest rates, inflation, and a tight labour market; our continued focus on investing in Wajax's people and their overall health and well-being, delivering exceptional customer value, organically growing the business, transacting on a robust acquisition pipeline, leveraging our enhanced relationship with Hitachi, prudently managing our balance sheet, deploying our new ERP system, and entrenching sustainability into our business; our objective of managing our working capital and normal course capital investment programs within a leverage range of 1.5 – 2.0 times, and to fund such programs through operating cash flow and our bank credit facilities as required; the potential that we may be willing to maintain a leverage ratio outside our target range due to changes in economic cycles and investments in acquisitions, and that we may fund acquisitions using bank credit facilities and other debt instruments in accordance with our expectations of total future cash flows financing costs and other factors; our expectation that changes in interest rates (in particular, related to unhedged variable rate debt), would not have a material impact on our results of operations or financial condition over the longer term; our expectation that a change in foreign currency value, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures would not have a material impact on our results of operations or financial condition over the longer term; our expectation that the impact of a change in our common share price on cash-settled MTIP rights would not have a material impact on our results of operations or financial condition over the longer term; our belief that there is no significant risk of non-performance by the counterparties to our foreign exchange forward contracts; our belief that we have adequate debt capacity, as well as our need to access debt or equity capitals markets, or reduce dividends to accommodate any shortfalls in our credit facility; and our belief that we maintain sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and fund certain strategic investments, as well as the potential need for us to access the equity or debt capital markets to fund significant acquisitions. 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; the ability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship which took effect on March 1, 2022; our ability to execute our One Wajax strategy, including our ability to execute on our organic growth priorities, complete and effectively integrate acquisitions, and successfully implement new information technology platforms, systems and software, such as our new ERP system; the continuing effects of the COVID-19 pandemic and actions taken by governments, public authorities, suppliers and customers in response to the novel coronavirus and its variants; 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 continued or prolonged deterioration

in general business and economic conditions, including as a result of new coronavirus variants or armed conflicts between nations; supply chain disruptions and shortages related to or arising from the impacts of COVID-19 or armed conflicts between nations; fluctuations in financial market conditions, including interest rates; the continuing impacts of the COVID-19 pandemic, including the duration and severity of travel, business and other restrictions imposed by governments and public authorities in response to COVID-19 and its variants; actions taken by our suppliers and customers in relation to the COVID-19 pandemic, including slowing, reducing or halting operations; the inability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship which took effect on March 1, 2022; 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; 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 (including those caused by or related to the COVID-19 pandemic), 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 this MD&A under the heading "Risk Management and Uncertainties". The forward-looking statements contained in this MD&A and Annual Report 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.

Readers are cautioned that the risks described in this MD&A are not the only risks that could impact the Corporation. Risks and uncertainties not currently known to the Corporation, or currently deemed to be immaterial, may have a material effect on the Corporation's business, financial condition or results of operations.

Additional information is available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Wajax Corporation are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

Wajax maintains a system of internal control designed to provide financial information and the safeguarding of its assets.

The Audit Committee of the Board, consisting solely of outside directors, meets regularly during the year with management, internal auditors and the external auditors, to review their respective activities and the discharge of their responsibilities.

Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board, which reviews and approves the consolidated financial statements.

Wajax's external auditors, KPMG LLP are responsible for auditing the consolidated financial statements and expressing an opinion thereon.



Ignacy (Iggy) Domagalski
President and
Chief Executive Officer



Stuart Auld
Chief Financial Officer

Mississauga, Canada, March 6, 2023

Independent Auditors' Report

To the Shareholders of Wajax Corporation

Opinion

We have audited the consolidated financial statements of Wajax Corporation (the “**Entity**”), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “**financial statements**”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“**IFRS**”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*Auditors' Responsibilities for the Audit of the Financial Statements*” section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of inventory obsolescence

Description of the matter

We draw attention to Note 2 and Note 8 to the financial statements. As at December 31, 2022, the Entity had an equipment inventory balance of \$208 million and a total inventory obsolescence provision of \$28 million, a portion of which related to equipment inventory. The value of the Entity's new and used equipment is evaluated by the Entity throughout the year, on a unit-by-unit basis considering projected customer demand, future market conditions, and other considerations evaluated by management. When required, provisions are recorded to adjust the value of equipment to the lower of cost and estimated net realizable value.

Why the matter is a key audit matter

We identified the evaluation of inventory obsolescence as a key audit matter. We identified this as a key audit matter because significant auditor judgment was required in evaluating the Entity's determination of net realizable value.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- For a selection of equipment inventory, we analyzed the Entity's estimate of net realizable value by taking into consideration the length of time the inventory had not been sold, market conditions and other factors,
- For a selection of equipment inventory, we assessed the estimated net realizable value of the units by comparing the carrying amounts to the most recent sales invoice of the same or similar equipment, and
- We evaluated the Entity's estimate of the inventory obsolescence provision by comparing the prior year provision to actual results in the current year, both on an aggregate basis and for a selection of equipment inventory.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled “Wajax 2022 Annual Report”.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Wajax 2022 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is W. G. Andrew Smith.

Vaughan, Canada, March 6, 2023

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Note	December 31 2022	2021
Assets			
Current			
Cash		\$ —	\$ 9,988
Trade and other receivables	6	307,055	223,512
Contract assets	7	57,890	36,975
Inventory	8	462,164	388,702
Deposits on inventory		8,537	7,064
Lease receivables - current	14	4,170	3,187
Income taxes receivable		—	1,292
Prepaid expenses		11,105	7,887
Derivative financial assets – current	18	9,202	2,757
Total current assets		860,123	681,364
Non-Current			
Rental equipment	9	39,400	45,750
Property, plant and equipment	9	44,104	39,568
Right-of-use assets	10	122,720	134,503
Lease receivables	14	7,729	6,091
Goodwill and intangible assets	11	170,714	171,375
Derivative financial assets	18	5,092	2,196
Total non-current assets		389,759	399,483
Total assets		\$1,249,882	\$1,080,847
Liabilities And Shareholders' Equity			
Current			
Bank indebtedness		\$ 5,230	\$ —
Accounts payable and accrued liabilities	12	423,834	305,840
Provisions - current	13	3,178	5,567
Contract liabilities	7	19,511	19,545
Dividends payable	19	5,368	5,352
Income taxes payable		23,152	—
Lease liabilities - current	14	31,347	30,541
Derivative financial liabilities – current	18	2,458	1,042
Total current liabilities		514,078	367,887
Non-Current			
Provisions	13	76	216
Deferred tax liabilities	24	8,539	16,689
Employee benefits	15	6,655	7,977
Derivative financial liabilities	18	960	3,482
Lease liabilities	14	127,099	137,597
Debentures	16	55,762	55,223
Long-term debt	17	83,602	98,218
Other liabilities		3,341	3,645
Total non-current liabilities		286,034	323,047
Total liabilities		800,112	690,934
Shareholders' Equity			
Share capital	19	207,555	206,705
Contributed surplus		8,963	8,417
Retained earnings		228,145	176,174
Accumulated other comprehensive income (loss)		5,107	(1,383)
Total shareholders' equity		449,770	389,913
Total liabilities and shareholders' equity		\$1,249,882	\$1,080,847

Subsequent events (Note 30)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	Note	2022	2021
Revenue	21	\$1,962,822	\$1,637,281
Cost of sales		1,572,509	1,305,427
Gross profit		390,313	331,854
Selling and administrative expenses		276,456	239,553
Earnings before finance costs and income taxes		113,857	92,301
Finance costs	23	17,345	19,133
Earnings before income taxes		96,512	73,168
Income tax expense	24	24,104	19,920
Net earnings		\$ 72,408	\$ 53,248
Basic earnings per share	19	\$ 3.38	\$ 2.50
Diluted earnings per share	19	3.26	2.42

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	Note	2022	2021
Net earnings		\$ 72,408	\$ 53,248
Items that will not be reclassified to earnings			
Actuarial gains on pension plans, net of tax expense of \$434 (2021 – expense of \$164)	15	1,216	445
Items that may be subsequently reclassified to earnings			
Unrealized gains on derivatives designated as cash flow hedges, net of tax expense of \$3,127 (2021 – expense of \$1,213)		8,626	3,296
Realized (gains) losses on derivatives designated as cash flow hedges, reclassified to net earnings during year, net of tax expense of \$760 (2021 – recovery of \$705)		(2,136)	1,916
Other comprehensive income, net of tax		7,706	5,657
Total comprehensive income		\$ 80,114	\$ 58,905

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2022 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income Cash flow hedges	Total
December 31, 2021		\$ 206,705	\$ 8,417	\$ 176,174	\$ (1,383)	\$ 389,913
Net earnings		—	—	72,408	—	72,408
Other comprehensive income		—	—	1,216	6,490	7,706
Total comprehensive income		—	—	73,624	6,490	80,114
Shares issued to settle share-based compensation plans	19	958	(958)	—	—	—
Shares released from trust to settle share-based compensation plans	19, 20	216	(976)	249	—	(511)
Purchased for future settlement of certain share-based compensation plans	19	(324)	—	(476)	—	(800)
Share-based compensation expense	20	—	2,480	—	—	2,480
Dividends declared	19	—	—	(21,426)	—	(21,426)
December 31, 2022		\$ 207,555	\$ 8,963	\$ 228,145	\$ 5,107	\$ 449,770

See accompanying notes to consolidated financial statements.

For the year ended December 31, 2021 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss Cash flow hedges	Total
December 31, 2020		\$ 181,274	\$ 7,698	\$ 143,271	\$ (6,595)	\$ 325,648
Net earnings		—	—	53,248	—	53,248
Other comprehensive income		—	—	445	5,212	5,657
Total comprehensive income		—	—	53,693	5,212	58,905
Shares issued to settle share-based compensation plans	19	67	(67)	—	—	—
Shares released from trust to settle share-based compensation plans	19	108	(1,007)	618	—	(281)
Share-based compensation expense	20	—	1,793	—	—	1,793
Shares issued for business acquisitions		25,256	—	—	—	25,256
Dividends declared	19	—	—	(21,408)	—	(21,408)
December 31, 2021		\$ 206,705	\$ 8,417	\$ 176,174	\$ (1,383)	\$ 389,913

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)

	Note	2022	2021
Operating Activities			
Net earnings		\$ 72,408	\$ 53,248
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	9	14,689	15,228
Property, plant and equipment	9	7,449	7,493
Right-of-use assets	10	27,408	27,190
Intangible assets	11	5,937	5,483
Loss (gain) on disposal of property, plant and equipment		37	(2,967)
Loss on disposal of right-of-use assets		113	—
Share-based compensation expense	20	5,435	6,863
Non-cash income from finance leases		(430)	(508)
Employee benefits expense, net of employer contributions		(113)	(781)
Gain on derivative financial instruments	18	(3,221)	(2,154)
Finance costs	23	17,345	19,133
Income tax expense	24	24,104	19,920
		171,161	148,148
Changes in non-cash operating working capital	25	(64,975)	83,426
Rental equipment additions	9	(10,898)	(10,133)
Rental equipment disposals	9	2,550	5,909
Other non-current liabilities		(2,304)	(117)
Cash received (paid) on settlement of total return swaps	18	874	(613)
Finance costs paid on debts		(9,165)	(10,618)
Finance costs paid on lease liabilities	14, 23	(7,852)	(7,869)
Interest collected on lease receivables	23	352	229
Income taxes paid		(10,611)	(18,217)
Cash generated from operating activities		69,132	190,145
Investing Activities			
Property, plant and equipment additions	9	(9,224)	(5,939)
Proceeds on disposal of property, plant and equipment		913	17,576
Intangible assets net additions	11	(792)	(1,400)
Collection of lease receivables		3,886	2,590
Business acquisitions, net of cash acquired	5	(9,129)	(75,411)
Cash used in investing activities		(14,346)	(62,584)
Financing Activities			
Net decrease in bank debt	17	(15,045)	(72,991)
Purchase of shares held in trust	19	(800)	—
Transaction costs on debts	17	(278)	(966)
Payment of lease liabilities	14	(31,960)	(28,896)
Payment of tax withholding for share-based compensation		(511)	(281)
Dividends paid		(21,410)	(21,064)
Cash used in financing activities		(70,004)	(124,198)
Change in cash		(15,218)	3,363
Cash – beginning of period		9,988	6,625
(Bank indebtedness) cash – end of period		\$ (5,230)	\$ 9,988

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2022 (amounts in thousands of Canadian dollars, except share and per share data)

1. Company Profile

Wajax Corporation (the “**Corporation**”) is incorporated in Canada. The address of the Corporation’s registered head office is 2250 Argentia Road, Mississauga, Ontario, Canada. The Corporation operates an integrated distribution system, providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: construction, forestry, mining, industrial and commercial, oil sands, transportation, metal processing, government and utilities, and oil and gas.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as published by the International Accounting Standards Board (“**IASB**”).

These consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2023.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and share-based payment arrangements that have been measured at fair value. The defined benefit liability is recognized as the net total of the fair value of the plan assets and the present value of the defined benefit obligation.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated and except share and per share data.

Judgements and estimation uncertainty

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts and disclosures made in these consolidated financial statements. Actual results could differ from those judgements, estimates and assumptions. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for credit losses

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is partially mitigated by the Corporation’s diversified customer base who operate in many business sectors across Canada. In addition, the Corporation’s customer base spans large public companies, small independent contractors, original equipment manufacturers and various levels of government. The Corporation follows a program of credit evaluations

of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains an allowance for possible credit losses, and any such losses to date have been within management’s expectations. The allowance for credit losses is determined by estimating the lifetime expected credit losses, taking into account the Corporation’s past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. At the point when the Corporation is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

Inventory obsolescence

The value of the Corporation’s new and used equipment and high value parts is evaluated by management throughout the year, on a unit-by-unit basis considering projected customer demand, future market conditions, and other considerations evaluated by management. When required, provisions are recorded to ensure that equipment and parts are valued at the lower of cost and estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete lower value parts inventory and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods.

Acquisition accounting, goodwill and intangible assets

For acquisition accounting purposes, all identifiable assets and liabilities acquired in a business acquisition are recognized at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair value of these assets and liabilities. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets like customer relationships and brands. The Corporation’s significant assumptions used in determining the acquisition date fair value of intangible assets include projected revenues and cash flows attributable to acquired intangible assets, customer attrition rates, discount rates, royalty rates, and estimations of useful life.

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next five years. The key assumptions for the estimate are those regarding revenue growth, earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) margin, tax rates, discount rates and the level of working capital required to support the business. These estimates are based on past experience and management’s expectations of future changes in the market and forecasted growth initiatives.

Lease term of contracts with renewal options

The lease term is defined as the non-cancellable term of the lease, including any periods covered by a renewal option to extend the lease if it is reasonably certain that the renewal option will be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that the termination option will not be exercised.

Judgement is used when evaluating whether the Corporation is reasonably certain that the lease renewal option will be exercised, including examining any factors that may provide an economic advantage for renewal.

3. Significant Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of Wajax Corporation and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Revenue recognition

Revenue from contracts with customers is recognized for each performance obligation as control is transferred to the customer. The following is a description of principal activities from which the Corporation generates its revenue, and the associated timing of revenue recognition.

Revenue type	Nature and timing of satisfaction of performance obligations
Equipment sales	
Retail sales	Retail sales include the sale of new and used equipment. The Corporation recognizes revenue when control of the equipment passes to the customer based on shipment terms.
Sales of power and energy systems	Sales of complex power and energy systems involve design, installation, and assembly. As a result of control transferring over time as the asset is constructed, revenue is recognized on a percentage of completion basis proportionate to the work that has been completed and is based on associated costs incurred.
Industrial parts	The Corporation recognizes revenue when control of the parts passes to the customer based on shipment terms.
Product support	
Service	Revenue from sales of parts and labour when servicing equipment is recognized based on the extent of progress towards completion of the performance obligation. The customer controls the asset as it is being serviced, so revenue is recognized on a basis proportionate to the service work that has been performed based on associated costs incurred. The Corporation's service arrangements are generally short-term in nature with predictable pricing and costs.
Parts	The Corporation recognizes revenue when control of the parts passes to the customer based on shipment terms or upon customer pickup.
Engineered repair services ("ERS")	Revenue from engineered repair services is recognized based on the extent of progress towards completion of the performance obligation. Revenue is recognized on a basis proportionate to the service work that has been performed based on associated costs incurred, because it best reflects the transfer of control of the work-in-progress to the customer as the asset is being constructed, repaired, or modified.
Equipment rental	Revenue from equipment rentals where the Corporation acts as lessor is presented as equipment rental revenue, and is recognized on a straight-line basis over the term of the lease.

The transaction price is generally the amount stated in the contract. Certain contracts are subject to discounts which are estimated and included in the transaction price. Provisions are made for expected returns and warranty costs based on historical data.

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Corporation. In assessing control, the Corporation takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issuance of debt or equity, are recognized in earnings as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in earnings.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting has not been finalized. These provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date, to reflect new information obtained about facts and circumstances that existed at the acquisition date.

Trade and other receivables

Trade accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other accounts receivable are generally from suppliers for warranty and rebates. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade accounts receivable are recognized initially at amounts due, net of impairment for estimated expected credit losses. The expense relating to expected credit losses is included within selling and administrative expenses in the consolidated statements of earnings.

Contract assets and contract liabilities

Contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed at the reporting date on product support and ERS revenue. The contract assets are transferred to receivables when billed upon completion of significant milestones. Contract liabilities primarily relate to the advance billing or advance consideration received from customers on equipment sales, industrial parts, and ERS revenue, for which revenue is recognized when control transfers to the customer.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method except where the items are not ordinarily interchangeable, in which case the specific identification method is used. Cost of equipment and parts includes purchase cost, conversion cost, if applicable, and the cost incurred in bringing inventory to its present location and condition. Cost of work-in-process and cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Rental equipment

Rental equipment is recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Rental equipment is depreciated over its estimated useful life to its estimated residual value on a straight-line basis, which ranges from 4 to 5 years.

Rental equipment includes units transferred from inventory and excludes units transferred to inventory when the rental equipment becomes available for sale.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	5% – 10%
Equipment and vehicles	declining balance	20% – 30%
Computer hardware	straight-line	3 – 5 years
Furniture and fixtures	declining balance	10% – 20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Leases

As a lessee

The Corporation leases properties for its branch network, certain vehicles, machinery and IT equipment. At the commencement of the lease, the Corporation recognizes a right-of-use asset and a corresponding lease liability.

Lease liabilities are initially measured at the present value of the remaining lease payments discounted using the implicit interest rate in the lease or, if that rate is not readily determinable, the Corporation's incremental borrowing rate. Lease payments over the estimated lease term included in the measurement of the lease liability comprise of: fixed payments, adjusted for any lease incentives receivable, variable payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early. Not included in the balance of lease liabilities are short-term leases (defined as leases with a lease term of 12 months or less), leases of low-value assets and variable lease payments not linked to an index, which are all expensed as incurred in the consolidated statements of earnings. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets at inception include the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling and administrative expenses. Depreciation is recorded on a straight-line basis over the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term, in which case depreciation is recorded from the commencement date to the end of the useful life of the underlying asset.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) if there is a change in the future lease payments, a change in the Corporation's estimate of the amounts expected to be payable or if the Corporation changes its assessments of whether it will exercise a purchase, renewal, or termination option.

As a lessor

When the Corporation acts as lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Corporation makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been assessed and classified as operating leases. Revenue is presented as equipment rental revenue and recognized evenly over the term of the rental agreement.

Finance leases

The Corporation subleases certain equipment to customers. The Corporation assesses and classifies its subleases as finance leases, and therefore derecognizes the right-of-use assets relating to the respective head leases, recognizes lease receivables equal to the net investment in the subleases, and retains the previously recognized lease liabilities in its capacity as lessee.

Goodwill and intangible assets

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill and indefinite life intangible assets are subsequently measured at cost less accumulated impairment losses. Goodwill and indefinite life intangible assets are allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition.

Product distribution rights and brands represent the fair value attributed to these rights and brands at the time of acquisition and are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights and brands with minimal cost of renewal.

Customer relationships and vendor relationships are amortized on a straight-line basis over their useful lives which range from 4 to 12 years. Computer application software is classified as an intangible asset and is amortized on a straight-line basis over the useful life ranging from 1 to 15 years.

Impairment

Property, plant and equipment, rental equipment, right-of-use assets and definite life intangible assets are reviewed at the end of each period to determine if any indicators of impairment exist. If an indicator of impairment is identified, an impairment test is performed comparing its recoverable amounts to its carrying value. An impairment loss would be recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the CGU or group of CGUs to which the asset belongs.

Goodwill and indefinite life intangible assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. To test for impairment, the Corporation compares the carrying values of its goodwill and indefinite life intangibles to their recoverable amounts. Recoverable amount is the higher of value in use or fair value less costs of disposal, if the fair value can be readily determined. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the assets. The fair value less costs of disposal is determined either by an adjusted net asset-based approach or by the present value of future cash flows from a market participant perspective. Any impairment of goodwill or indefinite life intangible assets would be recorded as a charge against earnings.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purpose of impairment testing the CGUs are grouped at the level at which it is monitored, which is at the consolidated Corporation level. As a result, goodwill and intangible assets impairment has been tested for impairment using the cash flows generated by the consolidated operations of the Corporation.

Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period and a loss allowance is measured by estimating the lifetime expected credit losses ("ECL"). The Corporation uses the simplified approach to determine ECL on trade and other receivables, using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL. The ECL models applied to other financial assets and contract assets also required judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Impairment losses are recorded in selling and administrative expenses with the carrying amount of the financial asset reduced through the use of impairment allowance accounts.

Cash and bank indebtedness

Cash and bank indebtedness includes cash on hand, demand deposits, bank overdrafts and outstanding cheques. The Corporation considers bank indebtedness to be an integral part of the Corporation's cash management. Cash and bank indebtedness are offset and the net amount presented in the consolidated statements of financial position to the extent that there is a right to set off and a practice of net settlement.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized, until those assets are substantially ready for their intended use. Qualifying assets are those that take a substantial period of time to prepare for their intended use. All other borrowing costs are recognized in finance costs in the period in which they are incurred.

Finance costs

Finance costs are comprised of interest on the Corporation's long-term debt and debentures, interest on lease liabilities, and interest income on lease receivables, and are net of any borrowing costs that have been capitalized. Transaction costs directly attributable to the acquisition or amendment of long-term debt or debentures are deferred and amortized to finance costs over the term of the related long-term debt or debentures using the effective interest rate method. Deferred financing costs reduce the carrying amount of the related long-term debt or debentures.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under income-related government grants are reported in the consolidated statements of earnings as a deduction from the related expenses. Government grants receivable are recorded in trade and other receivables on the consolidated statements of financial position.

Derivative financial instruments and hedge accounting

The Corporation uses derivative financial instruments in the management of: a) its foreign currency exposures related to certain inventory purchases and customer sales commitments, b) its interest rate risk related to its variable rate debt, and c) its equity price risk related to certain share-based compensation plans. The Corporation's policy is to not utilize derivative financial instruments for trading or speculative purposes. Where the Corporation intends to apply hedge accounting it formally documents the relationship between the derivative and the risk being hedged, as well as the risk management objective and strategy for undertaking the hedge transaction. The documentation links the derivative to a specific asset or liability or to specific firm commitments or forecasted transactions. The Corporation also assesses, at the hedge's inception and at least quarterly whether the hedge is effective in offsetting changes in fair values or cash flows of the risk being hedged. Should a hedge become ineffective, hedge accounting will be discontinued prospectively. All derivative instruments are recorded in the consolidated statements of financial position at fair value. All changes in fair value are recorded in earnings unless hedge accounting is applied, in which case the effective portion of changes in fair value of the hedging instrument are recorded in other comprehensive income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

Share-based compensation plans

The fair value of share-based compensation plan rights is based on the trading price of a Wajax Corporation common share on the Toronto Stock Exchange ("TSX") or a Monte Carlo simulation. Compensation expense for share-settled plans is based upon the fair value of the rights at the date of grant and is charged to selling and administrative expenses on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for cash-settled plans varies with the price of the Corporation's shares and is charged to selling and administrative expenses, recognized over the vesting period with an offset to accounts payable and accrued liabilities.

Employee benefits

The Corporation has defined contribution pension plans for most of its employees. The cost of the defined contribution plans is recognized in earnings based on the contributions required to be made each year.

The Corporation also has defined benefit plans closed to new members, covering certain of its former employees, and with only inactive members remaining. The benefits are based on years of service and pensionable earnings. Defined benefit plan obligations were accrued as the members rendered the services necessary to earn the pension benefits. The Corporation has adopted the following policies:

- The cost of pension benefits earned by plan members is actuarially determined using the projected unit credit method for defined benefit plans and management's best estimate of retirement ages of deferred vested pensioners.

- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The charge to earnings for the defined benefit plans is split between an operating cost and a finance charge. The finance charge represents the net interest cost on the defined benefit obligation net of the expected return on plan assets and is included in selling and administrative expenses.
- Actuarial gains and losses are recognized in full in other comprehensive income in the year in which they occur.

Income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in earnings except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Change in Accounting Policies

During the year to date, the Corporation did not adopt any new accounting standards or amendments that had an impact on the Corporation's consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024) clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments remove the requirement for a right to defer settlement of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period in order to qualify for non-current classification. Management is currently assessing the impact of adopting these amendments on its financial statements.

5. Business Acquisitions

Division of Powell Canada Inc. ("Powell Valve")

On June 30, 2022, the Corporation acquired the net operating assets of an Alberta-based division of Powell Canada Inc. ("Powell Valve") specializing in valve sales, service and support. The net operating assets of Powell Valve were acquired for total cash consideration of \$5,360, subject to post-closing adjustments. As at December 31, 2022, \$5,606 was paid in cash and \$246 was recorded as a receivable from the seller based on preliminary working capital valuations. Tangible net assets acquired and goodwill recognized upon acquisition were \$4,557 and \$803, respectively. Final valuation of certain items are not yet complete. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process.

Process Flow Systems Ltd. ("Process Flow")

On January 31, 2022, the Corporation acquired the net operating assets of Thunder Bay, Ontario-based Process Flow, a specialist provider and engineered integrator of industrial process pumps, valves and monitoring and control systems. The net operating assets of Process Flow were acquired for total cash consideration of \$4,226. As at December 31, 2022, \$3,430 was paid in cash and \$796 remained payable in cash, of which \$411 relates to the estimated three-year performance-based earnout and \$385 is a holdback subject to certain customary conditions. Tangible net assets acquired and goodwill recognized upon acquisition were \$579 and \$3,647, respectively.

QT Valve & Supply Limited ("QT Valve")

On September 1, 2021, the Corporation acquired all of the issued and outstanding shares of Fort St. John, British Columbia-based QT Valve, a supplier of valves and valve services to the western oil and gas market. QT Valve was acquired for total cash consideration of \$1,905, net of \$79 cash acquired as part of QT Valve's net assets. As at December 31, 2022, \$1,644 was paid in cash, of which \$1,551 was paid in 2021 and \$93 was paid in 2022. \$261 remains payable in cash and represents the remaining estimated payable for the four-year performance-based earnout. Tangible net assets acquired and goodwill recognized upon acquisition were \$1,126 and \$858, respectively.

Tundra Process Solutions Ltd. ("Tundra")

On January 22, 2021, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Tundra. Founded in 1999, Tundra provides maintenance and technical services to customers in the western Canadian midstream oil and gas, oil sands, petrochemical, mining, forestry and municipal sectors. Tundra also distributes a diverse range of industrial process equipment, representing industry-leading manufacturers of valves and actuators, instrumentation and controls, motors and drives, control buildings, boilers and water treatment solutions.

The acquisition was accounted for as a business combination using the acquisition method whereby the net assets acquired were recorded at fair value.

The following table summarizes the acquisition-date fair value of each major class of consideration transferred, the recognized amounts of the identifiable assets acquired and liabilities assumed, and the resulting value of goodwill:

Consideration transferred:

Cash consideration	\$ 74,137
Fair value of common share consideration	25,256
	<u>\$ 99,393</u>

Fair value of assets and liabilities recognized:

Cash	\$ 597
Trade and other receivables	16,632
Contract assets	7,951
Inventory	15,307
Prepaid expenses	241
Property, plant and equipment	4,329
Right-of-use assets	6,138
Accounts payable and accrued liabilities	(20,196)
Contract liabilities	(220)
Lease liabilities	(6,076)
Deferred tax liabilities	(9,218)
	<u>\$ 15,485</u>
Tangible net assets acquired	\$ 15,485
Intangible assets	42,000
Goodwill	41,908
	<u>\$ 99,393</u>

As at December 31, 2021, the purchase price allocation was considered final. Net cash outflow for the acquisition was \$73,540, as \$597 of cash was acquired as part of Tundra's net assets. The fair value of common shares transferred as consideration was based on the Corporation's quoted share price on the date of acquisition, which was \$18.61 per share.

Trade and other receivables represented gross contractual amounts receivable of \$16,809 less management's best estimate of the allowance for credit losses of \$177.

The Corporation acquired intangible assets as part of the acquisition including customer relationships, vendor relationships and brand. The fair values of customer relationships, vendor relationships and brand acquired in the business acquisition were determined using an income approach. The customer relationships and vendor relationships were fair valued using the multi-period excess earnings and with-and-without methods, respectively. The valuation methods were based on the discounted cash flows expected to be derived from the ownership of the assets. To estimate the fair value of the brand acquired, the relief from royalty method was applied to forecast revenue using an appropriate notional royalty rate.

Goodwill arising from the acquisition was attributable mainly to the ability to leverage the assembled workforce, industry knowledge, future growth and the potential to realize synergies in the form of cost savings. The goodwill recorded on the acquisition of Tundra is not deductible for income tax purposes. Tundra revenues of \$125,438 and net earnings of \$5,158 were included in the consolidated statements of earnings from the date of acquisition to December 31, 2021. Had the acquisition of Tundra occurred on January 1, 2021, the consolidated revenue would have increased by \$5,449 and the consolidated net earnings would have increased by \$145 for the year ended December 31, 2021.

Tundra transaction costs, primarily for advisory services, were \$405 for the year ended December 31, 2021 and were included in selling and administrative expenses in the consolidated statements of earnings. Additionally, Tundra transaction costs of \$1,041 were recognized during the fourth quarter of 2020 in selling and administrative expenses.

6. Trade and Other Receivables

The Corporation's trade and other receivables consist of trade accounts receivable from customers and other accounts receivable, generally from suppliers for warranty and rebates. Trade and other receivables are comprised of the following:

	December 31	
	2022	2021
Trade accounts receivable	\$ 271,156	\$ 196,762
Less: allowance for credit losses	(1,182)	(1,080)
Net trade accounts receivable	\$ 269,974	\$ 195,682
Other receivables	37,081	27,830
Total trade and other receivables	\$ 307,055	\$ 223,512

The Corporation has an agreement with a financial institution to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under the agreement, up to \$20,000 of accounts receivable may be sold to the financial institution and can remain outstanding at any point in time. After the sale, the Corporation does not retain any interests in the accounts receivable and removes

them from its consolidated statement of financial position, however the Corporation continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at December 31, 2022, the Corporation did not have any accounts receivable to service and collect on behalf of this financial institution. As at December 31, 2021, the Corporation continued to service and collect \$10,169 in accounts receivable on behalf of this financial institution. Net proceeds from this program are classified in operating activities in the consolidated statements of cash flows.

The Corporation's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 18.

7. Contract Assets and Liabilities

The following table provides information about contract assets and contract liabilities from contracts with customers:

	December 31	
	2022	2021
Contract assets	\$ 57,890	\$ 36,975
Contract liabilities	19,511	19,545

The contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed at the reporting date on product support and engineered repair services ("ERS") revenue. The contract assets are transferred to receivables when billed upon completion of significant milestones. The contract liabilities primarily relate to the advance billing or advance consideration received from customers on equipment sales, industrial parts, and ERS revenue, for which revenue is recognized when control transfers to the customer.

Revenue recognized in 2022 that was included in the contract liability balance at the beginning of the year was \$18,820 (2021 – \$6,599).

8. Inventory

The Corporation's inventory balance consists of the following:

	December 31	
	2022	2021
Equipment	\$ 207,958	\$ 208,377
Parts	228,456	148,587
Work-in-process	25,750	31,738
Total inventory	\$ 462,164	\$ 388,702

All amounts shown are net of obsolescence provisions of \$27,796 (December 31, 2021 – \$29,825). For the year ended December 31, 2022, \$815 (2021 – \$3,172) was recorded in cost of sales for the write-down of inventory to estimated net realizable value.

For the year ended December 31, 2022, the Corporation recognized \$1,293,130 (2021 – \$1,052,042) of inventory as an expense which is included in cost of sales.

As at December 31, 2022, the Corporation has included \$28,566 (December 31, 2021 – \$56,452) in equipment inventory related to short-term rental contracts that are expected to convert to equipment sales within a six to twelve month period.

Substantially all of the Corporation's inventory is pledged as security for the bank credit facility (Note 17).

9. Property, Plant and Equipment and Rental Equipment

	Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements	Property, plant and equipment	Rental equipment
Cost							
December 31, 2021	\$ 22,653	\$ 67,956	\$ 5,189	\$ 10,683	\$ 12,899	\$ 119,380	\$ 100,222
Additions	676	6,779	309	275	1,185	9,224	10,898
Transfer from leased to owned at end of lease	—	2,218	—	—	—	2,218	—
Other transfers	—	38	—	—	—	38	(38)
Disposals	—	(3,306)	(290)	(346)	(341)	(4,283)	(11,436)
Business acquisitions	—	3,002	103	93	51	3,249	—
December 31, 2022	\$ 23,329	\$ 76,687	\$ 5,311	\$ 10,705	\$ 13,794	\$ 129,826	\$ 99,646
Accumulated depreciation							
December 31, 2021	\$ 12,140	\$ 46,915	\$ 4,180	\$ 7,801	\$ 8,776	\$ 79,812	\$ 54,472
Charge for the year	346	5,328	529	556	690	7,449	14,689
Transfer from leased to owned at end of lease	—	1,765	—	—	—	1,765	—
Other transfers	—	29	—	—	—	29	(29)
Disposals	—	(2,690)	(289)	(312)	(42)	(3,333)	(8,886)
December 31, 2022	\$ 12,486	\$ 51,347	\$ 4,420	\$ 8,045	\$ 9,424	\$ 85,722	\$ 60,246
Carrying amount							
December 31, 2022	\$ 10,843	\$ 25,340	\$ 891	\$ 2,660	\$ 4,370	\$ 44,104	\$ 39,400
Cost							
December 31, 2020	\$ 28,747	\$ 64,326	\$ 5,004	\$ 10,617	\$ 12,362	\$ 121,056	\$ 111,804
Additions	56	4,839	212	357	475	5,939	10,133
Transfer from leased to owned at end of lease	—	3,014	—	—	—	3,014	—
Other transfers	—	652	(339)	—	—	313	(313)
Disposals	(6,150)	(7,525)	(182)	(653)	(816)	(15,326)	(21,402)
Business acquisitions	—	2,650	494	362	878	4,384	—
December 31, 2021	\$ 22,653	\$ 67,956	\$ 5,189	\$ 10,683	\$ 12,899	\$ 119,380	\$ 100,222
Accumulated depreciation							
December 31, 2020	\$ 13,699	\$ 46,125	\$ 3,465	\$ 7,768	\$ 8,628	\$ 79,685	\$ 54,903
Charge for the year	366	4,662	889	612	964	7,493	15,228
Transfer from leased to owned at end of lease	—	2,501	—	—	—	2,501	—
Other transfers	—	166	—	—	—	166	(166)
Disposals	(1,925)	(6,539)	(174)	(579)	(816)	(10,033)	(15,493)
December 31, 2021	\$ 12,140	\$ 46,915	\$ 4,180	\$ 7,801	\$ 8,776	\$ 79,812	\$ 54,472
Carrying amount							
December 31, 2021	\$ 10,513	\$ 21,041	\$ 1,009	\$ 2,882	\$ 4,123	\$ 39,568	\$ 45,750

The disposals of property, plant and equipment included the sale and leaseback transactions described in Note 10. All property, plant and equipment except land and buildings have been pledged as security for bank debt (Note 17).

10. Right-of-use Assets

	Properties	Vehicles	Computer hardware	Equipment	Total
Cost					
December 31, 2021	\$ 170,045	\$ 30,083	\$ 3,718	\$ 33	\$ 203,879
Additions	8,113	6,294	2,088	5,939	22,434
Disposals	113	(1,990)	—	—	(1,877)
Disposal to lease receivables upon sublease	—	—	—	(5,939)	(5,939)
Transfer from leased to owned at end of lease	—	(2,218)	—	—	(2,218)
Business acquisitions (Note 5)	829	—	—	—	829
December 31, 2022	\$ 179,100	\$ 32,169	\$ 5,806	\$ 33	\$ 217,108
Accumulated depreciation					
December 31, 2021	\$ 53,259	\$ 15,141	\$ 966	\$ 10	\$ 69,376
Charge for the year	21,621	4,829	948	10	27,408
Disposals	113	(744)	—	—	(631)
Transfer from leased to owned at end of lease	—	(1,765)	—	—	(1,765)
December 31, 2022	\$ 74,993	\$ 17,461	\$ 1,914	\$ 20	\$ 94,388
Carrying amount					
December 31, 2022	\$ 104,107	\$ 14,708	\$ 3,892	\$ 13	\$ 122,720
Cost					
December 31, 2020	\$ 149,828	\$ 27,155	\$ 2,449	\$ —	\$ 179,432
Additions	17,823	6,053	1,838	4,085	29,799
Disposals	(2,542)	(1,280)	(569)	—	(4,391)
Disposal to lease receivables upon sublease	—	—	—	(4,085)	(4,085)
Transfer from leased to owned at end of lease	—	(3,014)	—	—	(3,014)
Business acquisitions	4,936	1,169	—	33	6,138
December 31, 2021	\$ 170,045	\$ 30,083	\$ 3,718	\$ 33	\$ 203,879
Accumulated depreciation					
December 31, 2020	\$ 33,941	\$ 13,116	\$ 642	\$ —	\$ 47,699
Charge for the year	21,332	5,190	658	10	27,190
Disposals	(2,014)	(664)	(334)	—	(3,012)
Transfer from leased to owned at end of lease	—	(2,501)	—	—	(2,501)
December 31, 2021	\$ 53,259	\$ 15,141	\$ 966	\$ 10	\$ 69,376
Carrying amount					
December 31, 2021	\$ 116,786	\$ 14,942	\$ 2,752	\$ 23	\$ 134,503

During the year to date, the Corporation did not enter into any sale and leaseback transactions (2021 – three of its owned properties). In the prior year, the proceeds net of transaction costs on the sale of the properties were \$13,819, and the carrying amount was \$3,623. The transactions in the prior year resulted in a total gain on the sale of the properties of \$10,196, of which \$880 was recognized in the consolidated statements of earnings at the time of the transaction and the remaining \$9,316 was deferred as a reduction of the right-of-use assets. In the prior year, the Corporation also recorded lease liabilities of \$10,534, and right-of-use assets of \$1,218 related to these sale and leaseback transactions. The terms of the three leases signed in the prior year were 10, 10 and 15 years, respectively.

11. Goodwill and Intangible Assets

The Corporation performed its annual impairment test of its goodwill and indefinite life intangibles as at December 31, 2022. The recoverable amount of the CGU group was estimated based on the present value of the future cash flows expected to be derived from the CGU group (value in use). This approach requires assumptions about revenue growth rates, EBITDA margins, tax rates, discount rates and the level of working capital required to support the business.

The maintainable discretionary after-tax cash flows from operations are based on historical results, the Corporation's projected 2023 operating budget and its long-term strategic plan. To prepare these calculations, the forecasts were extrapolated beyond the five year period at the estimated long-term inflation rate of 2% (2021 – 2%). The Corporation assumed a discount rate of approximately 10.7% (2021 – 9.0%) which is based on the Corporation's pre-tax weighted average cost of capital.

The tax rates applied to the cash flow projections were based on the effective tax rate of the Corporation of approximately 25.0% (2021 – 27.2%). Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

The Corporation concluded as at December 31, 2022 that no impairment existed in either the goodwill or the intangible assets with an indefinite life, as the recoverable amount of the CGU group exceeded its carrying value.

The Corporation did not reverse any impairment losses for definite life intangible assets for the years ended December 31, 2022 and December 31, 2021.

	Goodwill	Product distribution rights/Brands	Customer relationships/Vendor relationships	Software	Total
Cost					
December 31, 2021	\$ 98,846	\$ 18,236	\$ 47,500	\$ 17,500	\$ 182,082
Additions	—	—	—	844	844
Disposals	—	—	—	(214)	(214)
Business acquisitions (Note 5)	4,484	—	—	—	4,484
December 31, 2022	\$ 103,330	\$ 18,236	\$ 47,500	\$ 18,130	\$ 187,196
Accumulated amortization					
December 31, 2021	\$ —	\$ —	\$ 8,693	\$ 2,014	\$ 10,707
Charge for the year	—	—	4,884	1,053	5,937
Disposals	—	—	—	(162)	(162)
December 31, 2022	\$ —	\$ —	\$ 13,577	\$ 2,905	\$ 16,482
Carrying amount					
December 31, 2022	\$ 103,330	\$ 18,236	\$ 33,923	\$ 15,225	\$ 170,714
Cost					
December 31, 2020	\$ 56,114	\$ 3,236	\$ 27,902	\$ 16,130	\$ 103,382
Additions	—	—	—	1,400	1,400
Disposals	—	—	(7,402)	(30)	(7,432)
Business acquisitions	42,732	15,000	27,000	—	84,732
December 31, 2021	\$ 98,846	\$ 18,236	\$ 47,500	\$ 17,500	\$ 182,082
Accumulated amortization					
December 31, 2020	\$ —	\$ —	\$ 11,398	\$ 1,258	\$ 12,656
Charge for the year	—	—	4,697	786	5,483
Disposals	—	—	(7,402)	(30)	(7,432)
December 31, 2021	\$ —	\$ —	\$ 8,693	\$ 2,014	\$ 10,707
Carrying amount					
December 31, 2021	\$ 98,846	\$ 18,236	\$ 38,807	\$ 15,486	\$ 171,375

During the year, there were no borrowing costs capitalized that were directly attributable to the construction of qualifying assets. In the prior year, \$153 of borrowing costs directly attributable to the construction of qualifying assets were capitalized. The capitalization rate used to determine the amount of borrowing costs capitalized during the prior year was 3.0%.

Amortization of intangible assets is charged to selling and administrative expenses.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	December 31 2022	2021
Trade payables	\$ 308,237	\$ 209,284
Deferred rental income	1,130	1,012
Payroll, bonuses and incentives	50,509	44,501
Accrued liabilities	63,958	51,043
Accounts payable and accrued liabilities	\$ 423,834	\$ 305,840

13. Provisions and Contingencies

	Warranties	Environmental	Other	Total
Provisions,				
December 31,				
2021	\$ 1,627	\$ 2,483	\$ 1,673	\$ 5,783
Charge for the year	273	812	429	1,514
Utilized in the year	(939)	(2,270)	(834)	(4,043)
Provisions,				
December 31,				
2022	\$ 961	\$ 1,025	\$ 1,268	\$ 3,254
Current portion	\$ 961	\$ 949	\$ 1,268	\$ 3,178
Non-current portion	—	76	—	76
Total	\$ 961	\$ 1,025	\$ 1,268	\$ 3,254

Contingencies

In the ordinary course of business, the Corporation is contingently liable for various amounts that could arise from litigation, environmental matters or other sources. The Corporation does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations. Provisions have been made in these consolidated financial statements when the liability is expected to result in an outflow of economic resources, and where the obligation can be reliably measured.

14. Lease Liabilities and Lease Receivables

As lessee

The Corporation leases properties for its branch network, certain vehicles, machinery and IT equipment.

The change in lease liabilities is as follows:

For the year ended December 31	Note	2022	2021
Balance at beginning of year		\$ 168,138	\$ 153,033
Changes from operating cash flows			
Finance costs paid on lease liabilities		(7,852)	(7,869)
Changes from financing cash flows			
Payment of lease liabilities		(31,960)	(28,896)
Other changes			
Business acquisitions		829	6,076
Interest expense	23	7,852	7,869
New leases, net of disposals		21,439	37,925
Balance at end of year		\$ 158,446	\$ 168,138
Current portion		\$ 31,347	\$ 30,541
Non-current portion		\$ 127,099	\$ 137,597

Not included in the balance of lease liabilities are short-term leases, leases of low-value assets and variable lease payments not linked to an index. Variable lease payments, lease payments associated with short-term leases and leases of low-value assets are expensed as incurred in the consolidated statements of earnings.

For the year ended December 31	Note	2022	2021
Expense related to short-term leases		\$ 105	\$ 225
Expense related to low value assets, excluding short-term leases of low value assets		63	34
Expense related to variable lease payments not included in the measurement of lease liabilities		3,259	2,582
Payment of lease liabilities		31,960	28,896
Interest paid on lease liabilities	23	7,852	7,869
Total outflow for leases		\$ 43,239	\$ 39,606

The maturity analysis of contractual undiscounted cash flows of lease obligations is as follows:

	December 31	
	2022	2021
Within one year	\$ 44,812	\$ 48,768
Between one and three years	66,907	73,977
Between three and five years	47,249	47,485
More than five years	62,429	80,721
Total undiscounted lease obligations	\$ 221,396	\$ 250,951

As lessor

Operating leases

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been assessed and classified as operating leases. Revenue is presented as equipment rental revenue and recognized evenly over the term of the rental agreement. The future minimum lease payments receivable under the agreements are as follows:

	December 31	
	2022	2021
Less than one year	\$ 7,899	\$ 6,791
Between one and five years	7,162	8,567
Future minimum lease payments receivable	\$ 15,061	\$ 15,358

Finance leases

The Corporation subleases certain equipment to customers. The Corporation assesses and classifies its subleases as finances leases, and therefore derecognizes the right-of-use assets relating to the respective head leases, recognizes lease receivables equal to the net investment in the subleases, and retains the previously recognized lease liabilities in its capacity as lessee. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	December 31	
	2022	2021
Less than one year	\$ 4,551	\$ 3,382
Between one and five years	7,927	6,303
Total undiscounted lease payments receivable	12,478	9,685
Unearned finance income	(579)	(407)
Lease receivables	\$ 11,899	\$ 9,278
Current portion	\$ 4,170	\$ 3,187
Non-current portion	\$ 7,729	\$ 6,091

15. Employee Benefits

The Corporation sponsors four pension plans: Wajax Limited Defined Contribution Pension Plan (the “**Employees’ Plan**”) which is a defined contribution plan (“**DC**”), Simplified Pension Plan (the “**SP Plan**”) which is a defined contribution plan for employees in the province of Quebec, and two defined benefit plans: the Pension Plan for Executive Employees of Wajax Limited (the “**Executive Plan**”) and the Wajax Limited Supplemental Executive Retirement Plan (the “**SERP**”).

The Corporation also contributes to several union sponsored multi-employer pension plans for a small number of employees. Two of these are target benefit plans but they are accounted for as defined contribution plans since the Corporation has no involvement in the management of these plans and does not have sufficient information to account for the plans as defined benefit plans.

The Corporation uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. These actuarial assumptions include discount rates, mortality rates, and inflation. While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the statements of financial position and statements of earnings.

The previous actuarial valuation for the Executive Plan for funding purposes was as at January 1, 2021, and the next valuation is as at January 1, 2024.

The following significant actuarial assumptions were used to determine the net defined benefit plan cost and the defined benefit plan obligations:

	December 31	
	2022	2021
Discount rate – at beginning of year (to determine plan expenses)	3.1%	2.5%
Discount rate – at end of year (to determine defined benefit obligation)	5.3%	3.1%
Increases in pensionable earnings	—%	—%
Rate of inflation	2.0%	2.0%

Assumptions regarding future mortality rates were based on 87% of the rates of the 2014 Public Sector Canadian Pensioner's Mortality Table for the Executive Plan and SERP.

Plan assets for the defined contribution plans are invested according to the directions of the plan members. Plan assets for defined benefit plans are invested in the following major categories of plan assets as a percentage of total plan assets:

	Executive Plan December 31	
	2022	2021
Fixed Income	40.1%	40.4%
Foreign Equities	59.9%	59.6%
	100.0%	100.0%

The history of adjustments on the defined benefit plans recognized in other comprehensive income for the current and prior year are as follows:

	2022	2021
Actuarial loss (gain) on defined benefit obligation arising from:		
Experience adjustments	\$ 2	\$ 236
Financial assumption changes	(2,702)	(1,337)
	\$ (2,700)	\$ (1,101)
Actuarial loss on asset return	1,050	492
Total remeasurement gain recognized in OCI, pre-tax	\$ (1,650)	\$ (609)

Total cash payments

Total cash payments for employee future benefits for 2022, consisting of cash contributed by the Corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its defined contribution plans was \$10,258 (2021 – \$9,698).

The Corporation expects to contribute \$423 to the defined benefit pension plans in the year ended December 31, 2023, which relates entirely to expected benefit payments relating to the SERP as this plan is not funded.

The plan expenses recognized in earnings are as follows:

	2022	2021
Defined contribution plans		
Current service cost	\$ 9,819	\$ 8,294
Defined benefit plans		
Current service cost	—	276
Gain on settlements	—	(117)
Administration expenses	77	227
SERP line of credit fees	175	221
Interest cost on defined benefit obligation	423	466
Interest income on plan assets	(174)	(229)
	\$ 501	\$ 844
Total plan expense recognized in earnings	\$ 10,320	\$ 9,138

Of the amounts recognized in earnings, \$4,122 (2021 – \$3,702) is included in cost of sales and \$6,198 (2021 – \$5,436) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2022	2021
Actuarial gain	\$ (1,650)	\$ (609)
Deferred tax expense	434	164
Amount recognized in other comprehensive income	\$ (1,216)	\$ (445)
Cumulative actuarial losses, net of tax	\$ 1,528	\$ 2,744

Information about the Corporation's defined benefit pension plans, in aggregate, is as follows:

Present value of benefit obligation	2022	2021
Present value of benefit obligation, beginning of year	\$ 14,183	\$ 22,821
Current service cost	—	276
Gain on settlements	—	(117)
Participant contributions	—	20
Interest cost on defined benefit obligation	423	466
Actuarial gain	(2,700)	(1,101)
Benefits paid	(971)	(1,176)
Settlement payments from plan assets	—	(7,006)
Present value of benefit obligation, end of year	\$ 10,935	\$ 14,183

Fair value of plan assets	2022	2021
Fair value of plan assets, beginning of year	\$ 5,765	\$ 13,013
Interest income	170	229
Return on plan assets (excluding interest income)	(1,114)	(528)
Participant contributions	—	20
Employer contributions	439	1,404
Benefits paid	(971)	(1,176)
Settlement payments from plan assets	—	(7,006)
Administration expenses	(9)	(191)
Fair value of plan assets, end of year	\$ 4,280	\$ 5,765

Funded Status	2022	2021
Fair value of plan assets, end of year	\$ 4,280	\$ 5,765
Present value of benefit obligation, end of year	(10,935)	(14,183)
Plan deficit	\$ (6,655)	\$ (8,418)

The accrued benefit liability is included in the Corporation's statement of financial position as follows:

	2022	2021
Accounts payable and accrued liabilities	\$ —	\$ (441)
Employee benefits	(6,655)	(7,977)
Plan deficit	\$ (6,655)	\$ (8,418)

The present value of the benefit obligation includes a benefit obligation of \$4,766 (2021 – \$6,113) related to the SERP that is not funded. This obligation is secured by a letter of credit of \$5,731 (2021 – \$6,735).

Sensitivity analysis

The following sensitivity analysis is hypothetical and should be used with caution. The sensitivities of the key assumption have been calculated independently of any changes in other assumptions. Actual experience may result in changes in a number of assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

A 1% increase in discount rate would result in a \$939 (2021 – \$1,563) decrease to the defined benefit obligation as at December 31, 2022. A 1% decrease in discount rate would result in a \$1,105 (2021 – \$1,614) increase to the defined benefit obligation.

16. Debentures

Senior Unsecured Debentures – 6%, due January 15, 2025

In December 2019, the Corporation issued \$57,000 in unsecured subordinated debentures with a term of five years due January 15, 2025. These debentures bear a fixed interest rate of 6.00% per annum, payable semi-annually on January 15 and July 15 of each year.

On or after January 15, 2023, but prior to January 15, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Corporation at a price equal to 103% of the principal amount redeemed plus accrued and unpaid interest. On or after January 15, 2024, but prior to the maturity date of January 15, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on January 15, 2025, the Corporation has the option to repay the debentures in either cash or freely tradable voting shares of the Corporation.

The debentures are classified as a financial liability and are initially recorded at fair value net of transaction costs. The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debentures.

The following balances were outstanding:

		December 31	
	2022	2021	
Debentures issued	\$ 57,000	\$ 57,000	
Deferred financing costs, net of accumulated amortization	(1,238)	(1,777)	
Total debentures	\$ 55,762	\$ 55,223	

Movements in the debentures balance are as follows:

For the year ended December 31	2022	2021
Balance at beginning of period	\$ 55,223	\$ 54,638
Amortization of deferred financing costs	539	585
Balance at end of period	\$ 55,762	\$ 55,223

Finance costs on the debentures for the year ended December 31, 2022 were \$3,959 (2021 – \$3,999).

17. Long-term Debt

In June 2022, the Corporation fully repaid its \$50,000 non-revolving acquisition term facility via a drawdown from the revolving term facility. As at December 31, 2022, Wajax had a \$400,000 credit limit on its bank credit facility, composed of a \$50,000 non-revolving term facility and a \$350,000 revolving term facility. On October 6, 2022, the Corporation extended the maturity date of its \$400,000 bank credit facility from October 1, 2026 to October 1, 2027. The \$278 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar SOFR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar SOFR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventory on hand and the outstanding trade accounts receivable. As at December 31, 2022, borrowing capacity under the bank credit facility was \$400,000 (December 31, 2021 – \$450,000), of which \$308,851 (December 31, 2021 – \$342,729) was accessible to the Corporation. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2022.

The following balances were outstanding:

		December 31	
	2022	2021	
Bank credit facility			
Non-revolving term portion	\$ 50,000	\$ 50,000	
Non-revolving acquisition term portion	—	50,000	
Revolving term portion	34,955	—	
	\$ 84,955	\$ 100,000	
Deferred financing costs, net of accumulated amortization	(1,353)	(1,782)	
Total long-term debt	\$ 83,602	\$ 98,218	

The Corporation had \$6,194 (December 31, 2021 – \$7,271) letters of credit outstanding at the end of the year. Finance costs on long-term debt amounted to \$5,886 (2021 – \$7,494).

Movements in the long-term debt balance are as follows:

For the year ended December 31	2022	2021
Balance at beginning of period	\$ 98,218	\$ 171,580
Changes from financing cash flows		
Net repayments of borrowings	(15,045)	(72,991)
Transaction costs related to borrowings	(278)	(966)
Other changes		
Amortization of deferred financing costs	707	595
Balance at end of period	\$ 83,602	\$ 98,218

18. Financial Instruments and Financial Risk Management

The Corporation uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1** – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2** – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3** – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Corporation categorizes its financial instruments as follows:

	December 31 2022	2021
Financial assets measured at amortized cost:		
Cash	\$ —	\$ 9,988
Trade and other receivables	307,055	223,512
Contract assets	57,890	36,975
Lease receivables	11,899	9,278
Financial liabilities measured at amortized cost:		
Bank indebtedness	5,230	—
Accounts payable and accrued liabilities	423,834	305,840
Provisions	3,254	5,783
Contract liabilities	19,511	19,545
Dividends payable	5,368	5,352
Other liabilities	3,341	3,645
Debentures	55,762	55,223
Long-term debt	83,602	98,218
Net derivative financial assets (liabilities) measured at fair value:		
Foreign exchange forwards	2,457	714
Total return swaps	59	2,836
Interest rate swaps	8,360	(3,121)

The Corporation measures non-derivative financial assets and financial liabilities at amortized cost. Derivative financial assets/liabilities are recorded on the consolidated statements of financial position at fair value. Changes in fair value are recognized in the consolidated statements of earnings except for changes in fair value

related to derivative financial assets/liabilities which are effectively designated as hedging instruments which are recognized in other comprehensive income. The Corporation's derivative financial assets/liabilities are held with major Canadian chartered banks and are deemed to be Level 2 financial instruments. The fair value of long-term debt approximates its recorded value due to its floating interest rate. The fair value of lease receivables approximates its carrying value. The fair value of the debentures can be estimated based on the trading price of the debentures, which takes into account the Corporation's own credit risk. At December 31, 2022, the Corporation has estimated the fair value of its debentures to be \$56,715. The fair values of all other financial assets and liabilities approximate their recorded values due to the short-term maturities of these instruments.

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (consisting of currency risk, interest rate risk and equity price risk). The following analysis provides a measurement of these risks as at December 31, 2022 and 2021:

Credit risk

The Corporation is exposed to credit risk with respect to its trade and other receivables. This risk is mitigated by the Corporation's large customer base which covers many business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation's trade and other receivables consist of trade accounts receivable from customers and other accounts receivable, generally from suppliers for warranty and rebates.

The aging of the trade accounts receivable is as follows:

	December 31 2022	2021
Current	\$ 147,686	\$ 108,645
Less than 60 days overdue	106,560	78,880
More than 60 days overdue	16,910	9,237
Total trade accounts receivable	\$ 271,156	\$ 196,762

The carrying amounts of accounts receivable represent the maximum credit exposure.

The Corporation maintains an allowance for expected credit losses taking into account past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

For the year ended December 31	2022	2021
Opening balance	\$ 1,080	\$ 3,626
Charge (reversals), net	624	(1,013)
Utilization	(522)	(1,533)
Closing balance	\$ 1,182	\$ 1,080

The Corporation is also exposed to the risk of non-performance by counterparties to foreign exchange forwards, interest rate swaps and total return swaps. These counterparties are large financial institutions that maintain high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to the Corporation. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. At December 31, 2022, the Corporation had borrowed \$84,955 (2021 – \$100,000) from the bank credit facility that matures on October 1, 2027. The Corporation issued \$6,194 (2021 – \$7,271) of letters of credit for a total utilization of \$91,149 (2021 – \$107,271) of its \$400,000 (2021 – \$450,000) bank credit facility and had not utilized any (2021 – nil) of its \$25,000 (2021 – \$25,000) interest bearing equipment financing facilities.

In December 2019, the Corporation issued \$57,000 in unsecured subordinated debentures with a term of five years due January 15, 2025. These debentures bear a fixed interest rate

of 6.00% per annum, payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2020. On redemption or at maturity on January 15, 2025, the Corporation has the option to repay the debentures in either cash or freely tradable voting shares of the Corporation.

The Corporation's \$400,000 bank credit facility, of which \$308,851 was unutilized at the end of the year, along with the additional \$25,000 of equipment financing available under the bank credit facility, is deemed to be sufficient to meet the Corporation's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, the Corporation may be required to access the equity or debt markets to fund significant acquisitions.

Contractual obligations are as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 423,834	\$ 423,834	\$ —	\$ —	\$ —
Undiscounted lease obligations	221,396	44,812	66,907	47,249	62,429
Long-term debt	84,955	—	—	84,955	—
Debentures	57,000	—	57,000	—	—
Total	\$ 787,185	\$ 468,646	\$ 123,907	\$ 132,204	\$ 62,429

Market risk

Market risk is the risk from changes in market prices, such as changes in foreign exchange rates, interest rates, and the Corporation's share price which will affect the Corporation's earnings as well as the value of the financial instruments held and cash-settled share-based liabilities outstanding. The exposure to these risks is managed through the use of various derivative instruments.

a) Currency risk

Certain of the Corporation's sales to customers and purchases from vendors are exposed to fluctuations in the U.S. dollar ("USD") and the Euro ("EUR"). When considered appropriate, the Corporation purchases foreign exchange forwards for USD and EUR as a means of mitigating this risk. A change in foreign currency relative to the Canadian dollar would not have a material impact on the Corporation's unhedged foreign currency-denominated sales to customers along with the associated receivables, or on the Corporation's unhedged foreign currency-denominated purchases from vendors along with the associated payables. The Corporation will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

The Corporation maintains a hedging policy whereby significant transactional currency risks are typically identified and hedged.

b) Interest rate risk

The Corporation's borrowing costs are impacted by changes in interest rates. The Corporation's tolerance to interest rate risk decreases as the Corporation's leverage ratio increases and interest coverage ratio decreases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the Corporation's leverage ratio increases. The Corporation has entered into interest rate swap contracts primarily to minimize exposure to interest rate fluctuations on its variable rate debt.

A 1.00 percentage point change in interest rates on the average amount outstanding under the bank credit facility for 2022 would result in a change to earnings before income taxes of approximately \$1,123 for the year.

c) Equity price risk

The Corporation's total return swaps are exposed to fluctuations in its share price. A \$1.00 per share decrease in the share price would result in a decrease in earnings before income taxes of \$402 relating to the total return swaps. An increase of \$1.00 per share would result in an equal and opposite effect on earnings before income taxes.

Derivative financial instruments and hedges

The Corporation enters into interest rate swaps to hedge the risk associated with interest rate fluctuations on its variable rate debt. Interest rate swaps are initially recognized on the date the derivative contracts are entered into, and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss. For the year ended December 31, 2022, the Corporation recognized a gain of \$5,298 (2021 – loss of \$502) in the consolidated statements of earnings associated with its interest rate swaps and a gain of \$4,522 (2021 – gain of \$4,135), net of tax in other comprehensive income.

The Corporation's interest rate swaps outstanding are summarized as follows:

	Notional Amount	Weighted Average Interest Rate	Maturity
As at December 31, 2022:	\$ 150,000	2.32%	October 2026 to October 2027
As at December 31, 2021:	\$ 150,000	2.21%	October 2026

The Corporation enters into short-term foreign exchange forwards to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. Foreign exchange forwards are initially recognized on the date the derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss. For the year ended December 31, 2022, the Corporation recognized a loss of \$174 (2021 – loss of \$145) associated with its foreign exchange forwards in the consolidated statements of earnings, and a gain of \$1,410 (2021 – gain of \$1,147), net of tax in other comprehensive income.

The Corporation's contracts to buy and sell foreign currencies are summarized as follows:

December 31, 2022	Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US\$ 135,601	1.3185	January 2023 to August 2024
	€ 400	1.3825	August 2023 to December 2023
Sales contracts	US\$ 37,481	1.2955	January 2023 to May 2024
	€ 570	1.3517	April 2023 to June 2023

December 31, 2021	Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US\$ 96,506	1.2547	January 2022 to January 2024
	€ 498	1.4841	January 2022 to December 2022
Sales contracts	US\$ 36,957	1.2543	January 2022 to April 2023
	€ 946	1.4992	January 2022 to December 2022

The Corporation has certain total return swaps to hedge the exposure associated with increases in its share price on its outstanding restricted share units ("RSUs"). The Corporation does not apply hedge accounting to these relationships and as

such, gains and losses arising from marking these derivatives to market are recognized in earnings in the period in which they arise. As at December 31, 2022, the Corporation's total return swaps cover 402,000 of the Corporation's underlying common shares (December 31, 2021 – 390,000), and expire between March 2023 and March 2025. During the year, the Corporation settled a total return swap contract for 130,000 shares (2021 – 114,000 shares), resulting in a cash receipt of \$874 (2021 – cash payout of \$613). For the year ended December 31, 2022, the Corporation recognized a loss of \$1,903 (2021 – gain of \$2,801) associated with its total return swaps.

Derivative financial assets consist of:

	December 31, 2022	December 31, 2021
Interest rate swaps	\$ 8,360	\$ 283
Foreign exchange forwards	5,166	1,834
Total return swaps	768	2,836
Total derivative financial assets	\$ 14,294	\$ 4,953

Current portion	\$ 9,202	\$ 2,757
Non-current portion	\$ 5,092	\$ 2,196

Derivative financial liabilities consist of:

	December 31, 2022	December 31, 2021
Interest rate swaps	\$ —	\$ 3,404
Foreign exchange forwards	2,709	1,120
Total return swaps	709	—
Total derivative financial liabilities	\$ 3,418	\$ 4,524

Current portion	\$ 2,458	\$ 1,042
Non-current portion	\$ 960	\$ 3,482

Movements in the net derivative financial assets (liabilities) balance are as follows:

	2022	2021
For the year ended December 31		
Opening net derivative financial asset (liability)	\$ 429	\$ (9,564)
Gain recognized in net earnings	3,221	2,154
Gain recognized in other comprehensive income	8,100	7,226
Cash (received) paid on settlement of total return swaps	(874)	613
Ending net derivative financial asset	\$ 10,876	\$ 429

The balance in accumulated other comprehensive income relates to changes in the value of the Corporation's various interest rate swaps and foreign exchange forwards where hedge accounting is applied. These accumulated amounts will be continuously released to the consolidated statements of earnings within finance costs and gross profit, respectively.

During the periods presented and cumulatively to date, changes in counterparty credit risk have not significantly contributed to the overall changes in the fair value of these derivative instruments.

19. Share Capital and Earnings Per Share

The Corporation is authorized to issue an unlimited number of no par value common shares and an unlimited number of no par value preferred shares. Each common share entitles the holder of record to one vote at all meetings of shareholders. All issued common shares are fully paid. There were no preferred shares outstanding as at December 31, 2022 (December 31, 2021 – nil). Each common share represents an equal beneficial interest in any distributions of the Corporation and in the net assets of the Corporation in the event of its termination or winding-up.

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2021	21,531,428	\$ 207,805
Common shares issued to settle share-based compensation plans	71,408	958
Issued and outstanding, December 31, 2022	21,602,836	\$ 208,763
Shares held in trust, December 31, 2021	(122,105)	(1,100)
Released for settlement of certain share-based compensation plans	23,915	216
Purchased for future settlement of certain share-based compensation plans	(33,544)	(324)
Shares held in trust, December 31, 2022	(131,734)	\$ (1,208)
Issued and outstanding, net of shares held in trust, December 31, 2022	21,471,102	\$ 207,555

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2021	21,531,428	\$ 207,805
Shares held in trust, December 31, 2020	(134,084)	(1,208)
Released for settlement of certain share-based compensation plans	11,979	108
Shares held in trust, December 31, 2021	(122,105)	\$ (1,100)
Issued and outstanding, net of shares held in trust, December 31, 2021	21,409,323	\$ 206,705

During the year, the Corporation purchased 33,544 (2021 – nil) common shares on the open market through Employee Benefit Plan Trusts for the future settlement of certain share-based compensation plans. The cash consideration paid for the purchase was \$800 (2021 – nil), the reduction in share capital was \$324 (2021 – nil) and the premium charged to retained earnings was \$476 (2021 – nil).

Dividends declared

During the year, the Corporation declared cash dividends of \$1.00 per share or \$21,426 (2021 – dividends of \$1.00 per share or \$21,408). As at December 31, 2022, the Corporation had \$5,368 (December 31, 2021 – \$5,352) dividends outstanding which were paid on January 4, 2023.

Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

For the year ended December 31	2022	2021
Numerator for basic and diluted earnings per share: – net earnings	\$ 72,408	\$ 53,248
Denominator for basic earnings per share: – weighted average shares, net of shares held in trust	21,423,140	21,328,093
Denominator for diluted earnings per share: – weighted average shares, net of shares held in trust – effect of dilutive share rights	21,423,140 773,778	21,328,093 698,782
Denominator for diluted earnings per share	22,196,918	22,026,875
Basic earnings per share	\$ 3.38	\$ 2.50
Diluted earnings per share	\$ 3.26	\$ 2.42

For the year, the calculation above excludes 6,924 anti-dilutive share rights (2021 – 5,408).

20. Share-based Compensation Plans

The Corporation has four share-based compensation plans: the Wajax Share Ownership Plan (the “SOP”), the Directors’ Deferred Share Unit Plan (the “DDSUP”), the Mid-Term Incentive Plan for Senior Executives (the “MTIP”) and the Deferred Share Unit Plan (the “DSUP”). The following table provides the share-based compensation expense for awards under all plans:

For the year ended December 31	2022	2021
Treasury share rights plans		
SOP equity-settled	\$ 96	\$ 94
DDSUP equity-settled	812	691
Total treasury share rights plans expense	\$ 908	\$ 785
Market-purchased share rights plans		
MTIP equity-settled	\$ 1,550	\$ 980
DSUP equity-settled	22	28
Total market-purchased share rights plans expense	\$ 1,572	\$ 1,008
Cash-settled rights plans		
MTIP cash-settled	\$ 2,986	\$ 4,989
DSUP cash-settled	(31)	81
Total cash-settled rights plans expense	\$ 2,955	\$ 5,070
Total share-based compensation expense	\$ 5,435	\$ 6,863

a) Treasury share rights plans

Under the SOP and the DDSUP, rights are issued to the participants which are settled by issuing Wajax Corporation shares for no cash consideration. Rights under the SOP vest over three years, while rights under the DDSUP vest immediately. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its Board. Whenever dividends are paid on the Corporation's shares, additional rights (dividend equivalents) with a value equal to the dividends are credited to the participants' accounts.

The following rights under these plans are outstanding:

	Number of rights	Fair value at time of grant
Outstanding at December 31, 2021	530,598	\$ 7,250
Grants – new grants	53,335	1,062
– dividend equivalents	27,089	—
Settlements	(71,408)	(958)
Outstanding at December 31, 2022	539,614	\$ 7,354

At December 31, 2022, 512,023 share rights were vested (December 31, 2021 – 500,405 share rights were vested).

The outstanding aggregate number of shares issuable to satisfy entitlements under these plans is as follows:

	Number of Shares
Approved by shareholders	1,300,000
Exercised to date	(430,802)
Rights outstanding	(539,614)
Available for future grants at December 31, 2022	329,584

b) Market-purchased share rights plans

The MTIP plan consists of cash-settled restricted share units ("RSUs") and equity-settled performance share units ("PSUs"), and the equity-settled DSUP plan consists of deferred share units ("DSUs").

Market-purchased share rights plans consist of PSUs under the MTIP plan and DSUs, which vest over three years and are settled in common shares of the Corporation on a one-for-one basis. DSUs are only subject to time-vesting, whereas PSUs are also subject to performance vesting. PSUs are comprised of two types:

- Total shareholder return ("TSR") PSUs: TSR PSUs vest dependent upon the attainment of a TSR market condition. Such performance vesting criteria result in a performance vesting factor that ranges from 0% to 200% depending on the Corporation's TSR relative to a pre-selected group of peers.
- Return on net assets ("RONA") PSUs or Return on invested capital ("ROIC") PSUs: RONA PSUs are applicable for grants prior to 2022 and vest dependent upon the attainment of a target level of return on net assets. ROIC PSUs are applicable from 2022 onward and vest dependent upon the attainment of a target level of return on invested capital. Such performance vesting criteria results in a performance vesting factor that ranges from 0% to 150% depending on the level of RONA or ROIC attained.

These plans are settled through shares purchased on the open market by the employee benefit plan trust, subject to the attainment of their vesting conditions. PSUs are settled at the end of the vesting period, and the number of shares remitted to the participant upon settlement is equal to the number of PSUs awarded multiplied by the performance vesting factor less shares withheld to satisfy the participant's withholding tax requirement. DSUs are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. Whenever dividends are paid on the Corporation's shares, additional rights with a value equal to the dividends are credited to the participants' accounts with the same vesting conditions as the original PSUs and DSUs.

The following rights under these plans are outstanding:

	Number of rights	Fair value at time of grant
Outstanding at December 31, 2021	300,982	\$ 5,494
Grants – new grants	82,570	1,702
– dividend equivalents	13,522	—
Forfeitures	(46,649)	(743)
Settlements	(45,563)	(976)
Outstanding at December 31, 2022	304,862	\$ 5,477

At December 31, 2022, 32,099 outstanding rights were vested (December 31, 2021 – 26,092 rights were vested). All vested rights are DSUs.

c) Cash-settled rights plans

Cash-settled rights plans consist of MTIP RSUs and cash-settled DSUs. Compensation expense varies with the price of the Corporation's shares and is recognized over the three-year vesting period. RSUs are settled at the end of the vesting period, whereas DSUs are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. Whenever dividends are paid on the Corporation's shares, additional rights with a value equal to the dividends are credited to the participants' accounts with the same vesting conditions as the original rights. The value of the payout is equal to the number of rights awarded including earned dividend equivalents, multiplied by the volume weighted average share price at the time of vesting. At December 31, 2022, the carrying amount of the liabilities for these plans was \$6,193 (December 31, 2021 – \$6,602).

The following rights under these plans are outstanding:

	Number of rights
Outstanding at December 31, 2021	525,210
Grants – new grants	142,938
– dividend equivalents	23,470
Forfeitures	(19,177)
Settlements	(142,265)
Outstanding at December 31, 2022	530,176

At December 31, 2022, 11,223 outstanding rights were vested (December 31, 2021 – 10,689 rights were vested).

21. Revenue

a) Disaggregation of revenue

In the following table, revenue is disaggregated by revenue type:

For the year ended December 31	2022	2021
Equipment sales	\$ 628,551	\$ 484,247
Product support	483,926	437,647
Industrial parts	535,783	438,106
Engineered repair services (ERS)	275,455	241,732
Revenue from contracts with customers	\$1,923,715	\$1,601,732
Equipment rental	39,107	35,549
Total	\$1,962,822	\$1,637,281

As at December 31, 2022, the Corporation has included \$21,193 (2021 – \$19,884) in equipment sales related to short-term rental contracts that are expected to convert to equipment sales within a six to twelve month period.

b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	2023	2024	2025	Total
Equipment sales	\$ 40,562	\$ 3,072	\$ —	\$ 43,634
ERS	4,174	986	523	5,683
Total	\$ 44,736	\$ 4,058	\$ 523	\$ 49,317

The Corporation has applied the practical expedient which permits the Corporation to not disclose information about remaining performance obligations that have original expected durations of one year or less.

22. Employee Costs

Employee costs recorded in cost of sales and selling and administrative expenses for the Corporation during the year amounted to:

	Note	2022	2021
Wages and salaries, including bonuses		\$ 303,396	\$ 258,348
Other benefits		38,013	36,153
Pension costs – defined contribution plans	15	9,819	8,294
Pension costs – defined benefit plans	15	501	844
Share-based compensation expense	20	5,435	6,863
		\$ 357,164	\$ 310,502

23. Finance Costs

Finance costs are comprised of the following:

For the year ended December 31	Note	2022	2021
Finance costs on long-term debt	17	\$ 5,886	\$ 7,494
Finance costs on debentures	16	3,959	3,999
Interest expense on lease liabilities	14	7,852	7,869
Interest income on lease receivables		(352)	(229)
Finance costs		\$ 17,345	\$ 19,133

During the year, nil (2021 – \$153) of borrowing costs directly attributable to the construction of qualifying assets were capitalized.

24. Income Tax Expense

Income tax expense comprises current and deferred tax as follows:

For the year ended December 31	2022	2021
Current income tax expense	\$ 35,055	\$ 15,840
Deferred income tax (recovery) expense	(10,951)	4,080
Income tax expense	\$ 24,104	\$ 19,920

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.0% (2021 – 26.2%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.0% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of income taxes at Canadian statutory rates to the reported income tax expense is as follows:

For the year ended December 31	2022	2021
Combined statutory income tax rate	26.0%	26.2%
Expected income tax expense at statutory rates	\$ 25,093	\$ 19,170
Non-deductible expenses	556	533
Non-taxable portion of gain on real estate disposal	—	(1,322)
Changes in estimates related to prior years	(1,260)	—
Other	(285)	1,539
Income tax expense	\$ 24,104	\$ 19,920

Recognized deferred tax assets and liabilities and the movement of temporary differences during the year are as follows:

	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on business acquisitions	December 31, 2022
Property, plant and equipment	\$ (10,506)	\$ 59	\$ —	\$ —	\$ (10,447)
Finance leases	6,412	(147)	—	—	6,265
Intangible assets	(12,709)	1,127	—	—	(11,582)
Goodwill	(450)	(193)	—	—	(643)
Accrued liabilities	7,045	1,391	—	—	8,436
Provisions	662	160	—	—	822
Derivative instruments	(237)	(593)	(2,367)	—	(3,197)
Employee benefits	2,114	50	(434)	—	1,730
Deferred financing costs	(325)	49	—	—	(276)
Partnership income not currently taxable	(8,993)	8,993	—	—	—
Tax loss carryforwards	298	55	—	—	353
Net deferred tax liabilities	\$ (16,689)	\$ 10,951	\$ (2,801)	\$ —	\$ (8,539)

	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on business acquisitions	December 31, 2021
Property, plant and equipment	\$ (8,784)	\$ (1,278)	\$ —	\$ (444)	\$ (10,506)
Finance leases	3,757	2,668	—	(13)	6,412
Intangible assets	(4,134)	1,085	—	(9,660)	(12,709)
Goodwill	(318)	(132)	—	—	(450)
Accrued liabilities	5,149	1,337	—	559	7,045
Provisions	605	57	—	—	662
Derivative instruments	2,571	(890)	(1,918)	—	(237)
Employee benefits	2,500	(222)	(164)	—	2,114
Deferred financing costs	(330)	5	—	—	(325)
Partnership income not currently taxable	(2,566)	(6,427)	—	—	(8,993)
Tax loss carryforwards	162	(282)	—	418	298
Net deferred tax liabilities	\$ (1,388)	\$ (4,079)	\$ (2,082)	\$ (9,140)	\$ (16,689)

Deferred tax assets of \$1,035 (2021 – nil) have not been recognized in respect of deductible temporary differences related to land because it is not probable that future taxable profit will be available against which the Corporation can use the benefits therefrom.

25. Changes in Non-cash Operating Working Capital

The net change in non-cash operating working capital comprises the following:

For the year ended December 31	2022	2021
Trade and other receivables	\$ (79,968)	\$ 8,502
Contract assets	(20,915)	(6,021)
Inventory	(72,875)	(15,616)
Deposits on inventory	(1,473)	37,133
Prepaid expenses	(3,218)	(2,005)
Accounts payable and accrued liabilities	115,897	50,349
Provisions	(2,389)	(1,177)
Contract liabilities	(34)	12,261
Total	\$ (64,975)	\$ 83,426

26. Capital Management

Objective

The Corporation defines its capital as the total of its shareholders' equity, long-term debt, and debentures ("**interest bearing debt**"). The Corporation's objective when managing capital is to have a capital structure and capacity to support the Corporation's operations and strategic objectives set by the Board of Directors.

Management of capital

As part of the Corporation's renewed long-term strategy, its capital structure will continue to be managed such that it maintains a prudent leverage ratio, defined below, in order to provide funds available to invest in strategic growth initiatives, provide liquidity in times of economic uncertainty and to allow for the payment of dividends. In addition, the Corporation's tolerance to interest rate risk

decreases/increases as the Corporation's leverage ratio increases/decreases. The Corporation's objective is to manage its working capital and normal-course capital investment programs within a leverage range of 1.5 to 2.0 times and to fund those programs through operating cash flow and its bank credit facilities as required. There may be instances whereby the Corporation is willing to maintain a leverage ratio outside of this range during changes in economic cycles. The Corporation may also maintain a leverage ratio above the stated range as a result of investment in significant acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors.

The leverage ratio at the end of a particular quarter is defined as debt divided by trailing 12-month pro-forma adjusted EBITDA. Debt includes bank indebtedness, debentures, total long-term debt, and letters of credit, net of cash. Pro-forma adjusted EBITDA used in calculating the leverage ratio under the bank credit agreement is calculated as earnings before gain recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments, Tundra transaction costs, finance costs, income tax expense and depreciation and amortization, adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period, and adjusted for payment of lease liabilities pursuant to the terms of the bank credit facility.

Although management currently believes the Corporation has adequate debt capacity, the Corporation may have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in the Corporation's credit facilities or significant growth capital requirements.

There were no significant changes in the Corporation's approach to capital management during the year.

Restrictions on capital

The interest bearing debt includes a \$400,000 bank credit facility which expires on October 1, 2027. The bank credit facility contains the following key covenants:

- Borrowing capacity is dependent upon the level of the Corporation's inventory on hand and the outstanding trade accounts receivable ("**borrowing base**").
- The Corporation will be restricted from the declaration of cash dividends in the event the Corporation's leverage ratio, as defined under the bank credit facility, exceeds 4.0 times.
- An interest coverage maintenance ratio.

At December 31, 2022, the Corporation was in compliance with all covenants and there were no restrictions on the declaration of quarterly cash dividends.

Under the terms of the \$400,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of \$25,000. As a result, the Corporation has up to \$25,000 of demand inventory equipment financing capacity with two lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. SOFR rates. At December 31, 2022, the Corporation had not utilized any of its interest bearing equipment financing facilities.

27. Related Party Transactions

Balances and transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Corporation's related party transactions consist of the compensation of the Board of Directors and key management personnel which is set out in the following table:

	2022	2021
Salaries, bonus and other		
short-term employee benefits	\$ 4,814	\$ 3,683
Pension costs –		
defined contribution plans	231	101
Pension costs – defined benefit plans	—	276
Share-based compensation expense	2,159	3,493
Total compensation	\$ 7,204	\$ 7,553

28. Operating Segments

The Corporation's Chief Executive Officer, who is also the Chief Operating Decision Maker, regularly assesses the performance of, and makes resource allocation decisions based on, the Corporation as a whole. As a result, the Corporation has determined that it comprises a single operating segment and therefore a single reportable segment.

29. Government Assistance

Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("**CEWS**") to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. During the prior year, in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the Corporation recognized \$8,448 as a reimbursement of compensation expense, with \$3,723 and \$4,725 allocated to cost of sales and selling and administrative expenses, respectively, in proportion to personnel costs recorded in those areas. There was no reimbursement of compensation expense recognized in the current year.

30. Subsequent Events

On March 6, 2023, the Corporation declared a first quarter 2023 dividend of \$0.33 per share.

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	2022				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 439.5	\$ 511.2	\$ 470.8	\$ 541.3	\$ 387.1	\$ 446.1	\$ 401.3	\$ 402.8
Net earnings	16.1	21.7	18.0	16.6	12.5	18.1	14.7	8.0
Earnings per share – Basic	\$ 0.75	\$ 1.01	\$ 0.84	\$ 0.78	\$ 0.59	\$ 0.85	\$ 0.68	\$ 0.37
Earnings per share – Diluted	0.73	0.98	0.81	0.75	0.58	0.82	0.66	0.36

Eleven Year Summary – Unaudited

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Results											
Revenue	\$1,962.8	\$ 1,637.3	\$ 1,422.6	\$ 1,553.0	\$ 1,481.6	\$ 1,318.7	\$ 1,221.9	\$ 1,273.3	\$ 1,451.3	\$ 1,428.5	\$ 1,466.0
Net earnings (loss)	72.4	53.2	31.7	39.5	35.9	27.4	11.0	(11.0)	41.2	47.7	65.9
Finance costs	17.3	19.1	21.0	19.7	8.8	15.2	11.2	12.2	13.0	9.0	4.4
Property, plant and equipment expenditures – net	8.3	0.6	2.7	2.5	4.2	1.7	6.5	4.1	5.4	3.9	5.6
Rental equipment expenditures	10.9	10.1	16.5	37.5	43.6	19.3	13.5	23.0	23.1	20.0	25.1
Depreciation and amortization	55.5	55.4	52.4	52.8	27.0	23.2	24.7	24.5	22.5	21.6	17.8
Per Share											
Net earnings (loss) – Basic	\$ 3.38	\$ 2.50	\$ 1.58	\$ 1.98	\$ 1.82	\$ 1.40	\$ 0.55	\$ (0.59)	\$ 2.46	\$ 2.85	\$ 3.95
Dividends declared	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.23	2.40	2.68	3.10
Equity	20.95	18.21	16.26	15.83	14.88	14.08	14.07	14.44	14.82	14.77	14.45
Financial Position											
Working capital	\$ 346.0	\$ 313.5	\$ 376.2	\$ 404.1	\$ 334.7	\$ 289.7	\$ 268.8	\$ 302.7	\$ 258.2	\$ 272.7	\$ 230.1
Rental equipment	39.4	45.8	56.9	77.0	73.7	60.4	58.1	64.1	59.4	52.3	43.7
Property, plant and equipment	44.1	39.6	41.4	42.1	59.0	43.6	45.7	46.2	48.7	49.7	50.7
Right-of-use assets	122.7	134.5	131.7	117.1	—	—	—	—	—	—	—
Lease liabilities excluding current portion	127.1	137.6	129.2	106.4	—	—	—	—	—	—	—
Debentures	55.8	55.2	54.6	54.1	—	—	—	—	—	—	—
Long-term debt excluding current portion	83.6	98.2	171.6	225.6	218.1	143.7	122.0	151.6	180.9	195.9	151.7
Shareholders' equity	449.8	389.9	325.6	316.8	297.0	274.7	278.9	288.5	248.5	247.2	241.9
Total assets	1,249.9	1,080.8	981.4	1,045.1	831.2	694.4	667.3	677.5	718.2	682.1	671.9
Other Information											
Number of employees	3,021	2,824	2,461	2,700	2,800	2,418	2,318	2,609	2,725	2,766	2,833
Shares outstanding (000s)	21,471	21,409	20,034	20,012	19,957	19,504	19,826	19,986	16,779	16,744	16,736
Price range of shares											
High	\$ 24.57	\$ 29.67	\$ 19.60	\$ 19.95	\$ 28.17	\$ 25.74	\$ 25.76	\$ 30.93	\$ 39.56	\$ 46.24	\$ 53.43
Low	17.25	16.24	4.90	13.98	15.43	18.49	13.34	14.81	28.75	29.38	38.59

Corporate Information

Directors

Edward M. Barrett

Leslie Abi-karam ^{1, 3}

Thomas M. Alford ^{1, 2}

Douglas A. Carty ^{1, 2}

Sylvia D. Chrominska ^{1, 3}

A. Jane Craighead ^{1, 3}

Ignacy P. Domagalski

Alexander S. Taylor ^{2, 3}

Susan Uthayakumar ^{1, 2}

- ¹ Member of the Audit Committee
- ² Member of the Governance Committee
- ³ Member of the Human Resources and Compensation Committee

Officers

Ignacy P. Domagalski
President and Chief Executive Officer

Stuart H. Auld
Chief Financial Officer

Steven C. Deck
Chief Operating Officer and
Senior Vice President, Heavy Equipment

Mark Edgar
Chief People Officer

Justin Warren
Senior Vice President, Industrial Parts
and Engineered Repair Services

Greg Abtosway
Vice President, Corporate Development

Tania Casadinho
Vice President, Corporate Controller

Cristian Rodriguez
Vice President, Environment,
Health, Safety and Sustainability

Andrew W. H. Tam
General Counsel and Corporate Secretary

Shareholder Information

Transfer Agent and Registrar

For information relating to shareholdings, dividends, lost certificates, changes of address or estate transfers, please contact our transfer agent:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: 1-800-564-6253
Fax: 1-888-453-0330
Web: www.investorcentre.com/service

Auditors
KPMG LLP

Home Office

2250 Argentia Road
Mississauga, ON L5N 6A5
Telephone: (905) 212-3300
Fax: (905) 212-3350

Exchange Listing
Toronto Stock Exchange

Symbol
WJX

Wajax Corporation
Share Trading Information
(January 1 – December 31, 2022)

					Vol. of Shares Traded
Open	High	Low	Close		
\$24.25	\$24.57	\$17.25	\$19.73	12,775,130	

Quarterly Earnings Reports

Quarterly earnings for 2023 are anticipated to be announced after market close on May 1, August 10 and November 6, 2023 and March 4, 2024.

2023 Dividend Dates

Quarterly dividends are payable to shareholders of record on or about the 15th day of the last month in each quarter and will generally be paid in the first week of the following month.

Investor Information

Stuart Auld, Chief Financial Officer
Telephone: (905) 212-3300
Fax: (905) 212-3350
E-mail: ir@wajax.com

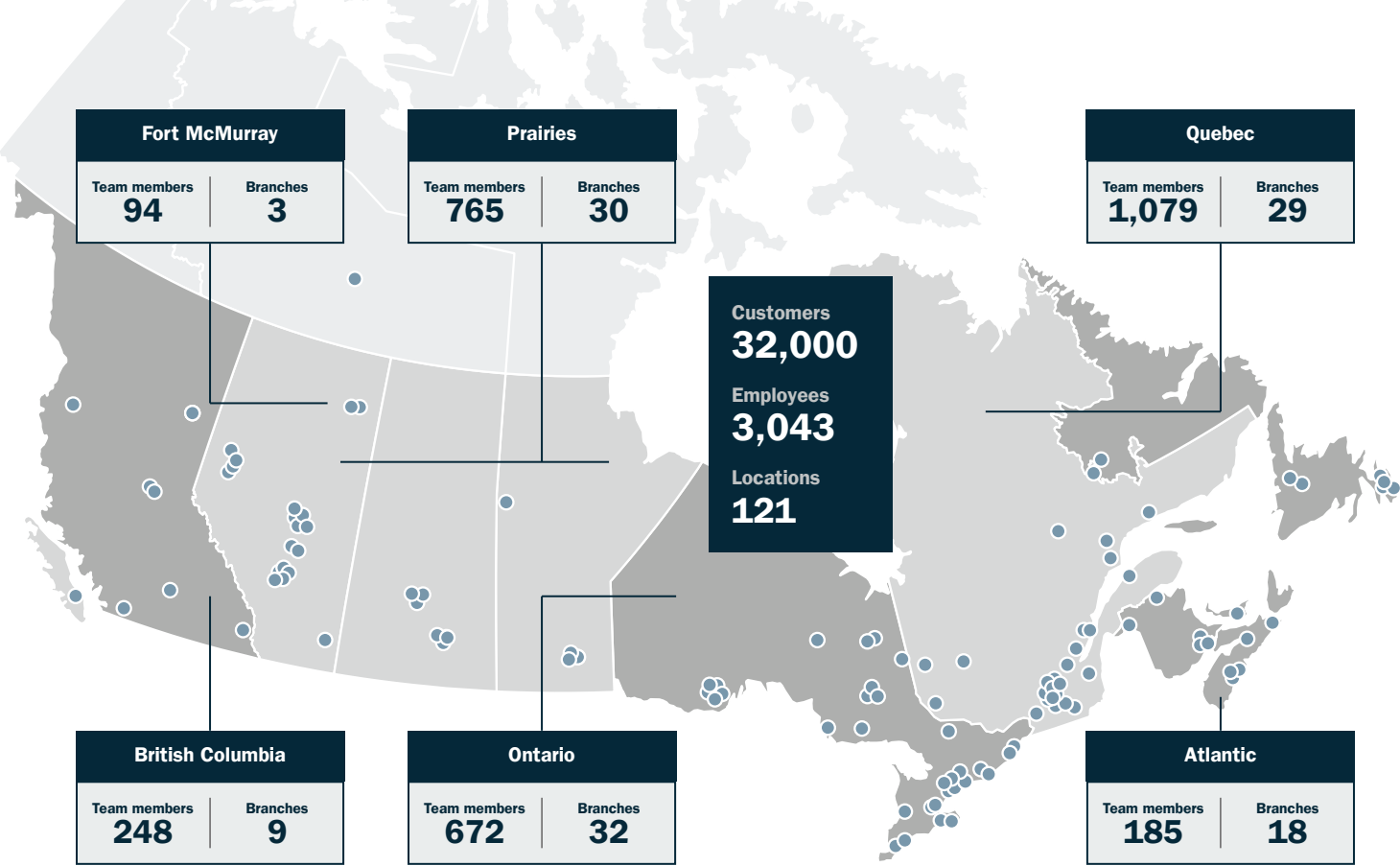
To obtain a delayed share quote, read news releases, listen to the latest analysts' conference call, and stay abreast of other Corporation news, visit our website at www.wajax.com.

Annual Meeting

Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel located at the Toronto International Airport, Ontario in the Heathrow Meeting Room, on Tuesday, May 2, 2023, at 11:00 a.m. EDT.

Vous pouvez obtenir la version française de ce rapport en écrivant au secrétaire, Corporation Wajax, 2250 Argentia Road, Mississauga, (ON) L5N 6A5

Locations



Western Canada

Fort St. John, BC (2)
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC (2)
Sparwood, BC
Terrace, BC

Calgary, AB (4)
Clairmont, AB
Edmonton, AB (5)
Edmonton (Acheson), AB
Fort McMurray, AB (3)
Grande Prairie, AB (3)
Lloydminster, AB
Medicine Hat, AB
Nisku, AB
Red Deer, AB
Rock View County, AB

Regina, SK (3)
Saskatoon, SK (3)

Flin Flon, MB
Winnipeg, MB (3)

Yellowknife, NT

Ontario

Belleville, ON (2)
Espanola, ON
Guelph, ON
Kapuskasing, ON
Kirkland Lake, ON
Kitchener, ON
London, ON
Mississauga, ON (4)
Ottawa, ON (2)
Pembroke (Laurentian Valley), ON
Sarnia, ON
Sault Ste. Marie, ON
Stoney Creek, ON (2)
Sudbury, ON
Sudbury (Lively), ON (2)
Thunder Bay, ON (5)
Timmins, ON (2)
Toronto, ON
Vaughan, ON
Windsor, ON

Eastern Canada

Baie-Comeau, QC
Chambly, QC
Chicoutimi, QC
Dorval, QC
Fermont, QC
Granby, QC
Lachine, QC
L'Ancienne-Lorette, QC
Lasalle, QC
Laval, QC
Longueuil, QC
Montreal, QC (2)
Noranda, QC
Pointe-aux-Trembles, QC (3)
Québec City, QC
Rimouski, QC
Sept Iles, QC
Sherbrooke, QC
St-Felicien, QC
St-Germain-de-Grantham, QC
Temiscaming, QC
Tracy (Sorel), QC
Trois-Rivières, QC
Val d'Or, QC (2)
Valleyfield, QC

Bathurst, NB
Edmundston, NB
Moncton, NB (2)
Moncton (Dieppe), NB

Charlottetown, PEI

Dartmouth, NS (3)
Port Hawkesbury, NS
Stellarton, NS

Corner Brook, NL
Mount Pearl, NL (3)
Pasadena, NL
St. John's, NL
Wabush, NL



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