



Wajax 2020 Annual Report

\\ Together We Get More Done.™

Wajax at a Glance

Financial Highlights (in millions of Canadian dollars, except leverage ratio, share and per share data)

For the years ended December 31	2020	2019
Revenue	\$ 1,422.6	\$ 1,553.0
Net earnings	31.7	39.5
Adjusted net earnings ⁽¹⁾	35.1	41.9
Funded net debt ⁽¹⁾	219.6	276.5
Shareholders' equity	325.6	316.8
Basic earnings per share	1.58	1.98
Adjusted basic earnings per share ⁽¹⁾	1.75	2.10
Cash dividends declared per share	1.00	1.00
Leverage ratio ⁽¹⁾	2.28	2.60
Weighted average number of shares outstanding ⁽²⁾	20,029,345	19,998,656

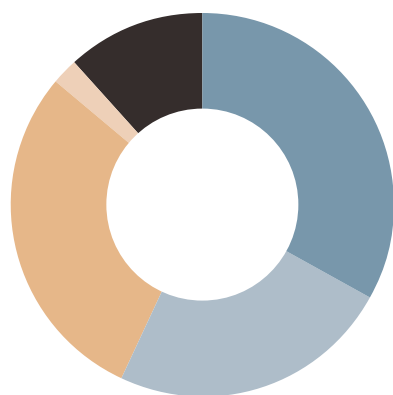
(1) These measures do not have standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 33.

(2) Weighted average number of shares outstanding is net of shares held in trust.

(3) Category revenue includes all applicable equipment, parts, service and rentals. Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

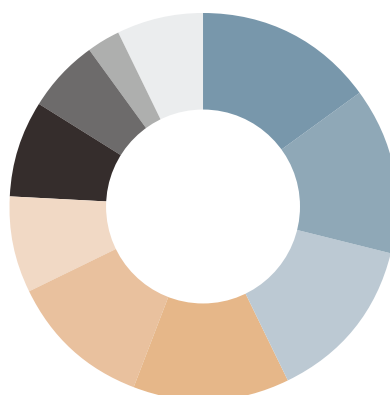
(4) End markets are based on the North American Industry Classification System (NAICS).

Revenue Sources⁽³⁾ (\$ millions)



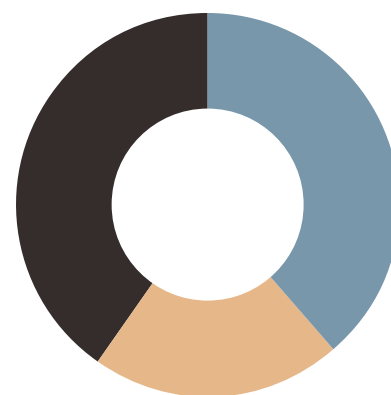
For the twelve months ended December 31	2020	2019	% change
Equipment	\$ 471.4	\$ 523.9	(10)%
Industrial Parts	342.6	366.6	(7)%
Product Support	411.8	476.1	(14)%
Rental	32.6	36.9	(12)%
ERS	164.2	149.6	10%
	\$ 1,422.6	\$ 1,553.0	(8)%

Revenue by End Market⁽⁴⁾



For the twelve months ended December 31	2020	2019
Mining	15%	15%
Construction	14%	15%
Forestry	14%	14%
Oil Sands	13%	11%
Industrial/Commercial	12%	11%
Transportation	8%	9%
Government and Utilities	8%	7%
Metal Processing	6%	7%
Oil and Gas	3%	3%
Other	7%	8%

Revenue by Region (\$ millions)



For the twelve months ended December 31	2020	2019	% change
Western Canada	\$ 549.6	\$ 623.6	(12)%
Central Canada (Ontario)	302.3	311.1	(3)%
Eastern Canada*	570.7	618.3	(8)%
	\$ 1,422.6	\$ 1,553.0	(8)%

* Includes Quebec and the Atlantic provinces.

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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 33 for a discussion of the risks and uncertainties related to such statements and information.

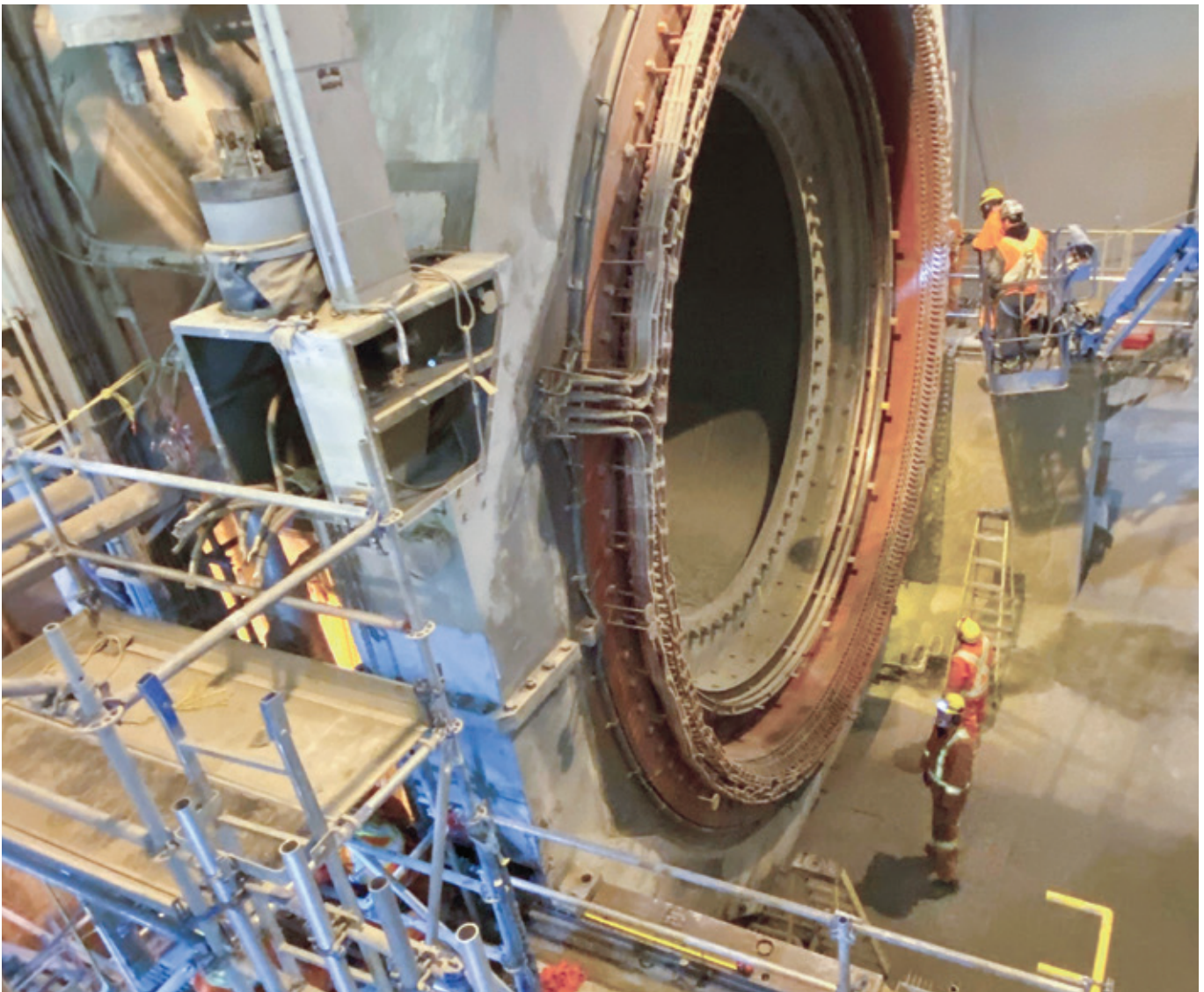
Note to reader: Some photographs were taken prior to the COVID-19 pandemic.

With over 160 years of experience offering world-class brands, unwavering customer support and technical expertise for multiple industries, Wajax is able to provide solutions that help our customers get more done – efficiently and effectively.

In 2020, together we...

- adjusted rapidly to support our customers;
- delivered great customer experience;
- announced two acquisitions;
- expanded our service offering;
- supported frontline workers; and
- kept each other safe.

\\ Together We Get More Done.™

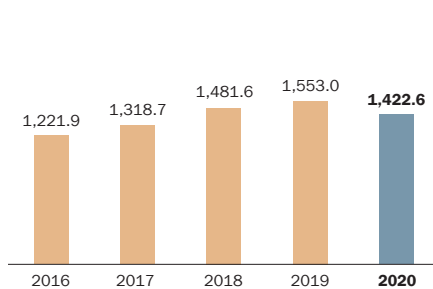


A Wajax ERS team works to complete the stator rewind on one of the largest electric motors in Canada at a customer site in Ontario.

Message to Shareholders

We could not be prouder of the performance of the entire Wajax team. Their dedication to working safely, supporting our customers and seeing the opportunities in 2020 has brought us closer to our goal of being Canada's leading industrial products and services provider.

Revenue (\$ millions)



67
Net Promoter
Score®

Our use of technology improves collaboration, takes better advantage of employee ideas, speeds decision-making and provides ways to stay connected and have fun.

Wajax's team of 2,615 professionals, national network, world-class suppliers and constant focus on expanding our product and service range puts us in a unique competitive position. Whether it is a heavy equipment sale, an on-site emergency repair or a simple replacement part, we strive for excellence in each and every interaction we have with customers. The more of their needs we meet, the more successful our company is.

2020 - Rising to the Challenge Together

While the challenges of 2020 were clear, Wajax's team seized on opportunities to improve in areas important to our long-term success.

We continued to work toward our zero-injury goal and achieved another record year in workplace safety with a TRIF rate of 1.08, an impressive 22% improvement versus 2019. Our team knows that the root cause of virtually every workplace injury is being distracted and in 2020 there was added pressure on the team to keep everyone's mind on task. The implementation of enhanced safety protocols, constant reinforcement and enabling support personnel to work from home to protect our frontline team helped contribute to an excellent safety result.

As the pandemic unfolded, we were in constant contact with our customers to ensure we were there when they needed us. Our service levels and Net Promoter Score improved to 67 in 2020, an increase of five points from 2019. As customers flexed their operations in response to various COVID-19 jurisdictional regulations, Wajax adjusted with them by changing branch operations and utilizing other support capabilities, including expanded use of the central Customer Support Centre. We saw a 33% increase in returned customer service surveys, providing more feedback and driving internal change in order to serve them better.

We developed new ways of working with our team, using technology to increase communication, ensure alignment and keep employees informed. The techniques used out of necessity in 2020 will translate into new practices, stronger teamwork and lower costs as conditions improve. Our use of technology improves collaboration, takes better advantage of employee ideas, speeds decision-making and provides ways to stay connected and have fun. Employee Net Promoter Scores increased significantly in 2020, reflecting everyone's efforts to improve what's important to employees despite the unusual conditions.

The team did excellent work to protect the financial health of the corporation, ensuring adequate liquidity and generating \$119 million in cash flow from operations, an improvement of \$128 million from 2019. Market conditions constrained earnings growth but did not deter the focus on balance sheet improvement. Inventory was reduced by \$131 million (24%), discretionary capital spending was deferred and we worked closely with customers on credit and payment terms.⁽¹⁾ Cash management and debt reduction efforts contributed to year-end total leverage of 2.3, an improvement of 0.3 from 2019.

We stayed focused on our growth strategy, announcing the \$99.1 million acquisition of Tundra Process Solutions Ltd ("Tundra") on December 30, 2020. Tundra will add significantly to our Industrial Parts and Engineered Repair Services ("ERS") businesses, further balancing our revenue base between heavy equipment sales and service, which addresses the customer's capital equipment needs, and the combination of Industrial Parts and ERS, which addresses the customer's fixed-plant maintenance and repair needs.

2021 – Positioned to Capitalize as Market Conditions Improve

Recognizing that the challenges we faced in 2020 have persisted into the new year, Wajax nonetheless enters 2021 with confidence knowing that the corporation is positioned to succeed over the longer term. We remain focused on the same priorities that guided us in 2020: protecting the health, safety and well-being of our team, providing excellent customer service, protecting the corporation's financial health and driving our long-term growth strategy.

We expect Tundra to be the significant contributor to total revenue growth in 2021. Organic revenue growth is expected to be modest due primarily to heavy equipment markets that are not expected to fully recover to 2019 levels in 2021. Wajax's inventory and working capital investments will remain conservative pending a clear indication of a sustained recovery. Considering the acquisition debt related to Tundra to be incurred in the first quarter, leverage is expected to decline by year-end due to positive cash flow from operations, real estate monetization and other cash management initiatives.

In our heavy equipment categories, representing pro-forma sales of 58%, we will continue to focus on success in Construction, Material Handling, Forestry and Mining, including improvements in product support volumes.⁽²⁾ While equipment markets are not expected to fully recover in 2021, Wajax has excellent opportunities in these categories and will continue to work closely with our supplier partners to prudently grow market share and capture aftermarket sales.

In Industrial Parts and ERS, representing pro-forma sales of 42%, we expect higher organic growth and a strong contribution from Tundra.⁽²⁾ ERS continues to be one of Wajax's most significant opportunities, capable of growth at each point in the economic cycle. While Wajax's ERS revenue has grown from \$58 million in 2016 to \$176 million in 2020, organic and acquisition-driven growth opportunities and an estimated annual \$5 billion Canadian market suggest we are just getting started.⁽³⁾

Wajax's infrastructure programs are an important area in 2021 including ongoing efforts in branch network optimization and investments in technology, including field technician systems, customer telematics support and ERP implementation. Following the COVID-19 related delay in 2020, the phased implementation of a new ERP system is expected to begin in the second quarter of 2021 and to continue over an 18 to 24-month timeframe in order to reduce the risk associated with systems implementation.

Growing Commitment to Sustainability

As more fully addressed later in this Annual Report, Wajax is putting forth a more comprehensive sustainability program, building on our legacy strengths in employee health, safety and well-being and adding expanded initiatives, including assessing our environmental impact and seeking product and service opportunities in the context of their impact on the environment. Comprehensive sustainability programs are obviously important to our investors, suppliers and customers. Most importantly however, the programs are important to our employees. A recent survey of our team placed a very high degree of importance in areas including diversity and opportunity, product innovation, environmental responsibility and community service. We are looking forward to communicating our progress in future reports and working together to advance our position in each of these areas.

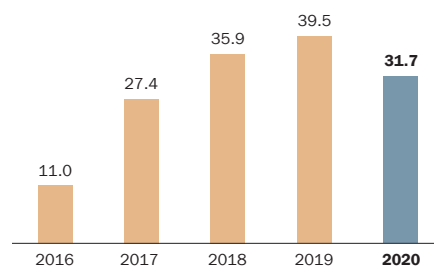
Pressing Forward

On behalf of the leadership team, I would like to again thank our employees for their resilience, dedication and hard work which allowed us to continue to operate safely and serve our customers. The team turned a challenging year into one where we capitalized on significant opportunities. On behalf of all Wajax employees, let me also welcome our new colleagues from Tundra. There are great opportunities ahead and we are glad you'll be on the ride with us – Together We Get More Done.

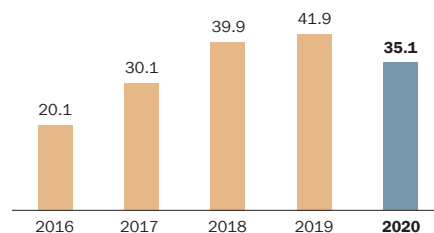


Mark Foote
Chief Executive Officer

Basic Net Earnings (\$ millions)



Adjusted Net Earnings (\$ millions)



(1) Inventory refers to owned inventory and consignment inventory net of deposits.

(2) Pro-forma sales are based on Wajax revenue for 2020 plus Tundra's December 31, 2020 trailing 12-month revenue of \$142.1 million included in industrial parts and ERS sales.

(3) Wajax management estimate of Canadian ERS market size.

Coast to Coast Strategy

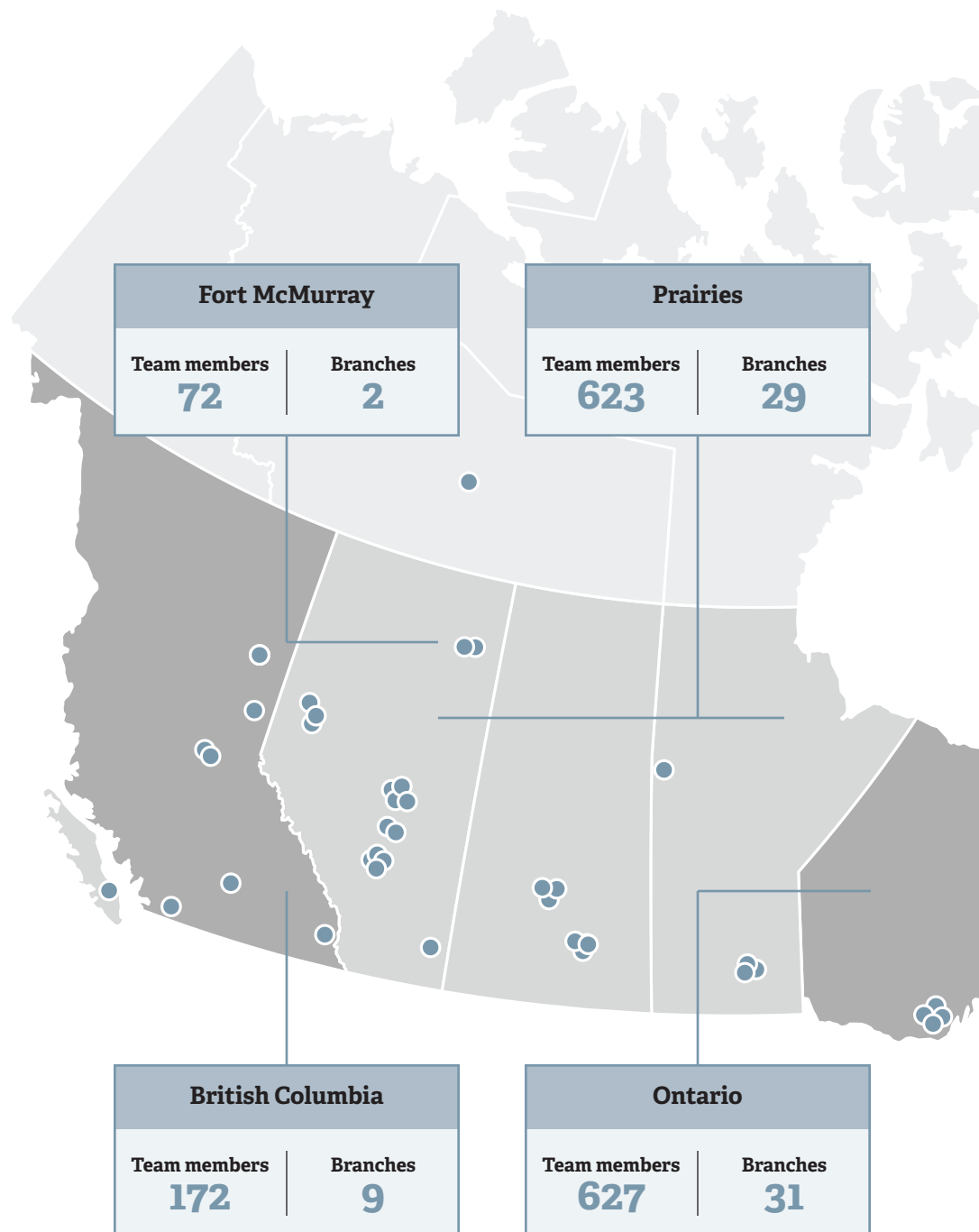
Whether in an urban centre, industrial park or remote mining camp, Wajax has the physical presence to quickly and safely meet individual customer needs nationwide. Wajax's strong presence at the local, regional and national level facilitates a partnership approach focused on addressing customer challenges across their business.

32,000
customers

2,615
employees

116
locations

With locations across Canada, Wajax employees stand ready to provide a full range of products and services.

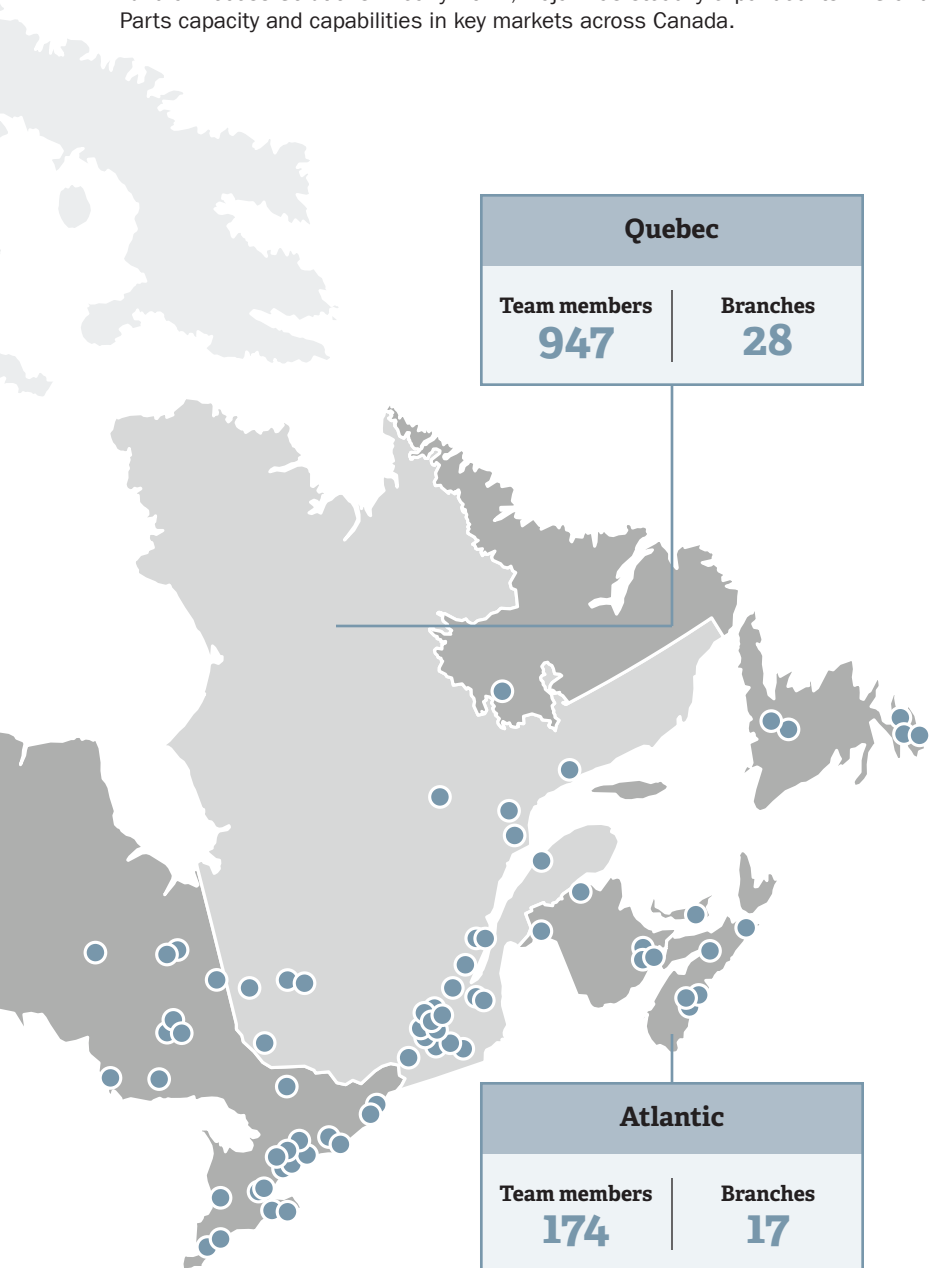


Putting Skilled People Where They are Needed Most

At Wajax, people are our most important resource. A customer's ability to access the right people and resources quickly and efficiently is a core service priority. Locations can include sales offices, service bays, parts warehouses, training centres and act as the home base for field service personnel. As an organization, Wajax continually evaluates the products and services available in each location, adjusting the mix or re-locating as needed to best serve its customers.

With locations across Canada, Wajax employees stand ready to provide a full range of products and services on-site, locally off-site or remotely. This ensures Wajax can take the best approach to meet individual customer needs, recommending and integrating key products and services to seamlessly address challenges in the heart of each one's operations.

With the acquisitions of Groupe Delom in 2018, NorthPoint Technical Services in 2020 and Tundra Process Solutions in early 2021, Wajax has steadily expanded its ERS and Industrial Parts capacity and capabilities in key markets across Canada.



Calgary, AB: A technician preparing to complete the insulation of a rewind electric motor.



London, ON: With our new expansion now operational, we are now able to solve a broader range of customer challenges.



Lasalle, QC: ERS machinist setting a cutting tool prior to horizontally boring a gearbox housing.

Engineered Repair Services (ERS)

Wajax estimates the Canadian ERS market for commercial and resource customers to be approximately \$5 billion annually. The ability to partner closely with customers and help them find solutions across the breadth of their operations, fulfilling both their heavy equipment and maintenance, repair and overhaul needs, is a key competitive differentiator for Wajax and will help support increased market share.

\$170 million

in acquisition capital
deployed since 2018

\$5 billion

Annual Canadian ERS
market size⁽¹⁾



Tundra is one of Canada's leading process and instrumentation specialists. With a team of 150 dedicated professionals, Tundra has been providing customers in Western Canada with outstanding service for over 13 years. Tundra's capabilities extend Wajax's scale in ERS and Industrial Parts in Western Canada and provide new growth opportunities in other Canadian markets.

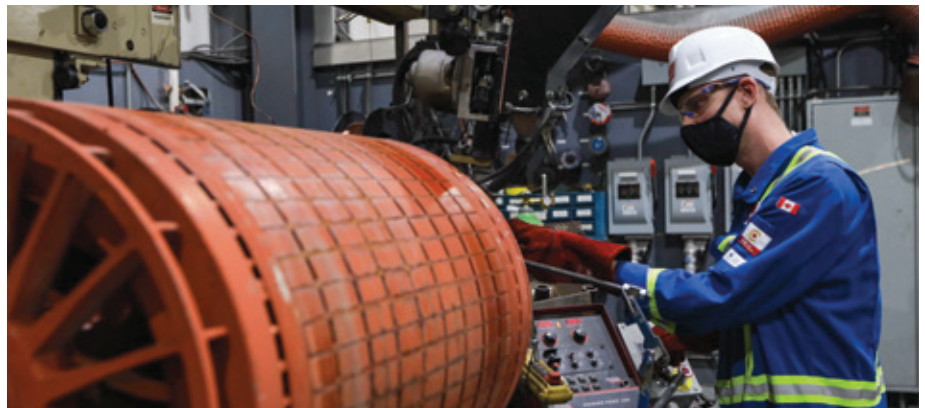
ERS is expected to be a core driver of balanced growth for Wajax in 2021 and beyond. The broad applicability of ERS and related Industrial Parts helps to partially offset the cyclicity that arises in certain geographies and sectors of the economy and requires relatively less working capital than heavy equipment categories.

Acquiring Strong Companies and New Capabilities in Key Geographies

As part of the strategy to grow its ERS business, Wajax has deployed \$170 million in acquisition capital since late 2018 to acquire businesses that complement both our existing ERS offering and expand the organization's geographic presence. In January 2020, Wajax announced the acquisition of Calgary, Alberta-based NorthPoint Technical Services. The acquisition added significant electro-mechanical service capabilities focused on rotating industrial equipment. Wajax built on the capabilities acquired in the Groupe Delom acquisition in 2018, in addition to adding nine locations spread across the Prairies, Ontario and Eastern Canada.

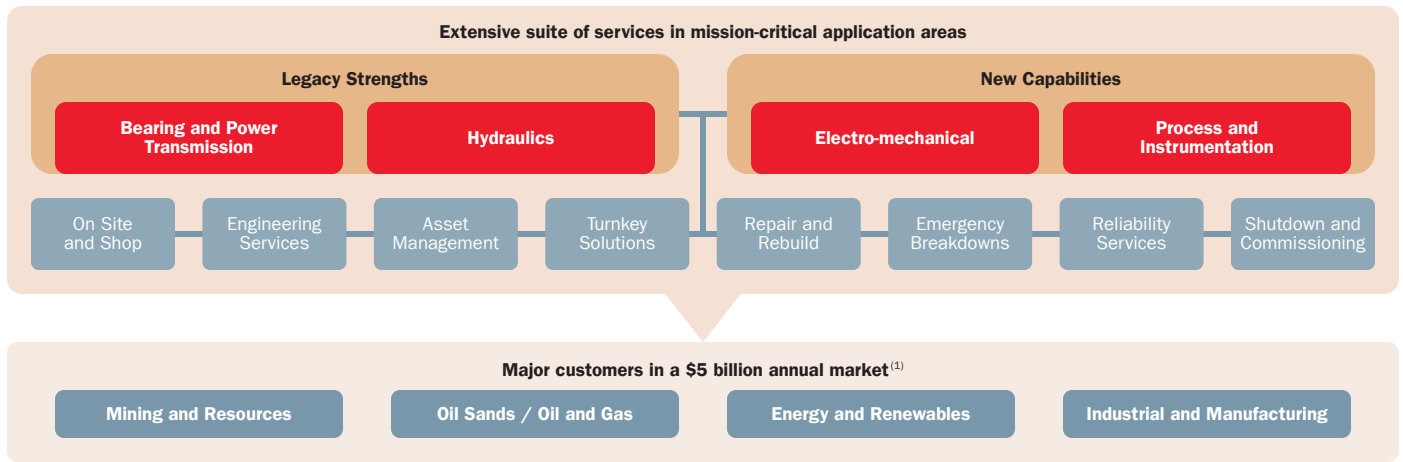
In January 2021, Wajax completed the \$99.1 million purchase of Tundra Process Solutions ("Tundra"). Tundra's 150 employees provide maintenance and technical services to customers in the Western Canadian midstream oil and gas, oil sands, petrochemical, mining, forestry and municipal sectors and distribute a diverse range of industrial process equipment from leading manufacturers. In the trailing 12-months ended December 31, 2020, Tundra generated revenue of \$142.1 million. The Tundra acquisition provides a number of benefits for Wajax, including expanding an increasingly robust suite of services and opening up new opportunities in process and instrumentation. Core to the One Wajax strategy is our ability to extend our legacy strengths in heavy equipment to include an expanded scope of ERS and Industrial Parts, increasing our offering to customers across their operations.

Through these acquisitions, Wajax now has an ERS presence in virtually every key market in Canada. This equates to a strong platform that can be used to continue to grow the business as revenue synergies are recognized across an enhanced servicing offering and combined customer base.



Calgary, AB: Using a sophisticated submerged arc welding process to repair a damaged electric motor rotor rather than having to source a long lead-time replacement part.

Building a Canadian ERS Leader



Wajax has grown its ERS offering through a combination of complementary acquisitions that add capabilities in new application areas and expand its presence in key markets. This diverse, expanding footprint enables Wajax to provide ERS across the broadest range of categories and geographies, maximizing the growth potential for the business.

Wajax completed the \$99.1 million acquisition of Tundra in January 2021.



Senior electrician and controls technician at Tundra carrying out voltage and amperage quality checks on a variable frequency drive for a customer.



Tundra at the International Society of Automation (ISA) tradeshow.



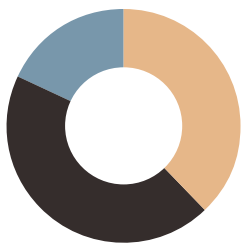
Tundra's fully equipped mobile valve service centre allows technicians to address valve service and repair needs on-site via a self-contained 53-foot trailer.

(1) Wajax management estimate.

Driving Sustainable Growth

Wajax currently provides products and services in ten categories. Growth planning focuses on the relative opportunities in each of these categories considering market size and share, the strength of manufacturing relationships, category profitability and the durability of opportunity through the business cycle. In 2020, organic growth was negatively affected by COVID-19 related market conditions and temporary restrictions on customer operations.

2020 Revenue by Category Classification (%)



For the twelve months ended December 31

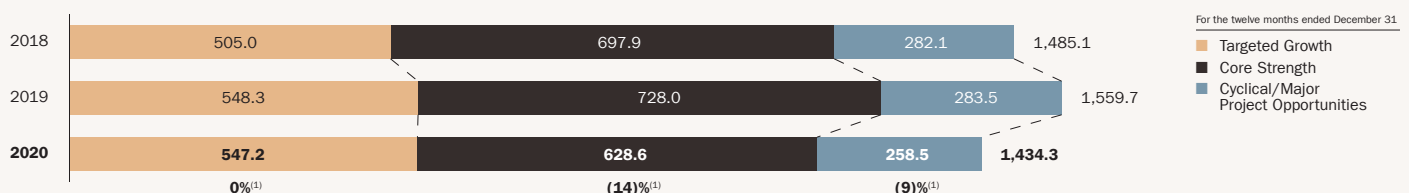
	2020	2019	2018
Targeted Growth	38%	35%	34%
Core Strength	44%	47%	47%
Cyclical/Major Project Opportunities	18%	18%	19%

Between 2018 and 2020, Wajax's ten product and service categories have been grouped into three classifications:

- Targeted Growth** – These categories have represented the majority of planned growth due to Wajax's market share opportunities, excellent manufacturer relationships and opportunities to grow through the cycle. Targeted Growth categories are Construction, Material Handling and ERS and growth is based on gaining market share. In 2020, combined revenues of Targeted Growth categories were unchanged year-over-year as higher ERS volumes offset declines in Construction and Material Handling.
- Core Strength** – These categories are very important contributors to Wajax's revenue base and growth has been expected to be generally consistent with long-term positive trends. In these categories, Wajax has strong current market shares or performance. Core Strength categories include Industrial Parts, Forestry, On-Highway and Power Generation/Marine. In 2020, these categories declined 14%.
- Cyclical/Major Project Opportunities** – These categories address customer needs in more cyclical industries or are sensitive to major capital projects that are difficult to predict. Wajax and its manufacturing partners offer very strong products and services and we are well-positioned to benefit from upside in each of these categories as commodity cycles improve. Cyclical/Major Project Opportunities categories include Mining, Engines and Transmissions, and Crane/Utility. In 2020, these categories declined 9% as an increase in Mining partially offset weakness in Engines and Transmissions due to oil sands and upstream oil and gas markets.

Wajax is restructuring the growth expectations for these categories as we enter 2021. Based on our experience since we introduced our growth strategy in 2018, we are adjusting category growth expectations to reflect an improved balance between sustainable growth, working capital risk and competitive differentiation. These adjustments are expected to place increased emphasis on above-market growth in ERS and Industrial Parts and, working with our supplier partners, the pursuit of prudent market share increases in heavy equipment categories with an emphasis on Construction, Material Handling, Forestry and Mining.

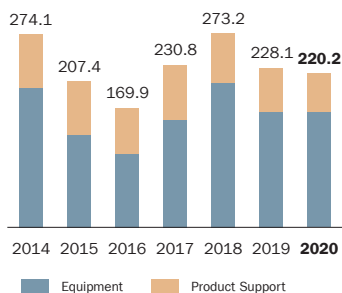
2020 Year-Over-Year Revenue Growth by Category Classification (\$ millions)



(1) Year-over-year revenue growth change from 2019 to 2020. Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

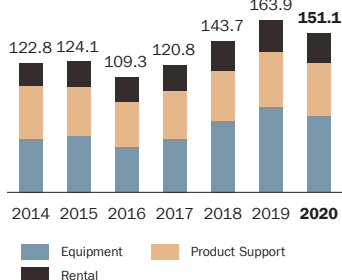
Targeted Growth (\$ millions)

Construction



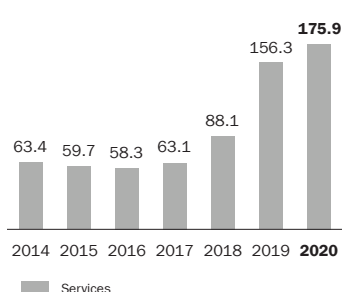
Working closely with our partners at Hitachi, Bell and other manufacturers, we plan to continue to grow our long-term market share in construction equipment, focusing on excavators, wheel loaders and articulated dump trucks. Wajax offers core construction products, a full range of aftermarket services and continues to enhance sales coverage. In 2020, the corporation terminated a 2-year program to test the short-term construction equipment rental market.

Material Handling



In partnership with Hyster-Yale Material Handling, our focus is to build upon our strength in the material handling market and expand our market share through enhanced sales coverage, ancillary equipment and warehouse products, expanded aftermarket services and investment in our rental fleet. Wajax offers a broad range of products and services to address the material handling needs of warehouse, industrial and heavy-lift customers.

Engineered Repair Services (ERS)



Wajax continues to build ERS capabilities, offering shop and field services, commissioning, design, repairs and rebuilds, reliability and installation services. Our organic growth strategy includes a focus on major account development for industrial and resource customers and enhanced services including asset management, condition monitoring and predictive maintenance. Acquisitions are expected to continue to play an important role in the development of Wajax's ERS business.

Note: Certain comparative information has been adjusted to conform to the current year's presentation. Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

2020 Revenue by Classification and Category

Targeted Growth

- Construction decreased by 3% due primarily to a 10% decrease in product support sales and lower equipment sales.
- Material Handling decreased 8% driven by an 11% decrease in equipment sales, 7% decrease in rental and lower product support sales.
- ERS increased 13% driven by the acquisition of NorthPoint Technical Services, which offset a decrease of 11% in Wajax and Groupe Delom ERS sales.

Core Strength

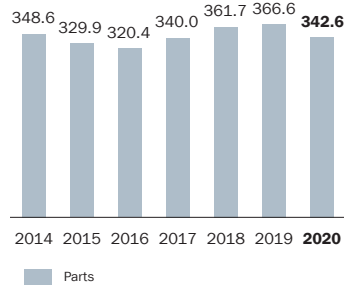
- Power and Marine decreased 31% due primarily to a decrease of 41% in equipment sales and a decrease of 28% in rental.
- Industrial Parts decreased 7% due primarily to lower bearing and hydraulic sales.
- Forestry decreased 16% primarily due to a decrease of 20% in equipment sales and lower product support sales.
- On-Highway decreased 19% driven by lower product support sales.

Cyclical/Major Project Opportunities

- Mining increased 3% based on strong equipment revenue (+94%) in Western and Eastern Canada related primarily to mining and oil sands customers, which more than offset a 17% decrease in product support sales.
- Engines and Transmissions decreased 36% due primarily to a 63% decrease in equipment sales and a 22% decrease in product support sales.
- Crane/Utility decreased 3% due primarily to a 21% decrease in product support sales, partially offset by an improvement in equipment sales of 10%.

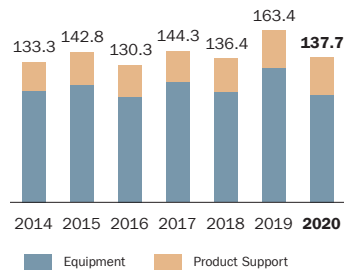
Core Strength (\$ millions)

Industrial Parts



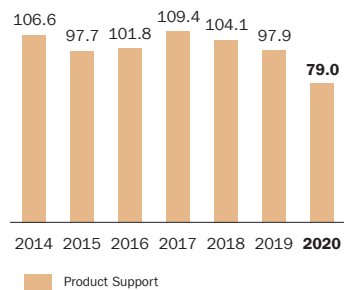
Working closely with major vendors, including SKF, Timken, ITT, 3M, Eaton and Moyno, Wajax offers its customers expert service and support across a full range of bearings and power transmission, process and fluid power products. Industrial Parts is a very significant revenue contributor and an important competitive differentiator. The category is consumed by virtually all industrial users and offers access to a large number of customers, generating sales and service opportunities in other categories.

Forestry



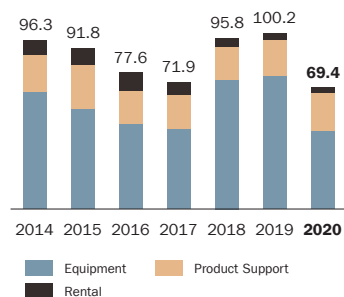
In partnership with Tigercat and Hitachi, Wajax offers an industry-leading range of equipment and aftermarket services to logging contractors and other forestry customers. Wajax has achieved strong market share in a number of important product areas and continues to see growth opportunities as manufacturing partners invest in new product development that increases the safety, productivity and cost effectiveness of the logging operations of customers.

On-Highway



On-Highway product support covers a wide range of shop and road services for municipalities, coach operators and large vehicle customers. Working with partners such as Detroit and Allison, who have excellent market share in the installed vehicle population, Wajax is an industry leader in large engine and transmission service. Growth is based on ongoing improvements in our customer services and expansion of our services to additional vehicle systems.

Power Generation/Marine

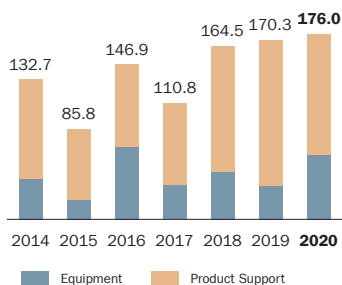


Standby, prime power and co-generation power systems are an important focus for Wajax and our primary partner Rolls-Royce Power Systems/MTU On-Site Energy. Wajax's legacy strength in resource industries has been augmented to focus on growth areas including data centres, health care and water treatment. In marine power generation and propulsion, Wajax enjoys strong partnerships with Rolls-Royce and Volvo, providing growth opportunities in commercial and defense marine.

Note: Certain comparative information has been adjusted to conform to the current year's presentation. Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

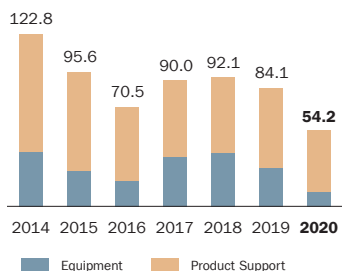
Cyclical/Major Project Opportunities (\$ millions)

Mining



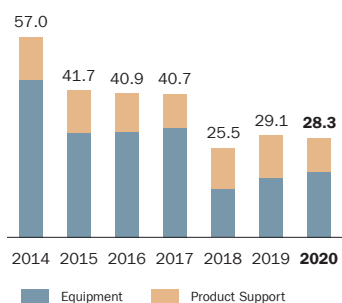
Working closely with Hitachi, Wajax is a leader in the sales and service of large hydraulic mining shovels, used in surface mining operations across Canada, and continues to develop new opportunities in the rigid frame mining truck market. To expand the range of products and services available to our mining customers, Wajax also provides re-build services for other major equipment to help our customers extend the life and efficiency of their assets.

Engines/Transmissions



Wajax supports a very broad range of engines and transmissions used in off-highway applications such as oil and gas drilling, well stimulation and large vehicle or system re-powers. Products and services include design engineering, systems packaging, shop and field repair, and re-build services. Our primary partners include Rolls-Royce Power Systems/MTU, Allison, Volvo and Kubota. To partially compensate for the cyclicity in this category, Wajax continues to focus on aftermarket and re-power services. This category continues to be negatively affected by weak Canadian upstream oil and gas markets.

Crane/Utility



Working with partners such as Terex, Wajax offers a broad range of design and fabrication services to provincial utility and other customers. As utility customers adjust their capital spending on new equipment, Wajax is reviewing additional crane and utility opportunities.

Note: Certain comparative information has been adjusted to conform to the current year's presentation. Consolidated category revenue may not match total revenue due to adjustments and eliminations not allocated to the categories.

Partnering with Our Customers

Wajax's national footprint, diverse category focus and growing product and service offering allows us to deliver comprehensive solutions that drive increased customer value and satisfaction.

Recharging Rotor Service for Renewable Energy

The Challenge

Our customer operates a diverse fleet of electrical power generating assets including coal, natural gas, wind, and hydroelectric. As one of the largest generators of renewable energy in Canada, they have committed to supplying businesses and consumers with reliable power for generations. They in turn require top tier service partners to help ensure the dependability of their operations.

The Need

The main hydroelectric rotor at one of the customer's seasonal sites failed, halting the facility's ability to generate power. The rotor was a unique configuration and had been in operation for an extended period, which limited the repair options available. In addition to the repair, and to enhance future reliability, the customer required a root cause analysis of the failure and the subsequent incorporation of related design improvements. The customer turned to Wajax's electro-mechanical ERS team in Calgary to diagnose the failure and complete the repair as soon as possible.

Our Solution

As the unusual configuration of the system prevented the use of the normal techniques associated with the repair of a large rotor, the team was required to develop innovative repair procedures to complete the job. Wajax staff developed these new procedures, modified tooling and equipment and completed the required engineering to finish the work and return the rotor to the customer as quickly as possible. Ingenuity and creativity was required in order to meet the customer's deadline; the work included conversion of a large boring mill into a rotating winding table, complete with new controls and safety systems and over 100 individual ideas came together to develop the procedure so the project could be completed safely and quickly. Our team of technicians then worked around the clock, in 12-hour shifts, and completed the repair and implementation of design changes in ten days.

The Impact

The customer's deadline was met and their site was returned to operation. Given the quality of the repair and design changes, the reinstalled rotor is expected to be in operation for decades and a new repair protocol has been developed and is available in the event a similar issue arises at another site.



Wajax continues to use its ERS and industrial parts categories to build our customer relationships in renewable energy including wind power and hydroelectric. These customers have critical engineering and electro-mechanical equipment and repair needs and Wajax is well-positioned to support those needs on a local, regional and national basis.

Mining for the Right Operational Process

The Challenge

An Eastern Canadian mining customer was gearing up to reopen production at a mine that had been inactive for years. This significant undertaking would require everything from mining equipment and machines to repair audits, logistics, inventory, and countless other necessities.

Opening and operating a mine is a complex process. Everyone needs to be on the same page to ensure deadlines are met. This project had significant barriers to start-up, with all the mine's previous operating data, such as inventory, maintenance schedules, etc., being obsolete and unusable. The lack of information put our customer at a considerable disadvantage and threatened to derail the entire operation.

The Need

Wajax was required to support all aspects of the mining operation, from the ground up; finding the necessary mining equipment, conducting audits, setting up supply chains, taking inventory, collecting data, and establishing a trustworthy ERS inspection and repair program. All of this needed to be done efficiently, within the tight timeframe. An oversight could result in delays that would cost the mine hundreds of thousands of dollars.

Our Solution

The vast project scope created an ideal opportunity to demonstrate the efficiency, productivity, and capability of the One Wajax solution. Meeting the customer's aggressive deadline required the rapid mobilization of many resources. Wajax engineers and specialists conducted equipment audits, heavy equipment inspection and inventory control. Since there was no reference data, our team had to start from scratch, going into the field to conduct their audits and inspections.

We created a highly functional inventory system, establishing the quantities, critical on site inventory, and other vital aspects. Our ERS team conducted repairs in all essential areas of operation. Many pieces of equipment such as the conveyor systems, critical gearboxes, idlers, crushers, and pumping systems were no longer in production, making it impossible to purchase replacements. Creative solutions were required. Each piece of equipment was reverse-engineered in order to repair it and ensure it would be fully



operational on day one. We then provided construction equipment, including Hitachi loaders and excavators, and Hyster® cranes and aerial lifts.

As this was underway, additional work was conducted; equipment audits were completed on bearings, power transmissions, hoses and fittings, hydraulics, pneumatics, and personal protective equipment. As the finish line approached, we got to work training maintenance crews, storeroom employees and preparing 400 employees with the proper personal protective equipment.

The Impact

There were many obstacles our customer had to overcome to get their mine back into production, and with help from the One Wajax solution, they were able to do it. From the first walk-through to the final hire, we worked in tandem, keeping all parties well informed every step of the way.

Having made improvements with future growth in mind and with a solid operational structure, our customer is now well aligned for future expansion. Our team of engineers and specialists worked incredibly hard, put in some long hours, and showed some remarkable ingenuity to get the mining operation up and running.

Connecting Communities in Canada's Remote Regions

The Challenge

Wajax customers operate in some of Canada's most remote regions. As a telecommunications company, our customer provides internet service across almost 33% of Canada's landmass.

The Need

In support of the most remote northern territories of the Canadian Arctic, our customer was seeking faster internet speeds in Nunavut, to enhance northern connections and limit the virtual distance between family and friends. The scope of work required a team with expertise in power generation systems that could withstand extreme temperatures.

Our Solution

To achieve this, our customer partnered with Wajax to develop two customized solutions which included MTU back-up power systems. The first "short" unit was a 19-foot enclosure which solely housed a generator set. The second, and much larger unit, included the generator set with additional space for telecommunications equipment. Both units were tailor-made to accommodate variances in site conditions. The complete solution included 18 of the smaller units and five of the larger units.

Additionally, Wajax ensured each system was equipped with automatic transfer switches, load banks to facilitate testing and maintenance, as well as high-level controls for remote monitoring. Each unit included custom built Arctic-grade enclosures to protect against the extreme temperatures (down to -40°C) of Nunavut and adhere to local sound restrictions.

The Impact

Wajax's work to improve connectivity in more than two dozen communities within Northern Canada was key to a comprehensive plan to upgrade the region's telecommunications infrastructure.



Extracting a Turn-Key Solution for the Oil Sands Industry

The Challenge

Our oil sands customer wanted to improve efficiency and productivity across its two locations. However, they did not have the workforce at either location to adequately maintain and repair their machines in a timely manner. There was also the magnitude of the operations to contend with. There are many moving parts from shovels and haul trucks to conveyor systems with a host of rotating equipment, and often this equipment comes from a variety of manufacturers. It can be difficult to find a single partner capable of supporting such a complex operation.

The Need

Our customer needed a local partner they could trust to provide a turn-key solution for their entire mining and processing operation. A partner that could mobilize quickly to keep their operations up and running while offering the same level of support for their mining and construction mobile equipment fleet. In finding such a partner, they could bring efficiency and productivity to a whole new level.



Our Solution

Wajax was well versed in this customer's day-to-day operations. We had already performed repairs on their hydraulic mining shovels, rebuilt their crushers and apron feeders, replaced rotary breaker screens, and serviced their pulleys, gearboxes, and process pumps at our Fort McMurray facility. There were many critical components from a variety of manufacturers, but our teams could service each one seamlessly and without issue. As we worked together, we were called upon to provide more and more services.

Wajax soon became an indispensable resource. Not only did we supply conveyor servicing solutions, including conveyor repair, conveyor belt splicing, pulley alignment and gearbox repair, we also engineered a custom belt alignment system that would improve efficiency and productivity. First, we improved their adjustable idler frames to make them bigger and faster. Second, we designed and fabricated new frames for the conveyor system that allowed the conveyors to be manually adjusted on the fly without having to be taken down.

After demonstrating our capabilities, our customer approached us to see if we could supply their pit mine locations with mining and construction machinery. This was an excellent opportunity to demonstrate how we could support their business from end-to-end. We delivered several front shovel and Hitachi EX8000 mining excavators, as well as an EX2500 excavator and several Hyster® forklift trucks and tire manipulators. In addition to beefing up their mining fleet, we also delivered a collection of construction class Hitachi excavators to be used in their daily operations – all of which would be serviced by our Fort McMurray team.

The Impact

The One Wajax solution enabled our customer to streamline their procurement, service and maintenance processes. Our ability to quickly mobilize and be on-site at a moment's notice showed our customer that we are reliable. Our technical knowledge helped to speed up maintenance while increasing efficiency and productivity. We supported our customer's business from end-to-end, giving them the turn-key solution they had been searching for.

Reaching New Heights in the Logistics Business

The Challenge

In order to handle growing container volumes, our logistics customer sought to maximize capacity at each of its three terminals. To do so, the company applied high density warehousing principles to the port terminal setting – building up, rather than out – stacking six containers high to maximize storage square footage. This approach has been continuously refined over time, with the company optimizing layouts and even exploring Artificial Intelligence technology to help drive the most efficient container movements possible.

Our Solution

To keep containers moving efficiently, the customer turned to their long-time material handling partner, Wajax. Wajax recommended the Hyster® ReachStacker as a central tool in the customer's container handling operation to load and unload trains and move containers in and out of storage.

“For us, the ability to stack six containers high is a mission critical capability, but most ReachStacker suppliers shy away from that,” says the logistics company representative. “Combine that with the necessary level of versatility for our operators to work efficiently and meet performance requirements in our storage framework, and that’s what we need.”



The Hyster® RS46 ReachStacker emerged as the right tool for the job. Its ability to flip its entire boom, lock its table with a shifted load and move containers at a 45-degree angle brings the versatility operators require to work effectively in high, tight storage layouts.

With a year-round operating schedule and intense productivity requirements, the customer also needed equipment capable of standing up to intense duty cycles. The company runs each ReachStacker over 5,000 hours every year and handles 1,550 containers every day; such prodigious use that Hyster® collects the customer's data as a benchmark to help inform product development.

The Impact

Over the years, the combination of the Hyster® ReachStacker and Wajax service and support have proven their worth as critical components of the customer's success. From Montreal in the east to Vancouver and Prince Rupert out west, every terminal depends on Hyster® equipment to play an important role in the company's continued growth, combining to handle 560,000 containers annually.

“We could have entertained cheaper equipment, but other brands just can't hold up,” says the customer. “They all lift the same thing, but the components are not the same. You can tell when suppliers economize on items or cut corners, and what others provide just isn't strong enough for us.”

Fast movements and quick execution push equipment to its limits. Despite the harsh duty cycle, the Hyster® ReachStacker is up to the task, helping handle 1,550 containers across the enterprise, day after day.



Leading Mining Customer Needed a Safety Solution – Wajax’s Solution Became the New Standard of Reference

The Challenge

When one of the largest mining companies in the world looked to address a safety issue, they turned to long-time partner and trusted advisor, Wajax – where safety is a core value that extends to customers and suppliers.

The Need

During the installation of conveyor rollers, mechanics had to handle a load weighing over 130 pounds when removing, changing and installing new rollers; increasing the risk of injury for this task alone. Given that there are thousands of rollers on site to be handled by mechanics, the risk of injury was high. Wajax was tasked with providing a solution that would ensure the safety of their mechanics and continue their operations reliably.

Our Solution

The customer would need a solution that would eliminate the risk of back injuries, reduce downtime and continue to improve operational and cost efficiencies. This required designing a new “removable” roller support, to reduce weight and allow safe installation. The new design now weighs 50 pounds (versus 130 pounds) and uses a pivoting system (versus having to lift and pull).

The Impact

The design not only eliminated any new cases of back injuries for the mechanics, but it came with other benefits including: reduced downtime as the new rollers are removed and replaced in less time; reduced costs as the new design will be produced in Canada; and reduced lead time by over 50% going from an 8–10 week standard delivery down to four weeks.



Sustainability at Wajax

In 2020, we commenced our sustainability journey by conducting an initial materiality assessment to identify key areas of focus and establish benchmarks to measure the performance of our various environmental, social and governance (ESG) initiatives.

Voice of the Employee (VoE) Sustainability Responses	Score
Diversity and Equal Opportunity	8.3
Employee Health, Safety and Wellness	8.1
Sustainable Products and Services	8.0
Community Service	7.6
Environmental Responsibility	7.5

Aligning the Whole Team on Sustainability

Through our Voice of the Employee program, we semi-annually conduct a broad-ranging survey designed to solicit feedback from our employees. We used this data to assess what is most important to our team members, what we are doing well and areas where we can improve; we also used it as part of our sustainability materiality assessment. In 2020, we asked our team members to tell us how important sustainability was to them. The answer was clear – very important. Employees were asked to rank key sustainability initiatives on a scale of 1 (not at all important) to 10 (extremely important) and the findings are summarized in the table above.

We did this by evaluating current ESG reporting frameworks, including the Global Reporting Initiative, and consulting with our internal stakeholders. Why are we making this greater commitment to sustainability? Most simply because it is the right thing to do. Beyond that, we believe we have a fundamental obligation to manage the corporation in a socially responsible and progressive fashion.

In addition, we believe that Wajax’s position on sustainability is an increasingly important factor to a range of both internal and external stakeholders. As the world increasingly tackles the recurring themes of environmental responsibility, diversity, equality and good governance, we want to play our part. The United Nations (UN) has established Sustainable Development Goals (SDGs) and we want to play a role in supporting them. The UN indicates SDGs are the global blueprint to achieve a better and more sustainable future for all. We have identified the areas below where we plan to contribute to these goals.



Mississauga, ON: Branch parts counter practicing COVID-19 safety protocols.

Advancing sustainability at Wajax will result from clear alignment at every level of the organization as we undertake this journey. With strong board oversight, senior management leadership and employee support, we are taking decisive action to meet our long-term sustainability goals.

Sustainability Roadmap

Areas	Goals	Progress
Employee Health, Safety and Wellness	Provide every employee with a healthy and safe working environment that supports their entire well-being: physical, psychological and financial.	<ul style="list-style-type: none"> Total TRIF rate improved 22% over 2019⁽¹⁾ Deployed comprehensive COVID-19 response designed to protect frontline workers and external stakeholders Built on award-winning mental health initiatives designed to support team members during challenging times
Training and Development	Attract, engage, train, develop and retain the best people across all levels of the organization from entry level positions to senior leadership.	<ul style="list-style-type: none"> 14,700 total training hours, up 34% over 2019 2,600+ courses now available on Learning Management System (WajaxU)
Diversity and Equal Opportunity	Attract, retain and develop a diverse and skilled workforce that best reflects Canadian society, and provide a work environment that values and utilizes the contributions of employees' diverse backgrounds, experiences and perspectives.	<ul style="list-style-type: none"> Attained 30% female representation on board of directors Completed Employee Diversity and Equal Opportunity Policy and identified diversity benchmarks
Sustainable Products and Services	Commit to a continuous process of understanding customer needs and leveraging technology, Wajax expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.	<ul style="list-style-type: none"> Leveraged One Wajax model to improve efficiency and reduce waste Continued to source and introduce sustainable new products from vendor partners and provide services to sectors focused on sustainability (e.g., wind power)
Environmental Responsibility	Ensure operations are managed to minimize their impact on the environment, focusing on initiatives that lower energy intensity and reduce waste.	<ul style="list-style-type: none"> Established data collection and calculated baselines for environmental performance (e.g., energy usage, greenhouse gases and waste) Established National Waste Management Program for recycling hazardous and non-hazardous waste
Governance	Maintain reputation for fair dealing and integrity and demonstrate ongoing commitment to upholding high ethical standards in the conduct of business.	<ul style="list-style-type: none"> 96% of employees completed annual sign-off on core conduct and compliance policies Anti-bribery and corruption training completed by more than two-thirds of managers
Community	Invest in and contribute to the communities that we operate in across the country through a combination of volunteer hours and labour, fundraising and in-kind donations.	<ul style="list-style-type: none"> More than \$125,000 in monetary and product donations in 2020 focused on those impacted by COVID-19

(1) Total Recordable Injury Frequency

Employee Health, Safety and Wellness

Wajax believes that employee safety, health and wellness is critical to the overall strength and performance of our business. We want our customers to have an excellent experience each and every time they interact with us. This starts with us taking the best care possible of the people who provide that experience day in and day out: our employees.

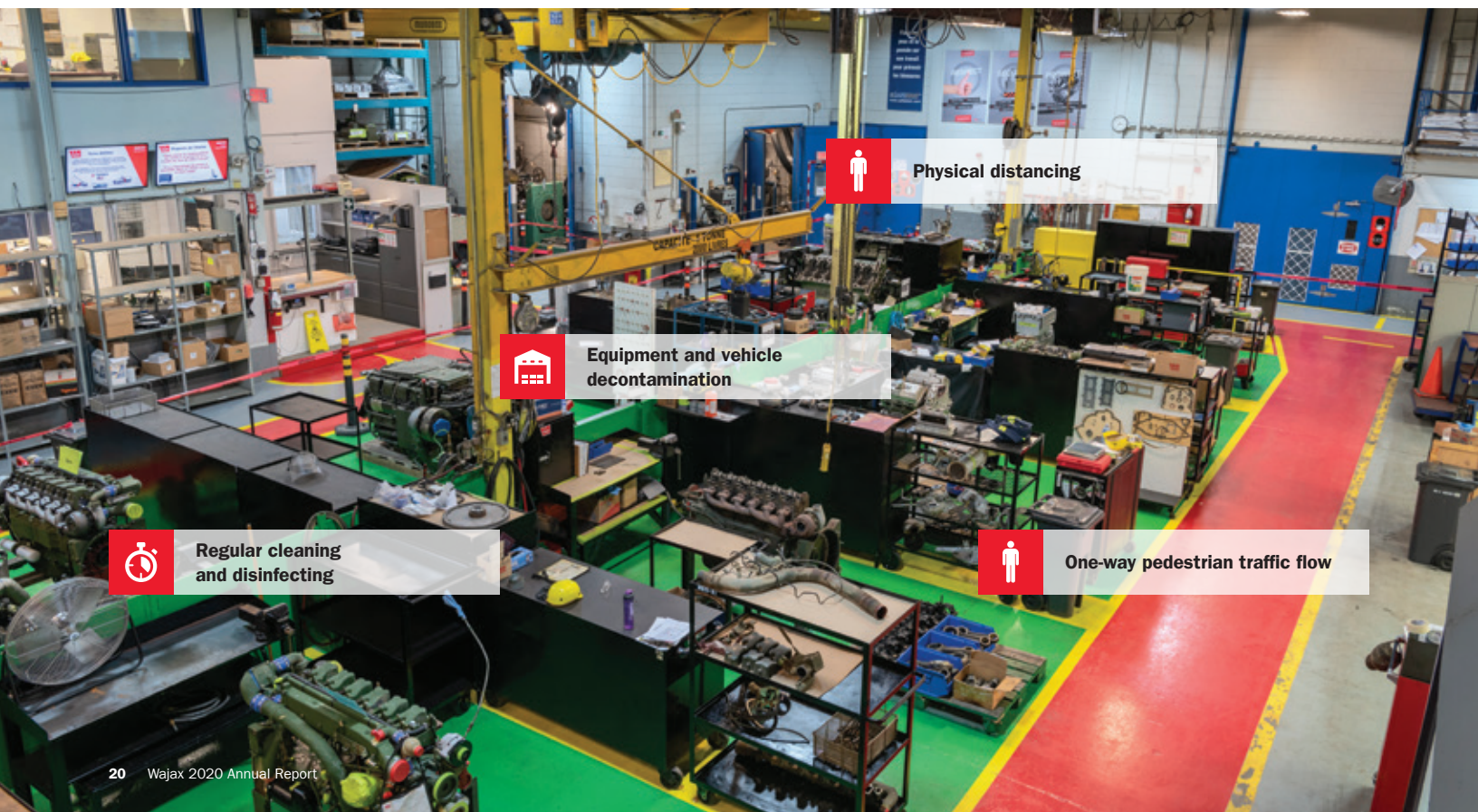
Critical COVID-19 Protocols in Place

- Restricted branch access
- Physical distancing
- Barriers at customer reception/parts and service counters
- One-way pedestrian traffic flow
- Face covering (non-medical masks)
- Gathering limitations
- Virtual meetings (avoidance of face-to-face interaction)
- Daily screening (self-assessments)
- Regular cleaning and disinfecting
- Hand sanitizing stations
- Business travel restrictions
- Equipment and vehicle decontamination
- Dedicated communication channel for COVID-19 response
- Employees working from home where possible
- Staggering shifts

Mounting a Robust Response to COVID-19

When the pandemic struck in the first quarter of 2020, we recognized we had to move quickly and decisively to protect our team members, customers and suppliers. As a provider of essential services, we knew that by ensuring the integrity of our business operations we would be in the best position to continue to meet the needs of our customers, even in the face of the new and growing challenges. To this end, we promptly established a Wajax COVID-19 response team, which took decisive and rapid action, rolling out a comprehensive set of protocols, as well as a range of supporting initiatives designed to protect internal and external stakeholder groups. The four main priorities in managing the challenges associated with COVID-19 are:

1. Protecting the health, safety and well-being of employees;
2. Providing strong service to customers;
3. Protecting the financial health of the corporation; and
4. Continuing to be well-positioned to execute on the corporation's growth strategy.



Physical distancing



Equipment and vehicle decontamination



Regular cleaning and disinfecting



One-way pedestrian traffic flow

Building on Wajax's award-winning Mental Health and Wellness Program throughout 2020, additional initiatives, support and tools were established for employees.

Thinking Carefully About Mental Health

As the pandemic heightened through 2020, we knew that it had the potential to take an increasing toll on our employees' mental health. Building on our award-winning Mental Health and Wellness Program, and in the face of the second wave of the pandemic, Wajax expanded on its mental health initiatives. Through a combination of monthly bulletins, articles, webinars from third-party experts, and individual success stories, we shared tips and coping strategies with employees to help them manage and cope with anxiety, stress, loneliness and isolation, in addition to trying to stay physically healthy. We also launched a dedicated health and wellness video channel that introduced staff to guided meditation and stretching breaks. All staff received regular reminders of the resources at their disposal (including our Employee and Family Assistance Program and Vitality Program) and their ability to access the medical and paramedical services available (some of them virtually) under the corporation's benefit programs.

Operating Safely Remains a Core Value

Even in the face of COVID-19, we still have a job to do. A core value at Wajax is that everyone goes home safe at the end of their shift. Likewise, our customers expect that we operate safely, especially when we are working on their sites, which is key to delivering excellent service.

COVID-19 Support Tools and Programs	Key Performance Metrics
COVID-19 Branch Action Plan	100% of branches completed
COVID-19 Employee Awareness Training	96% of employees completed
Launched internally developed online daily health assessment portal	More than 65,000 online assessments completed in 2020
Employees working from home where possible	40% of employees working from home to help protect frontline staff



“Hey, are you okay?”

It's time to start the conversation.



Visit our Health & Wellness Intranet page.



We track several key leading and lagging indicators to help us understand how the business is performing from a safety perspective.

Key Indicators of Safety Performance

Metric	What it Measures	Performance	Discussion
Total Recordable Incident Frequency (TRIF) Rate⁽¹⁾ Wajax target for 2021: at or below 1.0	Overall safety performance of the organization. A TRIF rate of 1.00 or less is considered exceptional for companies performing high-risk activities.	<p>2019: 1.39 2020: 1.08</p>	<ul style="list-style-type: none"> Groupe Delom and NorthPoint Technical Services included in 2019 and 2020 results⁽³⁾ Total TRIF rate improved 22% over 2019 Wajax had two injury-free months in 2020 (September and December)
Motor Vehicle Accident (MVA) Rate⁽²⁾ Wajax target for 2021: at or below 1.0	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.	<p>2019: 3.20 2020: 2.66</p>	<ul style="list-style-type: none"> Increased focus on driver behaviour and monitoring supported a 17% improvement
Corrective Actions Wajax target for 2021: 90% of health and safety related corrective actions closed on time	Items requiring follow-up identified through inspections, audits, observations and incidents are each assigned a due date.	<p>2016: 84% 2017: 89% 2018: 86% 2019: 92% 2020: 95%</p>	<ul style="list-style-type: none"> Increased communication around implementation and closure of Corrective Actions drove improved closure rate in 2020
Branch Health and Safety Evaluations Wajax target for 2021: Average Score 90%	Compliance with Wajax standards and occupational health and safety legislation. 90% grade required to pass.	<p>2017: 89% 2018: 92% 2019: 92% 2020: 86%</p>	<ul style="list-style-type: none"> A cornerstone of Wajax's safety program Virtual/remote audit program designed and implemented to ensure audits continued in the face of COVID-19
Certificate of Recognition (COR) Wajax target for 2021: Successful re-certification of all COR certified branches	Confirms our adherence to industry-best safety practices. External audit every three years and a maintenance audit in subsequent years.	<p>2018: 97% 2019: 94% 2020: 100%</p>	<ul style="list-style-type: none"> 2020 action plan focused on COVID-19 Certifying partner confirmed full compliance

Health and safety score

1.08 TRIF⁽¹⁾

Wajax delivered strong safety results in 2020, with a continuous effort to drive improved performance across the entire organization.

Strong Performance on Safety in 2020

Wajax delivered strong safety results in 2020, with a continuous effort to drive improved performance across the entire organization. Excluding Groupe Delom and NorthPoint Technical Services, our Total Recordable Injury Frequency (TRIF) rate fell to 0.73, an improvement of 22% over 2019. When including Groupe Delom and NorthPoint Technical Services, consolidated TRIF performance in 2020 was 1.08 which compares favourably to 1.39 in 2019.

Driving Safety Improvement

Driving is the highest risk activity Wajax employees perform on a daily basis and we log enough miles to drive around the earth approximately 300 times each year. Our focus on driver behaviour in 2020 translated into a 51% reduction in high risk driving behaviour versus 2019.

Keeping Branch Audits Going

Regular review of branch adherence to safety standards is an important piece of our overall program. In the face of the pandemic we transitioned to virtual branch evaluations so that these reviews could continue. Branch audits showed a slight decline given the challenges with operating during a pandemic. Beyond the now compulsory COVID-19 precautions, many of our customers require us to be certified on safety and we were delighted to see our certifying partner on the Certificate of Recognition program confirm we were in full compliance at 100% in 2020.

(1) Total Recordable Incident Frequency (TRIF) = total recordable injuries x 200,000 / number of hours worked.
 (2) Motor Vehicle Accident (MVA) Rate = Total Number of Motor Vehicle Traffic Collisions x 1,000,000 kilometers / number of kilometers driven.
 (3) Although acquired in 2020, NorthPoint Technical Services 2019 TRIF results have been added to Wajax's 2019 data for comparison purposes.

Addressing Issues Rapidly

Although we strive for perfection, we can always do better and we were pleased to see our Corrective Actions on-time closure rates reach 95% this year, their highest level ever.

Our Commitment to Safety Never Ends

For 2021, beyond continuing to manage COVID-19 implications for the business, we remain focused on perpetuating a culture of safety right across the organization. Key initiatives we intend to act on in 2021 include:

- Improving availability of safety training materials by transitioning them to our online Learning Management System, WajaxU
- Identifying opportunities to update certifications and training delayed by COVID-19
- Rolling out the online version of our SafeStart® safety awareness training program across the organization following a successful pilot in 2020
- Developing an expanded hearing protection program

Tackling Whole Health

Wajax takes a holistic approach to employee health and wellness, helping employees to manage their physical, mental and financial health. As an organization we intend to focus on enhanced training and communication (including dedicated campaigns) and leveraging our people-oriented service providers to roll out a range of new solutions aimed at improving each employee's whole health. A key initiative for 2021 is the completion of The Wellness Report. This full organizational assessment will allow us to establish a baseline for the effectiveness of our existing health and wellness measures and to identify opportunities to make changes and improvements in the coming years. For 2021, Wajax has already developed a comprehensive list of initiatives focused on supporting employee health and wellness including:

- Conducting themed monthly wellness campaigns
- Conducting refresher training for 100+ internal wellness champions
- Promoting financial health webinars
- Hosting organization-wide wellness challenges
- COVID-19 and seasonal flu vaccination campaigns
- Promoting the Not Myself Today® workplace mental health initiative

95%
of corrective actions
closed on time

A key initiative for 2021 is the completion of The Wellness Report, an assessment to establish a baseline for the effectiveness of our existing health and wellness measures.



Quebec City, QC: Wajax takes a holistic approach to employee health and wellness helping employees to manage their physical, mental and financial health.

Training and Development

Wajax's goal is to attract, engage, train, develop and retain the best people across all levels of the organization from entry level positions to senior leadership. Continuous learning and development opportunities are key drivers of overall employee satisfaction.

Program Core Priorities

- Provide employees with the tools and support needed to do their best work
- Promote and foster a learning culture

Progress in 2020

- 34% increase in training hours for employees
- Expanded content available on WajaxU platform
- Improved functionality of WajaxU
- Expanded leadership development programs
- Increased automation and integration of HR Management System (HRMS)

Objectives for 2021

- Further increase training hours for employees
- Continue to expand content and integrate learning paths on WajaxU
- Refine learning and development playbook
- Further expand leadership development programs utilizing HRMS
- Facilitate self-serve access to Human Resources reporting and business intelligence metrics

Wajax relies on its frontline staff to provide an excellent customer experience with every interaction. Honing an employee's ability to interact professionally and respectfully, understand our increasingly broad product and service offering, operate safely, lead effective teams and deliver innovative solutions is critical to the long-term success of our business.

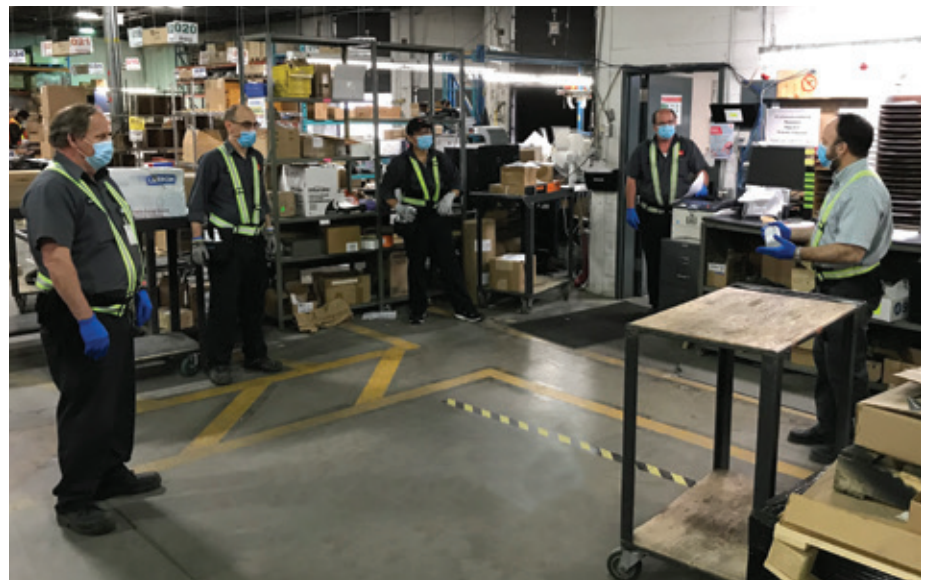
WajaxU Offers Near Limitless Learning

Wajax has more than 2,600 courses available on its Learning Management System, WajaxU. There is a curated collection of in-house, vendor supplied and third-party created content, spanning a range of topics including safety, product knowledge, systems and applications, sales, inter and intrapersonal skills, leadership and company policies.

Learning content is available across a number of platforms and in 2020 Wajax committed to making WajaxU even more accessible by introducing a mobile app, improved search functionality and multi-language curricula.

14,700
total training hours
completed in 2020

More than
2,600
courses available
on WajaxU



Lachine, QC: Wajax's goal is to attract, engage, train, develop and retain the best people across all levels of the organization.

Diversity and Equal Opportunity

Wajax believes that organizations benefit increasingly from having a more diverse workforce, supported by a strong culture of inclusion and equal opportunity.

Our diversity goal is to attract, retain and develop a diverse and skilled workforce that best reflects Canadian society, and to provide a work environment that values and utilizes the contributions of employees' diverse backgrounds, experiences and perspectives.

From an equal opportunity perspective, our goal is to provide meaningful opportunities throughout employment, including in the remuneration, recruitment, training, support, and promotion of employees of all backgrounds. Wajax believes that when employees feel safe, valued and equal, they can do their best work, remain in their jobs longer, are more engaged, and are more likely to recommend Wajax to others.

Program Core Priorities

- Increase representation from all groups including women, black, indigenous, people of colour (BIPOC), LGBTQIA+ and those with disabilities

Progress in 2020

- Attained 30% female representation on board of directors
- Conducted a benchmarking study examining the diversity and equal opportunity landscape
- Completed an Employee Diversity and Equal Opportunity Policy

Objectives for 2021

- Implement Employee Diversity and Equal Opportunity Policy
- Roll out Diversity and Equal Opportunity training content on WajaxU Learning Management System (LMS) platform
- Implement recruitment strategy to support diversity
- Target improved representation of under-represented groups including women, BIPOC and those with disabilities



Wajax is implementing a recruitment strategy to support diversity in the workforce.



Our goal is to provide meaningful opportunities throughout employment, including in the remuneration, recruitment, training, support, and promotion of employees of all backgrounds.

Sustainable Products and Services

Wajax is committed to a continuous process of understanding customer needs and leveraging technology, Wajax expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.

Program Core Priorities

- Improving product availability to reduce our environmental footprint
- Leveraging our broader offering and One Wajax strategy to create increased customer relevancy, improving efficiency and reducing waste
- Partnering with vendors who have robust sustainability programs to deliver innovative products that reduce environmental impact
- Identifying opportunities for remote monitoring of equipment to avoid unplanned outages, improving productivity and reducing waste
- Building our business in end markets focused on sustainability such as wind and hydroelectric power

Progress in 2020

- Leveraged Voice of the Customer data to improve customer relevancy
- Defined enhanced fill rate measures that will improve customer service and reduce carbon footprint
- Sourced and introduced sustainable new products from vendor partners
- Continued to leverage and grow the One Wajax model to improve efficiency and reduce waste for customers

Objectives for 2021

- Continue to improve customer service levels and reduce freight-associated carbon footprint
- Identify additional sustainable products and new product opportunities with key vendors
- Target potential customers focused on sustainability that can leverage Wajax's growing ERS and Industrial Parts capabilities

Product Offering – Partnering on Next-Generation Technologies

Wajax works with innovative, global brands across our portfolio. Our suppliers take their commitment to sustainability very seriously. We act as a conduit for our vendor partners, providing them with customer feedback to help them develop their next generation products. While safety, operational efficiency and cost-effectiveness remain key development drivers, in recent years Wajax's vendor partners have increasingly focused on reducing the impact their products have on the environment. This includes reducing fuel/power consumption, identifying alternate fuel/power sources and lowering greenhouse gas emissions.

Hydrogen fuel cell powered equipment, such as that offered by Hyster®, offers a number of advantages over older technologies including: full performance availability until the tank is empty, quick refuelling and no harmful emissions (ideal for indoor work environments).



Wajax conducted a comprehensive inspection and overhaul of a 2.4MW S-Type hydroelectric turbine, including designing and manufacturing spare parts to complete the project on time.

Service Offering – Supporting Sustainability

Through its product support, ERS and Industrial Parts businesses, Wajax offers its customers a range of Maintenance, Repair and Overhaul (“MRO”) solutions designed to keep equipment operating at peak efficiency and extend its useful operating life. In addition to minimizing downtime and managing operating costs, these activities help reduce fuel and energy consumption, lower greenhouse gas emissions and delay waste creation and the need for new raw material inputs.

With the acquisitions of Groupe Delom in 2018 and NorthPoint Technical Services in 2020, Wajax added significant electro-mechanical and rotating equipment repair expertise across Canada. This permits Wajax to play a key role in supporting Canada’s sustainable wind-power industry.

In 2020, Wajax added significant electro-mechanical and rotating equipment repair capabilities to play a key role in supporting Canada’s sustainable wind-power generation industry.



Wind turbines require regular attention to efficiently and reliably produce clean electricity. Wajax offers on-site, up-tower and off-site MRO services for a full range of wind turbines and equipment.

Environmental Responsibility

Wajax is committed to being a good steward of the environment. On that basis, 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.

Program Core Priorities

- Improve functionality of Environmental Performance Metrics Dashboard
- Reduce greenhouse gas (GHG) emissions
- Roll out Waste Management Program

Progress in 2020

- Configured our reporting system and data collection to track environmental performance metrics
- Completed initial rollout of the National Waste Management Program

Objectives for 2021

- Compare against 2020 data to identify areas of progress and those needing improvement
- Conduct feasibility and benchmarking studies to identify additional opportunities to reduce GHG emissions across branch network, including assessing cost of energy saving retrofits
- Ensure Waste Management Program is implemented in all branches across the organization, including recent acquisitions

Environmental Management Protocols and Best Practices

Over the last five years Wajax has rolled out an array of environmental management protocols and best practices aimed at reducing its operational environmental footprint. This includes standardized procedures, environmental audits and corrective actions tracking, spill prevention planning and investigation, comprehensive environmental training for all operations managers and environmental due diligence for all acquisitions. Wajax has also established environmental profiles for each branch so that we can understand their impact on the overall business. As part of regular operational reviews, Wajax identifies sites and operations that have a greater environmental impact and, therefore, carry higher levels of environmental and business risk. As an organization, we continue to take steps to actively manage and reduce that risk.

Wajax Environmental Responsibility Program



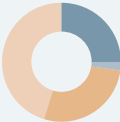
Wajax has invested in a centralized system for tracking key sustainability and environmental metrics and collected baseline data for the very first time. The corporation intends to collect this data each year and use it to better understand its environmental footprint and take the necessary steps to reduce energy intensity in subsequent periods.

90,459 MWh
total energy
consumption
for 2020



Power Generation Technician programming a controller to meet the customer's specifications, check warnings and shutdowns are working correctly.

Key Environmental Metrics

Metric	What it Measures	2020 Data	2020 Notes																
Energy Usage⁽¹⁾	Energy consumption within the organization including: <ul style="list-style-type: none"> fleet unleaded and premium gasoline fleet diesel fuel building electricity building natural gas consumption 	 <table border="1"> <thead> <tr> <th>MWh</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Fuel – Gasoline</td> <td>6,932</td> </tr> <tr> <td>Fuel – Diesel</td> <td>6,569</td> </tr> <tr> <td>Electricity</td> <td>26,916</td> </tr> <tr> <td>Natural Gas</td> <td>50,042</td> </tr> <tr> <td>Total</td> <td>90,459</td> </tr> </tbody> </table>	MWh	2020	Fuel – Gasoline	6,932	Fuel – Diesel	6,569	Electricity	26,916	Natural Gas	50,042	Total	90,459	Total Energy consumption equivalent to 1,966 homes for one year				
MWh	2020																		
Fuel – Gasoline	6,932																		
Fuel – Diesel	6,569																		
Electricity	26,916																		
Natural Gas	50,042																		
Total	90,459																		
Greenhouse Gases⁽¹⁾ (GHG)	Building (electricity and natural gas) and fleet (fuel) greenhouse gas emissions Scope 1 – direct emissions from owned/controlled sources Scope 2 – indirect emissions from the generation of purchased energy	 <table border="1"> <thead> <tr> <th>tCO₂e</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>11,916</td> </tr> <tr> <td>Scope 2</td> <td>5,121</td> </tr> <tr> <td>Total</td> <td>17,037</td> </tr> </tbody> </table>	tCO ₂ e	2020	Scope 1	11,916	Scope 2	5,121	Total	17,037	Total GHG emissions equivalent to 3,680 passenger cars driven for one year								
tCO ₂ e	2020																		
Scope 1	11,916																		
Scope 2	5,121																		
Total	17,037																		
Hazardous/Non-Hazardous Waste⁽²⁾	The amount of Hazardous Waste and Non-Hazardous Waste sent for recycling or to an authorized landfill ⁽³⁾	 <table border="1"> <thead> <tr> <th>tonnes</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td colspan="2">Hazardous Waste</td> </tr> <tr> <td>Recycled</td> <td>518</td> </tr> <tr> <td>Authorized Landfilled</td> <td>50</td> </tr> <tr> <td colspan="2">Non-Hazardous Waste</td> </tr> <tr> <td>Recycled</td> <td>565</td> </tr> <tr> <td>Authorized Landfilled</td> <td>937</td> </tr> <tr> <td>Total</td> <td>2,070</td> </tr> </tbody> </table>	tonnes	2020	Hazardous Waste		Recycled	518	Authorized Landfilled	50	Non-Hazardous Waste		Recycled	565	Authorized Landfilled	937	Total	2,070	Avoided 547 tCO ₂ e using closed-loop recycling program for solvents and used oil. This is equivalent to the carbon sequestered by 14,171 trees grown for 10 years in an urban environment
tonnes	2020																		
Hazardous Waste																			
Recycled	518																		
Authorized Landfilled	50																		
Non-Hazardous Waste																			
Recycled	565																		
Authorized Landfilled	937																		
Total	2,070																		

(1) Includes Wajax, Groupe Delom and NorthPoint Technical Services operations.

(2) Wajax operations only. Hazardous Waste includes: absorbents (if used on hazardous liquids), aerosol cans, antifreeze/glycol, electronic waste, empty containers (previously containing hazardous materials), fluorescent lamps, lead acid batteries, oily rags, paint booth filters, paint waste, parts washer degreaser waste, used oil, used oil filters, sump sludge). Non-Hazardous Waste includes: packaging products (glass, aluminum, plastic containers), paper products (cardboard, newsprint and fine office paper), demolition and construction waste (steel, drywall, wood) and scrap metal.

(3) Treated and disposed under waste manifest.



Wajax has rolled out an array of environmental management protocols and best practices aimed at reducing its operational environmental footprint.

Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business. We want our customers to trust us 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.

Key Corporate Governance Practices

Independent board – 90% of directors are independent

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 align their interests with those of shareholders

Non-executive chair – separate Chairman and CEO positions and an independent Chairman 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 and individual director performance every year

Serving on other boards – no directors serve together on another public company board

Board succession – the board has adopted a retirement policy for directors

Board diversity – the board has adopted a diversity policy, including a target of 20% for the number of women on the board, and has attained 30% female representation

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 slate voting – directors are individually elected

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

Ensuring High Ethical Standards Across the Business

Expectations regarding behaviour and conduct are set out in the Wajax Code of Business Conduct ("Code") and apply to all employees and directors. Among other items, the Code sets forth important overarching principles regarding dignity, respect, and fairness in the workplace, and sets a clear "zero tolerance" expectation for bribery and corruption in Wajax's business dealings and relationships. Wajax has implemented online anti-bribery and anti-corruption training for all management employees and managers are required to complete this training every 24 months. Wajax also maintains an ethics hotline, e-mail box and post office box where concerns may be reported anonymously; all concerns are investigated and reported on to the Audit Committee of the board of directors.

Expecting the Best from 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

Commitment to Sound Corporate Governance

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 for the board to effectively discharge its mandate.

Our corporate governance practices are 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 table to the left.

Wajax believes that being a good corporate citizen goes well beyond just providing employment. We want to invest in and contribute to the communities that we operate in across the country. We will do this through a combination of volunteer hours, fundraising and in-kind donations.



Mississauga, ON: During 2020, Wajax donated 5,500 pieces of Personal Protective Equipment, valued in excess of \$50,000, to local hospitals.

Battling COVID-19 Together

In the face of the pandemic, and with our own strong internal focus on keeping our staff and customers safe, Wajax employees felt it was very important to support those on the front lines in the battle against COVID-19. We also knew that the pandemic was impacting families in communities nationwide, with many struggling to keep the bare necessities in their homes.

In 2020, Wajax made monetary and product donations totaling more than \$125,000 including:

- \$68,000 to The Frontline Fund, a national initiative designed to meet the highest priorities needs for hospitals including supplies, support services for healthcare workers and vaccine and therapeutic research
- 5,500 pieces of Personal Protective Equipment valued in excess of \$50,000 to local hospitals
- \$10,000 to local food banks with Wajax matching employee donations of \$5,000

Program Core Priorities

- Support those in need
- Encourage all employees to give back
- Encourage the spirit of volunteerism whether it be time or expertise

Progress in 2020

- Record donations in 2020 with a focus on helping those impacted by COVID-19

Objectives for 2021

- Identify key charities for ongoing support
- Establish volunteering policy with time off allocated for community service
- Set annual target for dollars donated with the goal of increasing contribution amount each year
- Fund community support initiatives at the local level

2020 Charitable contributions

\$125,000

Message from the Chairman

During 2020, the coronavirus pandemic presented governments, communities, families and businesses across Canada with test after formidable test. Wajax moved swiftly to protect its employees and customers, while simultaneously working to ensure the uninterrupted delivery of its essential services. The Wajax team pulled together in a major way, helping customers – and each other – to weather the year, and impressively, made significant strides in strategically vital areas.

Board of Directors

Leslie Abi-karam ●■

Director since 2020
Ms. Abi-karam is corporate director and President of LAK Partners LLC.

Thomas M. Alford ●▲

Director since 2014
Mr. Alford is President, Well Services of Precision Drilling Corporation.

Edward M. Barrett ▲■

Director since 2006
Mr. Barrett is Chairman and Co-Chief Executive Officer of Barrett Corporation.

Douglas A. Carty ●▲

Director since 2009
Mr. Carty is a corporate director and the Chairman and Co-Founder of Switzer-Carty Transportation Inc.

Sylvia D. Chrominska ●■

Director since 2015
Ms. Chrominska is a corporate director.

Robert P. Dexter

Director since 1988
Mr. Dexter is Chairman and Chief Executive Officer of Maritime Travel Inc. and the Chairman of the Board of Directors of the Corporation.

John C. Eby ▲■

Director since 2006
Mr. Eby is a corporate director and a Founder and the President of Developing Scholars.

A. Mark Foote

Director since 2012
Mr. Foote is President and Chief Executive Officer of the Corporation.

Alexander S. Taylor ▲■

Director since 2009
Mr. Taylor is President, Nuclear of SNC-Lavalin Group Inc.

Susan Uthayakumar ●▲

Director since 2020
Ms. Uthayakumar is the Global Sustainability Business Division Leader at Schneider Electric.

As health authorities began taking steps to limit the spread of COVID-19, Wajax followed suit, rapidly implementing protocols, policy changes and technology to better protect its employees, customers and their communities. The corporation's number one priority of ensuring the health, safety and well-being of its employees took on even more meaning in 2020, and the collective efforts of the Wajax team were reflected in excellent safety results for the year. Mark and his team also clearly laid out additional priorities for managing through the pandemic: providing strong service to customers, protecting the financial health of the corporation and continuing to position Wajax to execute its growth strategy. The board closely monitored the steps taken by management in furtherance of these priorities and, in particular, the execution of initiatives designed to reduce inventory and costs, manage near-term financial risk and maintain financial flexibility. Mark has highlighted the positive results of these and other management actions elsewhere in this report.

Most notably, the acquisition of Tundra Process Solutions, completed in January 2021, represents the single biggest step forward to date in advancing the corporation's growth strategy. With \$170 million in acquisition capital now invested since late 2018 to expand the corporation's ERS and related Industrial Parts business, the board continues to believe strongly that building capabilities and scale in these important areas will be a key differentiator for Wajax.

On a related note, Wajax understands as an organization that strong businesses must work diligently to support their employees and communities, behave ethically and responsibly, and be good stewards of the environment. To support continued progress in these and other areas as the corporation continues to gain momentum, Wajax has, in this report, taken a meaningful step forward in formalizing its sustainability reporting, providing information on a growing range of sustainability initiatives, as well as metrics and benchmarks that can be used to assess Wajax's future performance. As a board, we recognize that this information is important to a greater range of stakeholder groups and we look forward to providing updates as Wajax's programs continue to evolve and grow.

As part of its renewal process, the board was very pleased to welcome Leslie Abi-karam and Susan Uthayakumar as directors at the corporation's May 2020 annual meeting. Leslie brings more than 35 years of experience in technology and management gained over a long career at Pitney Bowes, while Susan has 25 years of experience in finance and management, most recently acquired through progressively senior positions at Schneider Electric North America and Schneider Electric Canada. Both bring exceptional expertise and fresh perspective to the board, and we look forward to their contributions as directors for years to come.

In closing, I would like to echo Mark's earlier comments and, on behalf of the board, say how proud we are of the entire Wajax team. Your tenacity, resilience and commitment to safety, customer service and each other during a difficult time has been exemplary and can only make Wajax stronger as it grows. I would also like to thank our suppliers and customers for their ongoing and loyal support in the face of the challenges we shared this year. As a board, we remain confident in the strategic direction of Wajax and, as a company, we look ahead to better times in 2021 and beyond.



Robert P. Dexter
Chairman of the Board

- Audit Committee
- ▲ Governance Committee
- Human Resources and Compensation Committee

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, 2020. 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, 2020. Information contained in this MD&A is based on information available to management as of March 1, 2021.

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.

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** – The safety, well-being and engagement of the Corporation's team of 2,615 employees, including the 154 new employees that joined the team through the acquisition of Tundra Process Solutions Ltd. ("**Tundra**") on January 22, 2021, is the foundation of the Corporation.
- **Investing in Wajax customers** – The Corporation has the privilege of supporting 32,000 individual customers across Canada ranging from small local contractors to the country's largest industrial and resource organizations.
- **Executing a clear organic growth strategy** – The Corporation has classified each of its ten current product and service categories based on a category's contribution to sustainable growth. While Wajax is competitive in all of the categories it participates in, these classifications ensure that resources (such as inventory, capital, personnel and marketing) are allocated appropriately.
- **Accretive acquisitions strategy** – Wajax has developed clear acquisition criteria for the Canadian and U.S. markets. In Canada, the focus is primarily on acquisitions that add to the Corporation's

scale in the Engineered Repair Services ("**ERS**") business and secondarily to extensions to the Corporation's existing distribution businesses. In the U.S. market, the focus is on reviewing growth opportunities related to distribution businesses that provide a long-term growth platform for the One Wajax multi-category model.

- **Investing in the Wajax infrastructure** – The Corporation is making major changes to 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, investing in new information systems and implementing Customer Support Centres (each a "**CSC**") that provide 24/7 customer support in all product and service categories.

In addition to the above and to meet the Corporation's long-term sustainability goals, the Corporation is introducing a more comprehensive sustainability program as outlined below:

Sustainability Roadmap

Areas	Goals
Employee Health, Safety and Wellness	Provide every employee with a healthy and safe working environment that supports their entire well-being: physical, psychological and financial.
Training and Development	Attract, engage, train, develop and retain the best people across all levels of the organization from entry level positions to senior leadership.
Diversity and Equal Opportunity	Attract, retain and develop a diverse and skilled workforce that best reflects Canadian society, and provide a work environment that values and utilizes the contributions of employees' diverse backgrounds, experiences and perspectives.
Sustainable Products and Services	Commit to a continuous process of understanding customer needs and leveraging technology, Wajax expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.
Environmental Responsibility	Ensure operations are managed to minimize their impact on the environment, focusing on initiatives that lower energy intensity and reduce waste.
Governance	Maintain a reputation for fair dealing and integrity and demonstrate ongoing commitment to upholding high ethical standards in the conduct of the Corporation's business.
Community	Invest in and contribute to the communities that the Corporation operates in across the country through a combination of volunteer hours, fundraising, and in-kind donations.

Outlook

Recognizing that the challenges Wajax faced in 2020 have persisted into 2021, the Corporation nonetheless enters 2021 with confidence expecting that it is positioned to succeed over the longer term. In 2021, Wajax remains focused on the same priorities that guided

it in 2020: protecting the health, safety and well-being of its team, providing excellent customer service, protecting the Corporation's financial health and driving its long-term growth strategy.

The Corporation expects revenue associated with the acquisition of Tundra to be the significant contributor to total revenue growth in 2021. Organic revenue growth is expected to be modest due primarily to heavy equipment markets that are not expected to fully recover to 2019 levels in 2021. Wajax's inventory and working capital investments will remain conservative pending a clear indication of a sustained recovery. Considering the acquisition debt related to Tundra to be incurred in the first quarter, leverage is expected to decline by year-end due to positive cash flow from operations, real estate monetization and other cash management initiatives.

In the Corporation's heavy equipment categories, representing pro-forma sales of 58%, Wajax will continue to focus on success in construction, material handling, forestry and mining, including improvements in product support volumes.⁽¹⁾ While equipment markets are not expected to fully recover in 2021, Wajax has excellent opportunities in these categories and will continue to work closely with its supplier partners to prudently grow market share and capture aftermarket sales.

In industrial parts and ERS, representing pro-forma sales of 42%, Wajax expects higher organic growth and a strong contribution from Tundra.⁽¹⁾ ERS continues to be one of the Corporation's most significant opportunities, capable of growth at each point in the economic cycle.

The Corporation's infrastructure programs are expected to continue in 2021 including investments in branch network consolidation and technology. Following the COVID-19 related delay in 2020, the phased implementation of the Corporation's new ERP system is expected to begin in the second quarter of 2021 and continue over an approximate 24-month timeframe in order to reduce the associated implementation risks.

An update regarding Wajax's response to COVID-19 is set out below.

See the Cautionary Statement Regarding Forward-Looking Information section.

Annual and Fourth Quarter Highlights

2020 Full Year Highlights

- Revenue decreased \$130.4 million or 8.4%, to \$1,422.6 million in 2020 from \$1,553.0 million in 2019. Regionally:
 - Revenue in western Canada of \$549.6 million decreased 11.9% from the prior year due to lower sales in most categories, but most notably in the construction, industrial parts, and engines and transmissions categories, coupled with lower mining product support revenue. This was partially offset by higher mining equipment sales, and higher ERS sales due to the acquisition of NorthPoint Technical Services ULC ("**NorthPoint**") earlier in the year.
 - Revenue in central Canada of \$302.3 million decreased 2.8% from the prior year mainly due to lower forestry, power generation and engines and transmissions sales. This was partially offset by strong ERS sales due to the acquisition of NorthPoint.
 - Revenue in eastern Canada of \$570.7 million decreased 7.7% from the prior year due primarily to lower equipment sales in the power generation, material handling and forestry categories, partially offset by mining equipment sales gains.
- During the year, the Corporation qualified for the Canada Emergency Wage Subsidy ("**CEWS**") and recognized \$26.6 million as a reimbursement of compensation expense with \$14.1 million

and \$12.5 million, respectively, allocated to cost of sales and selling and administrative expenses in proportion to personnel costs recorded in those areas. Receipt of the subsidy supported the Corporation's objective of minimizing, to the extent possible, the effect of COVID-19 related market conditions on its employees, including the avoidance of higher than experienced layoffs, faster return to work and supplemental compensation for the Corporation's frontline workers.

- Gross profit margin of 18.4% in 2020 decreased 0.4% compared to 2019. Excluding the \$14.1 million CEWS recovery discussed above, gross profit margin was 17.4%, representing a decrease of 1.4% compared to the prior year. The decline in margin was driven primarily by lower equipment and parts margins, offset partially by higher ERS sales and margins. The lower equipment margins were driven partially by the Corporation's accelerated disposal of aged and used equipment during the second quarter.
- Selling and administrative expenses as a percentage of revenue decreased 0.4% to 13.3% in 2020 from 13.7% in 2019. Selling and administrative expenses decreased by \$23.2 million compared to 2019 due mainly to cost control initiatives and the \$12.5 million recovery of personnel expenses from the CEWS discussed above. Excluding the CEWS recovery, selling and administrative expenses as a percentage of revenue increased 0.5% to 14.2% in 2020.
- EBIT decreased \$8.9 million, or 12.1%, to \$64.6 million in 2020 versus \$73.5 million in 2019.⁽¹⁾ The year-over-year decrease is primarily attributable to lower revenue and decreased equipment and parts margins, partially offset by higher ERS sales and margins, lower selling and administrative expenses and the net effect of the CEWS.
- The Corporation generated net earnings of \$31.7 million, or \$1.58 per share in 2020, versus \$39.5 million, or \$1.98 per share in 2019. The Corporation generated adjusted net earnings of \$35.1 million, or \$1.75 per share in 2020, versus \$41.9 million, or \$2.10 per share in 2019.⁽¹⁾
- Adjusted EBITDA margin increased to 8.6% in 2020 from 8.4% in 2019.⁽¹⁾
- Cash flows generated from operating activities amounted to \$118.8 million in 2020, compared to cash flows used in operating activities of \$9.7 million in 2019. The increase in cash generated of \$128.5 million was mainly attributable to an increase in cash generated from changes in inventory of \$113.0 million, an increase in cash generated from changes in trade and other receivables of \$64.0 million, a decrease in rental equipment additions of \$21.0 million, and a decrease in income taxes paid of \$18.0 million, partially offset by an increase in cash used in changes in accounts payable and accrued liabilities of \$90.9 million.
- The Corporation's backlog at December 31, 2020 of \$181.7 million decreased \$23.4 million, or 11.4%, compared to September 30, 2020 due primarily to lower mining, forestry, power generation and construction orders, partially offset by higher material handling and industrial parts orders. Compared to December 31, 2019, backlog decreased \$62.1 million, or 25.5%, due primarily to lower orders in the mining and power generation categories, partially offset by the addition of NorthPoint's ERS backlog as the Corporation continues to grow its ERS business.⁽¹⁾⁽²⁾
- Total owned and consignment inventory declined \$51.2 million in the fourth quarter of 2020. Owned inventory of \$357.4 million at December 31, 2020 decreased \$32.5 million from September 30, 2020 due to lower equipment, parts and work-in-process inventory in most categories, partially offset by higher mining equipment inventory. Consignment inventory, comprised primarily

(1) Pro-forma sales are based on Wajax revenue for 2020 plus Tundra's December 31, 2020 trailing 12-month revenue of \$142.1 million included in industrial parts and ERS sales.

of construction excavators, declined by \$18.7 million in the fourth quarter of 2020. Total owned and consignment inventory declined \$130.9 million from December 31, 2019. Owned inventory decreased \$57.5 million from December 31, 2019 due primarily to lower equipment, parts and work-in-process inventory in most categories, partially offset by higher mining equipment inventory. Consignment inventory, comprised primarily of construction excavators, declined by \$73.4 million from December 31, 2019.

- Working capital of \$374.9 million at December 31, 2020 decreased \$17.1 million from September 30, 2020 due primarily to lower inventory, offset partially by higher cash and higher trade and other receivables. Trailing four-quarter average working capital as a percentage of the trailing 12-month sales was 27.9%, a decrease of 0.1% from September 30, 2020 due to the moderately lower trailing four-quarter average working capital. Working capital at December 31, 2020 decreased \$29.2 million from December 31, 2019 due primarily to lower inventory levels and lower trade and other receivables. These working capital decreases were partially offset by lower accounts payable and accrued liabilities. Trailing four-quarter average working capital as a percentage of the trailing 12-month sales increased by 2.6% from 2019, due primarily to the lower trailing 12-month sales.
- The Corporation's leverage ratio decreased to 2.28 times at December 31, 2020, compared to 2.59 times at September 30, 2020.⁽¹⁾ The decrease in the leverage ratio was due to the lower debt level, partially offset by the lower trailing 12-month pro-forma adjusted EBITDA.⁽¹⁾ The Corporation's senior secured leverage ratio was 1.73 times at December 31, 2020, compared to 2.05 times at September 30, 2020.⁽¹⁾ The Corporation's leverage ratio decreased to 2.28 times at December 31, 2020 compared to 2.60 times at December 31, 2019 due to the lower debt level offset partially by the lower trailing 12-month pro-forma adjusted EBITDA.⁽¹⁾ The Corporation's senior secured leverage ratio was 1.73 times at December 31, 2020, compared to 2.10 times at December 31, 2019.⁽¹⁾
- The Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based NorthPoint effective January 13, 2020. The shares were acquired from an affiliate of Denver, Colorado-based Lion Equity Partners for an aggregate purchase price of \$19.4 million.
- In the third quarter of 2020, the Corporation implemented workforce reductions in response to the economic conditions created by COVID-19 and related sales volume impacts. A pre-tax restructuring cost of \$7.7 million was recognized relating primarily to severance costs. 243 employees were released, representing annual compensation costs of approximately \$19.3 million. Almost all affected personnel were on temporary layoff and as such, the majority of the \$19.3 million was not incurred by the Corporation in 2020.
- During the second half of the year, the Corporation entered into two sale and leaseback transactions for two of its owned properties. The proceeds net of transaction costs on the sale of the two properties was \$6.4 million and the carrying amount was \$1.8 million, resulting in a total gain on the sale of properties of \$4.6 million, of which \$1.5 million has been recognized in the year.
- On December 30, 2020, the Corporation amended its senior secured credit facility. The amendment increased the facility limit from \$400 million to \$450 million by adding a new non-revolving acquisition term facility of \$50 million, which was used to finance the acquisition of Tundra in the first quarter of 2021. Repayment of the acquisition facility is due in full on December 30, 2022.
- Subsequent to year-end, on January 22, 2021, the Corporation announced the completion of the acquisition of all of the issued and outstanding shares of Calgary, Alberta-based Tundra for total consideration of approximately \$99.1 million. The purchase price for the Tundra shares was satisfied by the payment in cash of \$74.6 million and the issuance of 1,357,142 common shares of Wajax.

Fourth Quarter Highlights

- Revenue in the fourth quarter of 2020 decreased \$22.9 million, or 5.7%, to \$381.0 million, from \$403.9 million in the fourth quarter of 2019. Regionally:
 - Revenue in western Canada of \$151.6 million decreased 7.6% from the prior year due primarily to lower material handling equipment and mining sales.
 - Revenue in central Canada of \$81.4 million decreased 1.3% from the prior year mainly due to moderately lower revenue in most categories, offset almost fully by higher crane and utility equipment sales and ERS strength related to the acquisition of NorthPoint earlier in the year.
 - Revenue in eastern Canada of \$148.0 million decreased 5.9% from the prior year due to moderately lower revenue in most categories, offset partially by strength in construction equipment sales.
- During the quarter, the Corporation qualified for the CEWS and recognized \$5.7 million as a reimbursement of compensation expense with \$4.4 million and \$1.3 million, respectively, allocated to cost of sales and selling and administrative expenses in proportion to personnel costs recorded in those areas. Approximately \$4.0 million of the subsidy was allocated to temporary supplemental compensation programs directed primarily at the Corporation's frontline employees who continue to provide excellent and essential support to customers across Canada. The resultant net pre-tax contribution to earnings of the CEWS recovery in the fourth quarter was approximately \$1.7 million.
- Gross profit margin of 18.1% in the fourth quarter of 2020 increased 0.5% compared to the same period of 2019. Excluding the \$4.4 million CEWS recovery discussed above, gross profit margin was 17.0% in the fourth quarter of 2020, representing a decrease of 0.6% compared to the same period of 2019. The decline in margin was driven primarily by lower equipment margins, offset partially by higher ERS margins.
- Selling and administrative expenses as a percentage of revenue increased 0.9% to 13.2% in the fourth quarter of 2020 from 12.3% in the same period of 2019. Selling and administrative expenses increased by \$0.7 million compared to the fourth quarter of 2019, due mainly to Tundra transaction costs of \$1.0 million and a lower gain recorded on the sale of properties of \$1.0 million, partially offset by the recovery of personnel expenses from the CEWS of \$1.3 million discussed above. Excluding the \$1.3 million CEWS recovery, selling and administrative expenses as a percentage of revenue increased 1.3% to 13.5% in the fourth quarter of 2020 from 12.3% in the same period of 2019.
- EBIT decreased \$2.6 million, or 12.0%, to \$18.8 million in the fourth quarter of 2020 versus \$21.4 million in the same period of 2019.⁽¹⁾ The year-over-year decrease in EBIT is primarily attributable to lower revenue, lower equipment margins, the Tundra transaction costs of \$1.0 million and a lower gain recorded on the sale of properties of \$1.0 million, partially offset by higher ERS sales and margins and the net effect of the CEWS.

(1) "Backlog", "Leverage ratio", "Senior secured leverage ratio", "Adjusted net earnings", "Adjusted EBITDA", "Adjusted EBITDA margin" and "Pro-forma adjusted EBITDA" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). "EBIT" and "Working capital" are additional GAAP measures. See the Non-GAAP and Additional GAAP Measures section.

(2) The backlog as at December 31, 2020 now includes customer purchase commitments for its ERS business including Groupe Delom Inc. ("Delom") and NorthPoint, and therefore for comparability purposes the backlog as at September 30, 2020 and December 31, 2019 also includes customer purchase commitments for its ERS business including Delom and NorthPoint for the September 30, 2020 backlog and including Delom for the December 31, 2019 backlog.

- The Corporation generated net earnings of \$10.7 million, or \$0.53 per share, in the fourth quarter of 2020 versus \$12.2 million, or \$0.61 per share, in the same period of 2019. The Corporation generated adjusted net earnings of \$9.6 million, or \$0.48 per share, in the fourth quarter of 2020 versus \$10.1 million, or \$0.51 per share, in the same period of 2019.⁽¹⁾
- Adjusted EBITDA margin increased to 8.1% in the fourth quarter of 2020 from 7.9% in the same period of 2019.⁽¹⁾
- Cash flows generated from operating activities amounted to \$48.1 million in the fourth quarter of 2020, compared to cash flows generated from operating activities of \$16.3 million in the same quarter of the previous year. The increase in cash generated of \$31.7 million was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of \$24.4 million and a decrease in rental equipment additions of \$12.5 million, partially offset by higher income taxes paid of \$5.1 million.

Update Regarding COVID-19 Pandemic Response

As health authorities started to take steps to limit the spread of COVID-19, the Corporation rapidly implemented protocols, policy changes and technology to better protect its employees, customers and their communities. The table below summarizes the Corporation's four main objectives in managing through this difficult period, and provides an update regarding key actions taken to date in furtherance of these objectives.

Objective	Actions Include:
Protecting the health, safety and well-being of employees.	<ul style="list-style-type: none"> ▪ To achieve physical distancing, approximately 40% of employees continue to work remotely or from home. To protect frontline employees whose roles require them to be in branches or at customer sites, protocols have been implemented that require self-administered pre-screening, promote operational physical distancing, restrict site access, change shift rotations, enhance pre-work hazard assessments and ensure the required level of personal protective equipment is available. ▪ Employees required to be in isolation due to actual or suspected illness or exposure, receive 10 days of fully paid leave for the first instance. In 2020, employees on layoff received company-paid health and dental benefits up to 180 days. ▪ Employee and operational policies and practices have been changed in a broad range of areas to further protect employee health and safety and adhere to provincial and local requirements. ▪ All-employee meetings are held bi-weekly to update employees on health and safety, support programs and the status of the Corporation's business.
Providing strong service to customers.	<ul style="list-style-type: none"> ▪ No material disruptions have been experienced in the Corporation's branch network or supply chain, nor the supply chains of its manufacturing partners. ▪ At the end of the fourth quarter of 2020, the majority of the Corporation's customers were in operation, generating varying levels of demand, and volume-appropriate staffing levels continue to be adjusted for field, branch, and support operations.
Protecting the financial health of the Corporation.	<p>Cost Reduction</p> <ul style="list-style-type: none"> ▪ As at December 31, 2020, 73 employees remained on reduced hours or participating in workshare programs, down from 882 employees as at April 27, 2020. During the third quarter of 2020, the Corporation severed 243 employees, representing annualized compensation expenses of approximately \$19.3 million, and recorded a corresponding restructuring provision of \$7.7 million. Almost all severed personnel were on temporary layoff and as such, the majority of the \$19.3 million annualized compensation costs were not incurred by the Corporation in 2020. ▪ The Corporation continues to effectively control discretionary spend. <p>Liquidity and Working Capital Management</p> <ul style="list-style-type: none"> ▪ As at December 31, 2020, the Corporation had access to \$209.3 million in liquidity within its bank credit facility, an increase of \$27.5 million from the prior quarter. An additional \$50.0 million was available under the credit facility and was reserved for the acquisition of Tundra. In the fourth quarter, the Corporation generated \$48.1 million in cash from operations. ▪ The Corporation will continue to manage owned and consignment equipment inventory levels in accordance with market conditions in 2021. ▪ In the fourth quarter of 2020, the Corporation continued with its previously disclosed real estate monetization program, the proceeds of which are expected to be used for debt reduction. ▪ The Corporation continues to work closely with customers on credit limits to support their businesses through this difficult period.
Continuing to be well-positioned to execute the Corporation's growth strategy.	<ul style="list-style-type: none"> ▪ On December 30, 2020, the Corporation announced the \$99.1 million acquisition of Tundra and continues to evaluate further potential ERS acquisitions. ▪ The implementation of the Corporation's new ERP system, previously planned for the second quarter of 2020, is now expected to begin in the second quarter of 2021. ▪ The Corporation continues to execute its growth strategies where appropriate based on market conditions relevant to individual categories.

Summary of Annual Operating Results

Statement of earnings highlights

For the twelve months ended December 31	2020	2019	% change
Revenue	\$ 1,422.6	\$ 1,553.0	(8.4)%
Gross profit	\$ 262.0	\$ 291.8	(10.2)%
Selling and administrative expenses	\$ 189.6	\$ 212.8	(10.9)%
Restructuring and other related costs	\$ 7.8	\$ 5.6	39.3%
Earnings before finance costs and income taxes ⁽¹⁾	\$ 64.6	\$ 73.5	(12.1)%
Finance costs	\$ 21.0	\$ 19.7	6.6%
Earnings before income taxes ⁽¹⁾	\$ 43.6	\$ 53.8	(19.0)%
Income tax expense	\$ 11.9	\$ 14.3	(16.8)%
Net earnings	\$ 31.7	\$ 39.5	(19.7)%
– Basic earnings per share ⁽²⁾	\$ 1.58	\$ 1.98	(20.2)%
– Diluted earnings per share ⁽²⁾	\$ 1.55	\$ 1.93	(19.7)%
Adjusted net earnings ^{(1),(3)}	\$ 35.1	\$ 41.9	(16.2)%
– Adjusted basic earnings per share ^{(1),(2),(3)}	\$ 1.75	\$ 2.10	(16.7)%
– Adjusted diluted earnings per share ^{(1),(2),(3)}	\$ 1.71	\$ 2.05	(16.6)%
Adjusted EBITDA ⁽¹⁾	\$ 122.0	\$ 130.3	(6.4)%
Key ratios:			
Gross profit margin	18.4%	18.8%	
Selling and administrative expenses as a percentage of revenue	13.3%	13.7%	
EBIT margin ⁽¹⁾	4.5%	4.7%	
Adjusted EBITDA margin ⁽¹⁾	8.6%	8.4%	
Effective income tax rate	27.4%	26.5%	

Statement of financial position highlights

As at December 31	2020	2019
Trade and other receivables	\$ 214.5	\$ 238.2
Inventory	\$ 357.4	\$ 414.9
Accounts payable and accrued liabilities	\$ (231.7)	\$ (282.6)
Other working capital amounts ⁽¹⁾	\$ 34.7	\$ 33.6
Working capital ⁽¹⁾	\$ 374.9	\$ 404.1
Rental equipment	\$ 56.9	\$ 77.0
Property, plant and equipment	\$ 41.4	\$ 42.1
Funded net debt ⁽¹⁾	\$ 219.6	\$ 276.5
Key ratios:		
Leverage ratio ⁽¹⁾	2.28	2.60
Senior secured leverage ratio ⁽¹⁾	1.73	2.10

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

(2) Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the twelve months ended December 31, 2020 was 20,029,345 (2019 – 19,998,656) and 20,486,768 (2019 – 20,416,191), respectively.

(3) Net earnings excluding the following:

- after-tax restructuring and other related costs of \$5.7 million (2019 – \$4.1 million), or basic and diluted earnings per share of \$0.28 (2019 – basic and diluted earnings per share of \$0.21 and \$0.20 respectively) for the twelve months ended December 31, 2020.
- after-tax gain recorded on the sale of properties of \$2.1 million (2019 – \$2.3 million), or basic and diluted earnings per share of \$0.11 and \$0.10 respectively (2019 – basic and diluted earnings per share of \$0.11) for the twelve months ended December 31, 2020.
- after-tax non-cash gains on mark to market of derivative instruments of \$1.0 million (2019 – gains of \$0.4 million), or basic and diluted earnings per share of \$0.05 (2019 – \$0.02 earnings per share) for the twelve months ended December 31, 2020.
- after-tax Tundra transaction costs of \$0.8 million (2019 – nil), or basic and diluted earnings per share of \$0.04 (2019 – nil) for the twelve months ended December 31, 2020.
- after-tax NorthPoint transaction costs of \$0.2 million (2019 – nil), or basic and diluted earnings per share of \$0.01 (2019 – nil) for the twelve months ended December 31, 2020.
- after-tax CSC project costs of nil (2019 – \$0.9 million), or basic and diluted earnings per share of nil (2019 – \$0.05 and \$0.04 respectively) for the twelve months ended December 31, 2020.

Annual Results of Operations

For the year ended December 31, 2020, revenue decreased 8.4%, or \$130.4 million, to \$1,422.6 million, from \$1,553.0 million in the same period of 2019. In addition to regional revenue commentary provided previously herein, the following factors contributed to the decrease in revenue:

- Equipment sales have decreased due mainly to lower forestry and engines and transmissions sales across all regions, and lower power generation and material handling sales in eastern Canada. These decreases were partially offset by higher mining equipment sales in western and eastern Canada.
- Product support sales have decreased primarily on weakness in construction, mining and engines and transmissions sales in western Canada and lower on-highway sales across all regions.
- Industrial parts sales have decreased due primarily to lower bearings and hydraulics sales across all regions.
- ERS sales have increased in western and central Canada due primarily to the acquisition of NorthPoint effective January 13, 2020.

Revenue by Geographic Region (\$ millions)



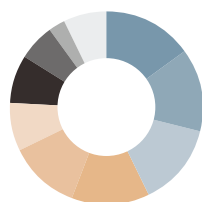
Twelve months ended December 31		2020	\$ change
■ Western Canada	\$	549.6	(74.0)
■ Central Canada		302.3	(8.8)
■ Eastern Canada*		570.7	(47.6)
Total		\$ 1,422.6	\$ (130.4)



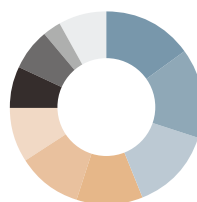
Twelve months ended December 31		2019
■ Western Canada	\$	623.6
■ Central Canada		311.1
■ Eastern Canada*		618.3
Total		\$ 1,553.0

* Includes Quebec and the Atlantic provinces.

Revenue by Market

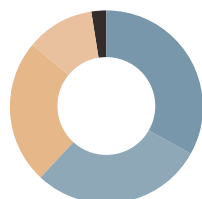


Twelve months ended December 31		2020
■ Mining		15%
■ Construction		14%
■ Forestry		14%
■ Oil Sands		13%
■ Industrial/Commercial		12%
■ Transportation		8%
■ Government and Utilities		8%
■ Metal Processing		6%
■ Oil and Gas		3%
■ Other		7%

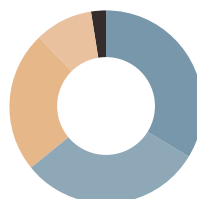


Twelve months ended December 31		2019
■ Mining		15%
■ Construction		15%
■ Forestry		14%
■ Oil Sands		11%
■ Industrial/Commercial		11%
■ Transportation		9%
■ Government and Utilities		7%
■ Metal Processing		7%
■ Oil and Gas		3%
■ Other		8%

Revenue Sources (\$ millions)



Twelve months ended December 31		2020	\$ change
■ Equipment sales	\$	471.4	(52.5)
■ Product support		411.8	(64.3)
■ Industrial parts		342.6	(24.0)
■ ERS		164.2	14.6
■ Equipment rental		32.6	(4.3)
Total		\$ 1,422.6	\$ (130.4)



Twelve months ended December 31		2019
■ Equipment sales	\$	523.9
■ Product support		476.1
■ Industrial parts		366.6
■ ERS		149.6
■ Equipment rental		36.9
Total		\$ 1,553.0

Backlog

The Corporation's backlog at December 31, 2020 of \$181.7 million decreased \$62.1 million, or 25.5%, compared to December 31, 2019 due primarily to lower orders in the mining and power generation categories, partially offset by the addition of NorthPoint's ERS backlog as the Corporation continues to grow its ERS business.⁽¹⁾

Canada Emergency Wage Subsidy (CEWS)

For the year ended December 31, 2020, the Corporation recognized \$26.6 million as a reimbursement of compensation expense with \$14.1 million and \$12.5 million, respectively, allocated to cost of sales and selling and administrative expenses in proportion to personnel costs recorded in those areas. Receipt of the subsidy supported the Corporation's objective of minimizing, to the extent possible, the effect of COVID-19 related market conditions on its employees including the avoidance of higher than experienced layoffs, faster return to work and supplemental compensation for the Corporation's frontline workers.

Gross profit

For the year ended December 31, 2020, gross profit decreased \$29.9 million, or 10.2%, compared to the same period last year due to decreased volumes and lower equipment and parts margins, partially offset by higher ERS sales and margins, and the recovery of personnel expenses from the CEWS.

For the year ended December 31, 2020, gross profit margin of 18.4% decreased 0.4% compared to the prior year. Excluding the \$14.1 million year-to-date CEWS recovery discussed above, gross

profit margin was 17.4%, representing a decrease of 1.4% compared to the prior year. The decline in margin was driven primarily by lower equipment and parts margins, offset partially by higher ERS sales and margins. The lower equipment margins were driven partially by the Corporation's accelerated disposal of aged and used equipment during the second quarter.

Selling and administrative expenses

For the year ended December 31, 2020, selling and administrative expenses decreased \$23.2 million compared to the same period last year. This decrease was due mainly to cost control initiatives and the \$12.5 million recovery of personnel expenses from the CEWS discussed above. Selling and administrative expenses as a percentage of revenue decreased to 13.3% in 2020 from 13.7% in 2019. Excluding the CEWS recovery, selling and administrative expenses as a percentage of revenue increased 0.5% to 14.2% in 2020.

Restructuring and other related costs

During the year, the Corporation implemented workforce reductions in response to the economic conditions created by COVID-19 and related sales volume impacts. A restructuring cost of \$7.7 million was recognized relating primarily to severance costs.

In the first quarter of 2018, the Corporation commenced the redesign of its finance function (the "Finance Reorganization Plan"). For the year ended December 31, 2020, the Corporation has recognized \$0.1 million related to duplicate labour costs. The Finance Reorganization Plan is now complete.

(1) The backlog as at December 31, 2020 now includes customer purchase commitments for its ERS business, including Delom and NorthPoint, and therefore for comparability purposes the backlog as at December 31, 2019 also includes customer purchase commitments for its ERS business including Delom.

Finance costs

For the year ended December 31, 2020, finance costs of \$21.0 million increased \$1.3 million compared to the same period in 2019 due primarily to the issuance of senior unsecured debentures in the fourth quarter of 2019, the acquisition of NorthPoint in the first quarter of 2020 and higher interest on lease liabilities, partially offset by lower borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 27.4% for the twelve months ended December 31, 2020 was higher compared to the statutory rate of 26.5% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 26.5% for the same period in 2019 was lower compared to the statutory rate of 26.8% due mainly to the non-taxable portion of the gain recorded on sales of properties.

Net earnings

For the year ended December 31, 2020, the Corporation generated net earnings of \$31.7 million, or \$1.58 per share, compared to \$39.5 million, or \$1.98 per share, in the same period of 2019. The \$7.9 million decrease in net earnings resulted primarily from lower revenue and decreased equipment and parts margins, partially offset by higher ERS sales and margins, lower selling and administrative expenses and the net effect of the CEWS.

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

Adjusted net earnings for the twelve months ended December 31, 2020 excludes restructuring and other related costs of \$5.7 million after-tax, or \$0.28 per share (2019 – \$4.1 million after-tax, or \$0.21 per share), non-cash gains on mark to market of derivative instruments of \$1.0 million after-tax, or \$0.05 per share (2019 – gains of \$0.4 million after-tax, or \$0.02 per share), a gain recorded on the sale of properties of \$2.1 million after-tax, or \$0.11 per share (2019 – \$2.3 million after-tax, or \$0.11 per share), NorthPoint transaction costs of \$0.2 million after-tax, or \$0.01 per share (2019 – nil), and Tundra transaction costs of \$0.8 million after-tax, or \$0.04 per share (2019 – nil). Adjusted net earnings in the same period of 2019 also excludes certain non-recurring CSC project costs of \$0.9 million after-tax, or \$0.05 per share.

As such, adjusted net earnings decreased \$6.8 million to \$35.1 million, or \$1.75 per share, for the twelve months ended December 31, 2020 from \$41.9 million, or \$2.10 per share, in the same period of 2019.

Comprehensive income

For the year ended December 31, 2020, the total comprehensive income of \$27.4 million included net earnings of \$31.7 million and an other comprehensive loss of \$4.2 million. The other comprehensive loss of \$4.2 million in the current year resulted primarily from \$4.2 million of losses on derivative instruments outstanding at the end of the period designated as cash flow hedges.

Acquisition of NorthPoint

On January 13, 2020, the Corporation completed the acquisition of all of the issued and outstanding shares of NorthPoint for an aggregate purchase price of \$19.4 million paid in cash. NorthPoint was formed in 2018 as a national electro-mechanical services

provider and serves a broad range of resource and industrial customers. Specializing in the repair of rotating industrial equipment, including motors, generators, gearboxes, switchgear, transformers, pumps, fans and turbines, NorthPoint operates nine branches across Canada and employed approximately 177 people on the date of acquisition. NorthPoint added revenues of \$36.9 million and net earnings of \$2.1 million during the twelve months ended December 31, 2020. Consistent with Wajax's strategy, the acquisition of NorthPoint is expected to provide meaningful growth in the Corporation's ERS business. NorthPoint is complementary to Wajax's existing ERS business, which includes Montréal, Québec-based Groupe Delom Inc. ("**Delom**"), acquired by Wajax in October 2018. The addition of NorthPoint provides further technical expertise, a skilled workforce and minimal branch overlap with Wajax's current ERS locations.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2020 annual audited consolidated financial statements except for 2018 which has not been adjusted for the adoption on January 1, 2019 of IFRS 16 Leases ("**IFRS 16**").

For the twelve months ended December 31	2020	2019	2018
Revenue	\$ 1,422.6	\$ 1,553.0	\$ 1,481.6
Net earnings	\$ 31.7	\$ 39.5	\$ 35.9
Basic earnings per share	\$ 1.58	\$ 1.98	\$ 1.82
Diluted earnings per share	\$ 1.55	\$ 1.93	\$ 1.78
Total assets	\$ 981.4	\$ 1,045.1	\$ 831.2
Non-current liabilities	\$ 376.9	\$ 404.8	\$ 244.1
Dividends declared per share	\$ 1.00	\$ 1.00	\$ 1.00

In 2020, the COVID-19 pandemic resulted in governments and public health authorities worldwide enacting emergency measures to combat the spread of the novel coronavirus and its variants. These measures, which include the implementation of travel bans, physical distancing, self-isolation and quarantine periods, have impacted economies and financial markets worldwide, resulting in an economic slowdown. The pandemic also affected customer demand and supply chains, impacted capital resources, and increased government regulations and intervention, among other things, all of which has negatively affected the business and the financial results of the Corporation and altered typical seasonal trends.

Revenue in 2020 of \$1,422.6 million decreased \$130.4 million compared to 2019. The decrease is due primarily to lower forestry, on-highway, industrial parts and engines and transmissions sales in all regions, and lower power generation and material handling sales in eastern Canada. These declines were partially offset by ERS strength in western and central Canada due to the acquisition of NorthPoint during the year as the Corporation continues to focus on expanding its ERS business. Revenue in 2019 of \$1,553.0 million increased \$71.4 million compared to 2018. The increase was due primarily to ERS strength in central and eastern Canada, forestry strength in all regions, and strong material handling sales in eastern Canada. These gains were partially offset by lower construction revenue in western and central Canada.

Net earnings in 2020 of \$31.7 million decreased \$7.9 million, or 19.9%, from 2019. The decrease in net earnings resulted primarily from lower revenue and decreased equipment and parts margins, partially offset by higher ERS sales and margins, lower selling and administrative expenses and the \$26.6 million CEWS recovery. The Corporation generated adjusted net earnings of \$35.1 million, or \$1.75 per share in 2020, versus \$41.9 million, or \$2.10 per share in 2019. Net earnings in 2019 of \$39.5 million increased \$3.7 million, or 10.2%, from 2018. The increase in net earnings resulted primarily from increased revenue and gross profit margins, partially offset by higher operating expenses, higher restructuring and other related costs, and higher finance costs. The Corporation generated adjusted net earnings of \$41.9 million, or \$2.10 per share in 2019, versus \$39.9 million, or \$2.02 per share, in 2018.

The \$150.1 million increase in total assets between December 31, 2018 and December 31, 2020 was mainly attributable to higher deposits on inventory of \$30.8 million, higher goodwill and intangible assets of \$17.0 million, and the recognition of right-of-use assets of \$131.7 million due to the adoption of IFRS 16. These increases were partially offset by lower property, plant and equipment of \$17.6 million and lower rental equipment of \$16.8 million.

Non-current liabilities at December 31, 2020 of \$376.9 million increased \$132.7 million from December 31, 2018 primarily attributable to the issuance of the debentures in the fourth quarter of 2019 resulting in a liability of \$54.6 million as at December 31, 2020, and an increase in lease liabilities of \$120.1 million due to the adoption of IFRS 16, partially offset by a \$46.5 million decrease in long-term debt.

Selected Quarterly Information

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

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 381.0	\$ 340.6	\$ 356.9	\$ 344.1	\$ 403.9	\$ 365.1	\$ 409.4	\$ 374.6
Net earnings	\$ 10.7	\$ 6.7	\$ 10.2	\$ 4.1	\$ 12.2	\$ 7.6	\$ 11.9	\$ 7.9
Earnings per share								
– Basic	\$ 0.53	\$ 0.33	\$ 0.51	\$ 0.20	\$ 0.61	\$ 0.38	\$ 0.59	\$ 0.39
– Diluted	\$ 0.52	\$ 0.33	\$ 0.50	\$ 0.20	\$ 0.60	\$ 0.37	\$ 0.58	\$ 0.39
Adjusted net earnings ⁽¹⁾	\$ 9.6	\$ 10.1	\$ 9.6	\$ 5.8	\$ 10.1	\$ 10.3	\$ 12.6	\$ 8.7
Adjusted earnings per share ⁽¹⁾								
– Basic	\$ 0.48	\$ 0.50	\$ 0.48	\$ 0.29	\$ 0.51	\$ 0.52	\$ 0.63	\$ 0.43
– Diluted	\$ 0.47	\$ 0.49	\$ 0.47	\$ 0.28	\$ 0.50	\$ 0.51	\$ 0.62	\$ 0.43
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)	20,034	20,034	20,034	20,016	20,009	20,004	20,004	19,978

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP 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 the 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. During 2020, revenues and net earnings were further impacted by COVID-19.

Effective January 13, 2020, the Corporation acquired NorthPoint. The results of operations and financial position of this acquired business have been included in the figures since the date of acquisition. The acquisition of NorthPoint has facilitated year-over-year growth in the Corporation's ERS revenue, which has contributed to weathering the conditions of the COVID-19 pandemic, adding \$36.9 million in incremental revenue and \$2.1 million in incremental net earnings in 2020.

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	
	2020	2019
Shareholders' equity	\$ 325.6	\$ 316.8
Funded net debt ⁽¹⁾	\$ 219.6	\$ 276.5
Total capital	\$ 545.2	\$ 593.3
Funded net debt to total capital ⁽¹⁾	40.3%	46.6%
Leverage ratio ⁽¹⁾	2.28	2.60
Senior secured leverage ratio ⁽¹⁾	1.73	2.10

(1) See the Non-GAAP and Additional GAAP 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 investment 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 above the target range primarily due to the acquisition of NorthPoint in the first quarter of 2020 and the adverse effect of COVID-19 on the Corporation's operating results. See the Funded Net Debt section.

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2020 of \$325.6 million increased \$8.8 million from December 31, 2019, due primarily to net earnings of \$31.7 million partially offset by dividends declared of \$20.0 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, 2020 and December 31, 2019	20,167,703	\$ 182.5
Shares held in trust, December 31, 2019	(156,113)	\$ (1.4)
Released for settlement of certain share-based compensation plans	22,029	\$ 0.2
Shares held in trust, December 31, 2020	(134,084)	\$ (1.2)
Issued and outstanding, net of shares held in trust, December 31, 2020	20,033,619	\$ 181.3

At the date of this MD&A, the Corporation had 20,033,619 common shares issued and outstanding, net of shares held in trust.

At December 31, 2020, 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").

As of December 31, 2020, there were 482,224 SOP and DDSUP (treasury share rights plans) rights outstanding of which 453,466 rights were vested, 289,570 MTIP PSUs and equity-settled DSUP (market-purchased share rights plans) rights outstanding of which 21,004 rights were vested, and 465,452 MTIP RSUs and cash-settled DSUP (cash-settled rights plans) rights outstanding of which 10,182 rights were 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 could be higher or lower.

Wajax recorded compensation expense of \$4.5 million for the twelve months ended December 31, 2020 (2019 – expense of \$3.4 million) in respect of these plans.

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

	December 31	
	2020	2019
Cash	\$ (6.6)	\$ (3.2)
Debentures	\$ 54.6	\$ 54.1
Long-term debt	\$ 171.6	\$ 225.6
Funded net debt	\$ 219.6	\$ 276.5

Funded net debt of \$219.6 million at December 31, 2020 decreased \$56.9 million compared to \$276.5 million at December 31, 2019. The decrease during the year was due primarily to cash generated from operating activities of \$118.8 million, offset partially by the \$17.9 million acquisition of NorthPoint, payment of lease liabilities of \$22.9 million and dividends paid of \$20.0 million.

The Corporation's ratio of funded net debt to total capital decreased to 40.3% at December 31, 2020 from 46.6% at December 31, 2019, primarily due to the lower funded net debt level in the current year.

The Corporation's leverage ratio of 2.28 times at December 31, 2020 decreased from the December 31, 2019 ratio of 2.60 times due to the lower debt level, partially offset by the lower trailing 12-month pro-forma adjusted EBITDA. See the Non-GAAP and Additional GAAP Measures section.

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 hedge contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate hedge contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2020, Wajax had the following interest rate hedge contracts outstanding:

- \$150.0 million, expiring in November 2024, with a weighted average interest rate of 2.12% (December 31, 2019 – \$104.0 million, expiring in November 2024, with a weighted average interest rate of 2.56%)

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, 2020, Wajax had the following contracts outstanding:

- to buy U.S. \$45.9 million (December 31, 2019 – to buy U.S. \$45.2 million),
- to buy Euro €0.1 million (December 31, 2019 – nil),
- to sell U.S. \$32.2 million (December 31, 2019 – to sell U.S. \$30.5 million), and
- to sell Euro €0.9 million (December 31, 2019 – to sell €1.1 million).

The U.S. dollar contracts expire between January 2021 and December 2022, with an average U.S./Canadian dollar rate of 1.3234.

The Euro contracts expire between January 2021 and December 2022, with an average Euro/Canadian dollar rate of 1.5611.

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, 2020, Wajax had the following total return swap contracts outstanding:

- contracts totaling 387,000 shares at an initial share value of \$7.2 million (December 31, 2019 – contracts totaling 365,000 shares at an initial share value of \$8.3 million)

The total return swap contracts expire between March 2021 and March 2023.

Wajax measures derivative instruments not accounted for as hedging items 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.

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 hedge 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	\$ 231.7	\$ 231.7	\$ —	\$ —	\$ —
Undiscounted lease obligations	\$ 226.9	\$ 37.0	\$ 64.8	\$ 44.0	\$ 81.1
Bank debt	\$ 173.0	\$ —	\$ —	\$ 173.0	\$ —
Debentures	\$ 57.0	\$ —	\$ —	\$ 57.0	\$ —
Total	\$ 688.6	\$ 268.7	\$ 64.8	\$ 274.0	\$ 81.1

The lease obligations relate primarily to contracts entered into for facilities, certain leased vehicles, leased computer hardware, and leased material handling 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.

The Corporation sponsors three pension plans: one employee plan and two executive plans. The Wajax Limited Pension Plan for employees, primarily a defined contribution plan with a small group of employees participating in a defined benefit component, is being wound up, with effect from December 31, 2019. Benefit accruals under the plan were frozen effective as of such date and all active members joined a new defined contribution plan sponsored by the Corporation, the Wajax Limited Defined Contribution Pension Plan. The windup has not resulted in a curtailment or additional termination benefits. The timing of the full settlement of the defined benefit portion of the plan is not known as the windup is pending regulatory approval and the settlement cost will be measured at the settlement date. The two executive plans, the Pension Plan for Executive Employees of Wajax Limited and the Wajax Limited Supplemental Executive Retirement Plan, are defined benefit plans. Management does not expect future cash contribution requirements for the defined benefit plans to change materially from the 2020 contribution level of \$0.6 million as a result of future actuarial valuations or any declines in fair value of the defined benefit plans' assets.

Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled \$5.9 million in 2020 (2019 – \$6.2 million).

Off Balance Sheet Financing

It is likely but not reasonably certain that existing leases will be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

The Corporation had \$54.6 million (December 31, 2019 – \$128.0 million) of consigned inventory on hand from a major manufacturer at December 31, 2020, net of deposits of \$42.3 million (December 31, 2019 – \$33.1 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold or rented to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facility to finance the purchase of inventory.

Although management currently believes Wajax 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

On December 30, 2020, the Corporation amended its senior secured credit facility. The amendment increased the facility limit from \$400 million to \$450 million by adding a new non-revolving acquisition term facility of \$50 million, which was used to finance the acquisition of Tundra in the first quarter of 2021. As at December 31, 2020, the non-revolving acquisition term facility had not been utilized. Repayment of the facility is due in full on December 30, 2022. The \$0.3 million cost of amending the facility has been capitalized and will be amortized over the term of the non-revolving acquisition term facility.

At December 31, 2020, Wajax had borrowed \$173.0 million and issued \$6.4 million of letters of credit for a total utilization of \$179.4 million of its \$450.0 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, 2020, borrowing capacity under the bank credit facility was equal to \$438.7 million.

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, 2020. 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, 2020, the Corporation's senior secured leverage ratio was 1.73 times.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR 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 LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings under the non-revolving and revolving term facilities. Margins on the non-revolving acquisition term facility range between 1.7% and 3.3% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.7% and 2.3% for prime rate borrowings.

In addition, Wajax had \$57.0 million of senior unsecured debentures outstanding at December 31, 2020, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025 (the "**Debentures**"). The Debentures will not be redeemable before January 15, 2023 (the "**First Call Date**"), except upon the occurrence of a change of control of the Corporation in accordance with the terms of the indenture governing the Debentures (the "**Indenture**"). On and after the First Call Date 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 by issuing and delivering that number of freely tradeable common shares determined in accordance with the terms of the Indenture. 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, 2020, 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 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. At December 31, 2020, the Corporation continues to service and collect \$11.7 million in accounts receivable on behalf of the financial institution.

As at December 31, 2020, \$270.6 million was unutilized under the bank facility and \$25.0 million was unutilized under the non-bank facilities. As of March 1, 2021, Wajax continues to maintain its \$450.0 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 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, 2020, \$204.6 million of the Corporation's funded net debt, or 93.2%, 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, 2020 and December 31, 2019:

	2020	2019	Change
Net earnings	\$ 31.7	\$ 39.5	\$ (7.9)
Items not affecting cash flow	85.4	88.2	(2.8)
Changes in non-cash operating working capital	48.8	(50.5)	99.4
Finance costs paid on debts	(11.2)	(13.1)	1.8
Finance costs paid on lease liabilities	(8.2)	(5.7)	(2.5)
Interest collected on lease receivables	0.1	—	0.1
Income taxes paid	(9.8)	(27.8)	18.0
Rental equipment additions	(16.5)	(37.5)	21.0
Other non-current liabilities	(0.2)	(1.4)	1.1
Cash paid on settlement of total return swaps	(1.4)	(1.5)	0.1
Cash generated from (used in) operating activities	\$ 118.8	\$ (9.7)	\$ 128.5
Cash used in investing activities	\$ (17.6)	\$ (2.0)	\$ (15.7)
Cash (used in) generated from financing activities	\$ (97.7)	\$ 18.7	\$ (116.5)

Operating Activities

For the year ended December 31, 2020, cash flows generated from operating activities amounted to \$118.8 million, compared to cash flows used in operating activities of \$9.7 million for the previous year. The increase in cash generated of \$128.5 million was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of \$99.4 million, a decrease in rental equipment additions of \$21.0 million, and a decrease in income taxes paid of \$18.0 million, partially offset by a decrease in net earnings of \$7.9 million. The increase in cash generated from changes in non-cash operating working capital of \$99.4 million was driven primarily by an increase in cash generated from changes in inventory of \$113.0 million and an increase in cash generated from changes in trade and other receivables of \$64.0 million, offset partially by an increase in cash used from changes in accounts payable and accrued liabilities of \$90.9 million.

For the year ended December 31, 2020, rental equipment additions of \$16.5 million (2019 – \$37.5 million) related primarily to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the years ended December 31, 2020 and December 31, 2019 include the following:

Changes in Non-cash Operating Working Capital⁽¹⁾	2020	2019
Trade and other receivables	\$ 31.9	\$ (32.1)
Contract assets	2.8	7.0
Inventory	76.7	(36.3)
Deposits on inventory	(6.7)	(24.1)
Prepaid expenses	0.8	1.1
Accounts payable and accrued liabilities	(58.1)	32.8
Provisions	1.7	2.0
Contract liabilities	(0.3)	(1.1)
Total Changes in Non-cash Operating Working Capital	\$ 48.8	\$ (50.5)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2020 compared to the year ended December 31, 2019 are as follows:

- Trade and other receivables decreased \$31.9 million in 2020 compared to an increase of \$32.1 million in 2019. The decrease in 2020 resulted primarily from lower sales activity and a large material handling equipment delivery made to a customer at the end of 2019. The increase in 2019 resulted primarily from higher current trade receivables from large oil sands customers and a large material handling equipment delivery to a new customer.
- Inventory decreased \$76.7 million in 2020 compared to an increase of \$36.3 million in 2019. The decrease in 2020 was due mainly to lower equipment, parts and work-in-process inventory as the Corporation continues to manage its inventory levels. The increase in 2019 was due mainly to higher construction equipment inventory and mining equipment and parts inventory.
- Deposits on inventory increased \$6.7 million in 2020 compared to an increase of \$24.1 million in 2019. The increase in both years was due primarily to increased deposits related to consignment inventory being held in excess of nine months.

- Accounts payable and accrued liabilities decreased \$58.1 million in 2020 compared to an increase of \$32.8 million in 2019. The decrease in 2020 resulted primarily from reduced inventory purchasing activity. The increase in 2019 resulted primarily from higher trade payables, including higher trade payables related to mining equipment inventory.

Investing Activities

For the year ended December 31, 2020, Wajax invested \$6.5 million in property, plant and equipment additions, compared to \$5.9 million in the same period of 2019. Proceeds on disposal of property, plant and equipment, consisting primarily of proceeds on disposal of properties, amounted to \$9.9 million for the year ended December 31, 2020, compared to \$10.1 million for the year ended December 31, 2019. Intangible assets additions of \$4.2 million (2019 – \$5.4 million) for the year ended December 31, 2020 resulted primarily from software additions relating to the Corporation's new ERP system; implementation of the new ERP system, previously planned for the second quarter of 2020, is now expected to begin in the second quarter of 2021. For the year ended December 31, 2020, Wajax invested \$17.9 million (2019 – nil) on the acquisition of NorthPoint, net of cash acquired of \$1.4 million.

Financing Activities

For the year ended December 31, 2020, the Corporation used \$97.7 million of cash in financing activities compared to generating \$18.7 million in the same period of 2019. Financing activities for the twelve months ended December 31, 2020 included a net bank credit facility repayment of \$54.4 million (2019 – net borrowing of \$7.4 million), the payment of lease liabilities of \$22.9 million (2019 – \$22.0 million) and dividends paid to shareholders of \$20.0 million (2019 – \$20.0 million). Financing activities for the 2019 year also included proceeds from the issuance of debentures of \$57.0 million.

Dividends

Dividends to shareholders for the 2020 and 2019 years were declared and payable to shareholders of record as follows:

Record Date	Payment Date	Per Share	Amount
March 16, 2020	April 2, 2020	\$ 0.25	\$ 5.0
June 15, 2020	July 3, 2020	\$ 0.25	\$ 5.0
September 15, 2020	October 2, 2020	\$ 0.25	\$ 5.0
December 15, 2020	January 5, 2021	\$ 0.25	\$ 5.0
Twelve months ended December 31, 2020		\$ 1.00	\$ 20.0

Record Date	Payment Date	Per Share	Amount
March 29, 2019	April 2, 2019	\$ 0.25	\$ 5.0
June 14, 2019	July 3, 2019	\$ 0.25	\$ 5.0
September 16, 2019	October 2, 2019	\$ 0.25	\$ 5.0
December 16, 2019	January 3, 2020	\$ 0.25	\$ 5.0
Twelve months ended December 31, 2019		\$ 1.00	\$ 20.0

On March 1, 2021, the Corporation declared a dividend of \$0.25 per share for the first quarter of 2021 payable on April 6, 2021 to shareholders of record on March 15, 2021.

Fourth Quarter Consolidated Results

For the three months ended December 31	2020	2019	% change
Revenue	\$ 381.0	\$ 403.9	(5.7)%
Gross profit	\$ 69.1	\$ 71.1	(2.8)%
Selling and administrative expenses	\$ 50.3	\$ 49.6	1.4%
Restructuring and other related costs	\$ —	\$ 0.2	(100.0)%
Earnings before finance costs and income taxes ⁽¹⁾	\$ 18.8	\$ 21.4	(12.0)%
Finance costs	\$ 4.1	\$ 5.4	(24.9)%
Earnings before income taxes ⁽¹⁾	\$ 14.8	\$ 16.0	(7.7)%
Income tax expense	\$ 4.0	\$ 3.8	6.3%
Net earnings	\$ 10.7	\$ 12.2	(12.0)%
Basic earnings per share ⁽²⁾	\$ 0.53	\$ 0.61	(12.1)%
Diluted earnings per share ⁽²⁾	\$ 0.52	\$ 0.60	(12.7)%
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 9.6	\$ 10.1	(5.0)%
Adjusted basic earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 0.48	\$ 0.51	(5.1)%
Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽³⁾	\$ 0.47	\$ 0.50	(5.7)%
Adjusted EBITDA ⁽¹⁾	\$ 30.9	\$ 31.9	(3.1)%
Key ratios:			
Gross profit margin	18.1%	17.6%	
Selling and administrative expenses as a percentage of revenue	13.2%	12.3%	
EBIT margin ⁽¹⁾	4.9%	5.3%	
Adjusted EBITDA margin ⁽¹⁾	8.1%	7.9%	
Effective income tax rate	27.4%	23.8%	

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP 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, 2020 was 20,033,619 (2019 – 20,009,494) and 20,574,840 (2019 – 20,421,685), respectively.

(3) Net earnings excluding the following:

- after-tax gain recorded on the sale of properties of \$1.0 million (2019 – \$2.3 million), or basic and diluted earnings per share of \$0.05 (2019 – \$0.11) for the three months ended December 31, 2020.
- after-tax non-cash gains on mark to market of derivative instruments of \$0.9 million (2019 – nil), or basic and diluted earnings per share of \$0.04 (2019 – nil) for the three months ended December 31, 2020.
- after-tax Tundra transaction costs of \$0.8 million (2019 – nil), or basic and diluted earnings per share of \$0.04 (2019 – nil) for the three months ended December 31, 2020.
- after-tax restructuring and other related costs of nil (2019 – \$0.1 million), or basic and diluted earnings per share of nil (2019 – \$0.01) for the three months ended December 31, 2020.

Revenue

For the three months ended December 31	2020	2019	\$ change
Equipment sales	\$ 145.0	\$ 156.5	\$ (11.5)
Product support	\$ 101.9	\$ 110.2	\$ (8.3)
Industrial parts	\$ 85.5	\$ 88.5	\$ (3.0)
ERS	\$ 40.5	\$ 39.2	\$ 1.3
Equipment rental	\$ 8.1	\$ 9.5	\$ (1.4)
Total revenue	\$ 381.0	\$ 403.9	\$ (22.9)

Revenue in the fourth quarter of 2020 decreased 5.7%, or \$22.9 million, to \$381.0 million from \$403.9 million in the fourth quarter of 2019. In addition to regional revenue commentary provided previously herein, the following factors contributed to the decrease in revenue:

- Equipment sales have decreased due primarily to lower material handling sales in western and eastern Canada and lower power generation sales in all regions. These decreases were partially offset by higher construction sales in all regions.
- Product support revenue has decreased due primarily to lower mining and on-highway revenue in western Canada.

Backlog

Backlog of \$181.7 million at December 31, 2020 decreased \$23.4 million compared to September 30, 2020 due primarily to decreases in mining, forestry, power generation and construction orders, partially offset by an increase in material handling and industrial parts orders.⁽¹⁾

Canada Emergency Wage Subsidy (CEWS)

During the fourth quarter, the Corporation qualified for the CEWS and recognized \$5.7 million as a reimbursement of compensation expense with \$4.4 million and \$1.3 million, respectively, allocated to cost of sales and selling and administrative expenses in proportion to personnel costs recorded in those areas. Approximately \$4.0 million of the subsidy was allocated to temporary supplemental compensation programs directed primarily at the Corporation's frontline employees who continue to provide excellent and essential support to customers across Canada. The resultant net pre-tax contribution to earnings of the CEWS recovery in the fourth quarter was approximately \$1.7 million.

Gross profit

Gross profit decreased \$2.0 million, or 2.8%, in the fourth quarter of 2020 compared to the same quarter last year due to lower volumes and lower equipment margins, partially offset by higher ERS sales and margins and the recovery of personnel expenses from the CEWS.

Gross profit margin of 18.1% in the fourth quarter of 2020 increased 0.5% compared to the same period of 2019. Excluding the \$4.4 million CEWS recovery discussed above, gross profit margin was 17.0% in the fourth quarter of 2020, representing a decrease of 0.6% compared to the same period of 2019. The decline in margin was driven primarily by lower equipment margins, offset partially by higher ERS margins.

(1) The backlog as at December 31, 2020 now includes customer purchase commitments for its ERS business, including Delom and NorthPoint, and therefore for comparability purposes the backlog as at September 30, 2020 also includes customer purchase commitments for its ERS business including Delom and NorthPoint.

Selling and administrative expenses

Selling and administrative expenses as a percentage of revenue increased to 13.2% in the fourth quarter of 2020 from 12.3% in the fourth quarter of 2019. Selling and administrative expenses in the fourth quarter of 2020 increased \$0.7 million compared to the fourth quarter of 2019 due mainly to Tundra transaction costs of \$1.0 million and a lower gain recorded on the sale of properties of \$1.0 million, partially offset by the recovery of personnel expenses from the CEWS of \$1.3 million discussed above. Excluding the \$1.3 million CEWS recovery, selling and administrative expenses as a percentage of revenue increased to 13.5% in the fourth quarter of 2020 from 12.3% in the same period of 2019.

Finance costs

Finance costs of \$4.1 million in the fourth quarter of 2020 decreased \$1.3 million compared to the same quarter last year due primarily to lower average borrowings under the bank credit facility and the capitalization of \$0.9 million of borrowing costs, partially offset by higher interest on lease liabilities and the issuance of the debentures in December 2019. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 27.4% for the fourth quarter of 2020 was higher compared to the statutory rate of 26.5% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 23.8% for the fourth quarter of 2019 was lower compared to the statutory rate of 26.8% due mainly to the non-taxable portion of the gain recorded on sales of properties.

Net earnings

In the fourth quarter of 2020, the Corporation had net earnings of \$10.7 million, or \$0.53 per share, compared to \$12.2 million, or \$0.61 per share, in the fourth quarter of 2019. The \$1.5 million decrease in net earnings resulted primarily from lower revenue, lower equipment margins, the Tundra transaction costs of \$1.0 million and a lower gain recorded on the sale of properties of \$1.0 million, partially offset by higher ERS sales and margins and the net effect of the CEWS.

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

Adjusted net earnings for the three months ended December 31, 2020 excludes a gain recorded on the sale of properties of \$1.0 million after-tax, or \$0.05 per share (2019 – \$2.3 million after-tax, or \$0.11 per share), non-cash gains on mark to market of derivative instruments of \$0.9 million after-tax, or \$0.04 per share (2019 – nil), and Tundra transaction costs of \$0.8 million after-tax, or \$0.04 per share (2019 – nil). Adjusted net earnings in the same period of 2019 also excludes restructuring and other related costs of \$0.1 million after-tax, or \$0.01 per share.

As such, adjusted net earnings decreased \$0.5 million to \$9.6 million, or \$0.48 per share, in the fourth quarter of 2020 from \$10.1 million, or \$0.51 per share, in the same period of 2019.

Comprehensive income

Total comprehensive income of \$11.5 million in the fourth quarter of 2020 included net earnings of \$10.7 million and an other comprehensive gain of \$0.8 million. The other comprehensive gain of \$0.8 million in the current period resulted primarily from \$0.8 million of losses on derivative instruments designated as cash flow hedges in prior periods reclassified to earnings during the current period.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow for the quarters ended December 31, 2020 and December 31, 2019:

For the quarter ended December 31	2020	2019	Change
Net earnings	\$ 10.7	\$ 12.2	\$ (1.5)
Items not affecting cash flow	20.2	20.6	(0.4)
Net change in non-cash operating working capital	27.7	3.3	24.4
Finance costs paid on debts	(1.8)	(3.7)	1.9
Finance costs paid on lease liabilities	(1.9)	(1.7)	(0.3)
Income taxes paid	(5.2)	(0.1)	(5.1)
Rental equipment additions	(1.6)	(14.2)	12.5
Cash generated from operating activities	\$ 48.1	\$ 16.3	\$ 31.7
Cash (used in) generated from investing activities	\$ (1.4)	\$ 5.8	\$ (7.2)
Cash used in financing activities	\$ (38.4)	\$ (18.5)	\$ (19.9)

Operating Activities

Cash flows generated from operating activities amounted to \$48.1 million in the fourth quarter of 2020, compared to \$16.3 million in the same quarter of the previous year. The increase of \$31.7 million was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of \$24.4 million and a decrease in rental equipment additions of \$12.5 million, partially offset by higher income taxes paid of \$5.1 million. The increase in cash generated from changes in non-cash operating working capital of \$24.4 million was driven primarily by an increase in cash generated from changes in trade and other receivables of \$36.1 million, an increase in cash generated from changes in deposits on inventory of \$16.1 million, and an increase in cash generated from changes in inventory of \$10.3 million, partially offset by an increase in cash used in changes in accounts payable and accrued liabilities of \$37.4 million.

Rental equipment additions in the fourth quarter of 2020 of \$1.6 million (2019 – \$14.2 million) related primarily to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the quarters ended December 31, 2020 and December 31, 2019 include the following:

Changes in Non-cash Operating Working Capital⁽¹⁾	2020	2019
Trade and other receivables	\$ (4.3)	\$ (40.4)
Contract assets	\$ 0.3	\$ 7.3
Inventory	\$ 35.0	\$ 24.7
Deposits on inventory	\$ 1.8	\$ (14.3)
Prepaid expenses	\$ 1.5	\$ (0.6)
Accounts payable and accrued liabilities	\$ (4.3)	\$ 33.0
Provisions	\$ (4.0)	\$ (0.9)
Contract liabilities	\$ 1.7	\$ (5.4)
Total Changes in Non-cash Operating Working Capital	\$ 27.7	\$ 3.3

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2020 compared to the quarter ended December 31, 2019 are as follows:

- Trade and other receivables increased \$4.3 million in the fourth quarter of 2020 compared to an increase of \$40.4 million in the same period of 2019. The increase in the fourth quarter of 2020 resulted primarily from higher sales activity in the quarter compared to the previous quarter. The increase in the fourth quarter of 2019 resulted primarily from higher current trade receivables from large oil sands customers and a large material handling equipment delivery to a new customer.
- Inventory decreased \$35.0 million in the fourth quarter of 2020 compared to a decrease of \$24.7 million in the same period of 2019. The decrease in the fourth quarter of 2020 was due to lower equipment, parts and work-in-process inventory in most categories as the Corporation continues to manage its inventory levels. These decreases were partially offset by higher mining equipment inventory. The decrease in the fourth quarter of 2019 was due to lower equipment and parts inventory in most categories, partially offset by higher mining equipment and parts inventory.
- Deposits on inventory decreased \$1.8 million in the fourth quarter of 2020 compared to an increase of \$14.3 million in the same period of 2019. The increase in the fourth quarter of 2019 was due primarily to increased deposits related to consignment inventory being held in excess of nine months.
- Accounts payable and accrued liabilities decreased \$4.3 million in the fourth quarter of 2020 compared to an increase of \$33.0 million in the same period of 2019. The decrease in the fourth quarter of 2020 resulted primarily from lower trade payables. The increase in 2019 resulted primarily higher trade payables, including higher trade payables related to mining equipment inventory.

Investing Activities

During the fourth quarter of 2020, Wajax invested \$2.4 million in property, plant and equipment additions, compared to \$0.9 million in the fourth quarter of 2019. Proceeds on disposal of property, plant and equipment, consisting primarily of proceeds on disposal of properties, amounted to \$3.2 million in the fourth quarter of 2020, compared to \$9.7 million in the same quarter of the previous year. Intangible assets additions of \$2.5 million (2019 – \$2.2 million) in the fourth quarter of 2020 resulted primarily from software additions relating to the Corporation's new ERP system; implementation of the new ERP system, previously planned for the second quarter of 2020, is now expected to begin in the second quarter of 2021.

Financing Activities

The Corporation used \$38.4 million of cash in financing activities in the fourth quarter of 2020 compared to cash used in financing activities of \$18.5 million in the same quarter of 2019. Financing activities in the quarter included a net bank credit facility repayment of \$27.1 million (2019 – net repayment of \$61.6 million), dividends paid to shareholders of \$5.0 million (2019 – \$5.0 million) and finance lease payments of \$6.2 million (2019 – \$5.6 million). Financing activities for the fourth quarter of 2019 also included proceeds from the issuance of debentures of \$57.0 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.

On March 11, 2020, the World Health Organization declared the novel coronavirus a global pandemic. With the majority of governments worldwide declaring a state of emergency in response to the COVID-19 pandemic, any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates and assumptions made by management during the preparation of the Corporation's consolidated financial statements related to the potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability 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, and COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for expected credit losses. However, this is partially mitigated by the Corporation's diversified customer base of over 32,000 customers, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales, which covers 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. The \$3.6 million allowance for credit losses at December 31, 2020 increased \$1.3 million from \$2.4 million at December 31, 2019. 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, 2020 was a charge of \$1.7 million (2019 – recovery of \$1.0 million) and for the twelve months ended December 31, 2020 was a charge of \$7.1 million (2019 – charge of \$2.3 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.

Goodwill and intangible assets

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, discount rate 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 a Corporation and could potentially result in an impairment charge in the future.

During the year, the Corporation performed 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 and concluded that no impairment existed.

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 incentive for renewal. In the event of a significant event within the Corporation's control that could affect its ability to exercise the renewal option, the lease term will be reassessed.

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, 2023) 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.
- Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* (effective January 1, 2021) are the IASB's response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks. The amendments are the Phase 2 amendments and complement those issued in 2019 as part of Phase 1 amendments. A company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. In addition, a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. And finally, some additional disclosure may be necessary relating to any new risks arising from the reform. Management is currently assessing the impact of adopting these amendments on its financial statements, but does not expect the impact to be material.

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:

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. COVID-19's impact on global markets has been significant through the year and as the situation continues to evolve, the full magnitude of its effects on the economy and on the Corporation's financial and operational performance is uncertain.

The coronavirus pandemic and the measures implemented to stop the spread of COVID-19 have had a significant effect on the Corporation. The Corporation's focus is to continue to manage the business in 2021 in accordance with the four objectives for managing through the pandemic as outlined in the Annual and Fourth Quarter Highlights section of the Corporation's MD&A for the year ended December 31, 2020, and to partially offset volume declines with cost reductions while managing customer service levels, working capital and capital spending accordingly.

The Corporation will continue to closely monitor the COVID-19 situation. Should the duration, spread or intensity of the pandemic further develop, the Corporation's supply chain, market pricing and customer demand could be affected. These factors may further impact the Corporation's operating plan, its liquidity and cash flows, and the valuation of its long-lived assets.

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 significantly 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. As well, from time to time suppliers make changes to payment terms for distributors. This may affect Wajax's interest-free payment period or consignment terms, 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 offerings 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 Additional GAAP 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 a reorganized Corporation and by relationships with its customers and vendors. Wajax's ability to develop its core capabilities and successfully grow its business through organic growth 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 new 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 \$450 million bank credit facility, of which \$400 million matures October 1, 2024 and \$50 million matures December 30, 2022. 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, working capital reduces reflecting the lower activity levels. While management believes the 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, for example, to 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 2,461 employees as at December 31, 2020. Subsequent to the end of 2020, approximately 154 employees were added through the acquisition of Tundra, bringing the Wajax team to approximately 2,615 employees. At the outset of 2020, Wajax was party to twelve collective agreements covering approximately 300 employees. The acquisition of NorthPoint in early 2020 added two additional collective agreements covering approximately 25 employees. During 2020, one collective agreement covering 34 employees was decertified, and two collective agreements covering 26 employees were ratified. Four agreements covering 46 employees expired at the end of 2020 and renewal negotiations are in progress. Two agreements covering 106 employees expire in 2021; one of which is currently in negotiation. Two agreements covering 25 employees expire in 2022. Four agreements covering 88 employees expire in 2023. One agreement covering 8 employees expires in 2024. As at December 31, 2020, Wajax was party to 13 collective agreements covering a total of 273 employees. Wajax 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 hedge contracts to mitigate 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, 2020, 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, 2020, 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, 2020. The Corporation has excluded from its evaluation the ICFR of NorthPoint, which was acquired on January 13, 2020, as discussed in Note 5 of the consolidated financial statements and accompanying notes for the year ended December 31, 2020. The total revenue subject to NorthPoint's ICFR represented 2.6% of the Corporation's consolidated total revenue for the year ended December 31, 2020. The total assets subject to NorthPoint's ICFR represented 2.4% of the Corporation's consolidated total assets as at December 31, 2020.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Non-GAAP and Additional GAAP Measures

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

- (i) these measures are commonly reported and widely used by investors and management;
- (ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt;
- (iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital and tax structures; and
- (iv) **"Adjusted net earnings"** 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 fluctuations in interest rates and the Corporation's share price.
- (v) **"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 EBITDA 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 fluctuations in finance costs related to the Corporation's capital structure, tax rates, long-term assets and the Corporation's share price.
- (vi) **"Pro-forma adjusted EBITDA"** used in calculating the Leverage ratio and Senior secured leverage ratio provides an indication of the results by the Corporation's principal business activities 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, and prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments.

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 measure commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is relevant in calculating the Corporation's leverage ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.

Total capital	Total capital is shareholders' equity plus funded net debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
EBITDA margin	Defined as EBITDA divided by revenue, as presented in the consolidated statements of earnings.
Adjusted net earnings (loss)	Net earnings (loss) before after-tax restructuring and other related costs (recoveries), (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments, CSC project costs, Tundra transaction costs and NorthPoint transaction costs.
Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before after-tax restructuring and other related costs (recoveries), (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments, CSC project costs, Tundra transaction costs and NorthPoint transaction costs.
Adjusted EBITDA	EBITDA before restructuring and other related costs (recoveries), (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments, CSC project costs, Tundra transaction costs and NorthPoint transaction costs.
Adjusted EBITDA margin	Defined as adjusted EBITDA divided by revenue, as presented in the consolidated statements of earnings.
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.
Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA. 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 excluding debentures at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
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> .

Additional GAAP measures are identified and defined below:

Earnings (loss) before finance costs and income taxes (EBIT)	Earnings (loss) before finance costs and income taxes, as presented in the consolidated statements of earnings.
EBIT margin	Defined as EBIT divided by revenue, as presented in the consolidated statements of earnings.
Earnings (loss) before income taxes (EBT)	Earnings (loss) before income taxes, as presented in the consolidated statements of earnings.
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.

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

	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
Net earnings	\$ 10.7	\$ 12.2	\$ 31.7	\$ 39.5
Restructuring and other related costs, after-tax	\$ —	\$ 0.1	\$ 5.7	\$ 4.1
Gain recorded on the sale of properties, after-tax	\$ (1.0)	\$ (2.3)	\$ (2.1)	\$ (2.3)
Non-cash gains on mark to market of derivative instruments, after-tax	\$ (0.9)	\$ —	\$ (1.0)	\$ (0.4)
NorthPoint transaction costs, after-tax	\$ —	\$ —	\$ 0.2	\$ —
Tundra transaction costs, after-tax	\$ 0.8	\$ —	\$ 0.8	\$ —
CSC project costs, after-tax	\$ —	\$ —	\$ —	\$ 0.9
Adjusted net earnings	\$ 9.6	\$ 10.1	\$ 35.1	\$ 41.9
Adjusted basic earnings per share⁽¹⁾⁽²⁾	\$ 0.48	\$ 0.51	\$ 1.75	\$ 2.10
Adjusted diluted earnings per share⁽¹⁾⁽²⁾	\$ 0.47	\$ 0.50	\$ 1.71	\$ 2.05

(1) At December 31, 2020, the numbers of basic and diluted shares outstanding were 20,033,619 and 20,574,840, respectively for the three months ended and 20,029,345 and 20,486,768, respectively for the twelve months ended.

(2) At December 31, 2019, the numbers of basic and diluted shares outstanding were 20,009,494 and 20,421,685, respectively for the three months ended and 19,998,656 and 20,416,191, respectively for the twelve months ended.

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

	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
Net earnings	\$ 10.7	\$ 12.2	\$ 31.7	\$ 39.5
Income tax expense	\$ 4.0	\$ 3.8	\$ 11.9	\$ 14.3
EBT	\$ 14.8	\$ 16.0	\$ 43.6	\$ 53.8
Finance costs	\$ 4.1	\$ 5.4	\$ 21.0	\$ 19.7
EBIT	\$ 18.8	\$ 21.4	\$ 64.6	\$ 73.5
Depreciation and amortization	\$ 13.5	\$ 12.5	\$ 52.4	\$ 52.8
EBITDA	\$ 32.3	\$ 33.9	\$ 117.0	\$ 126.3
Restructuring and other related costs ⁽¹⁾	\$ —	\$ 0.2	\$ 7.8	\$ 5.6
Gain recorded on the sale of properties	\$ (1.2)	\$ (2.3)	\$ (2.7)	\$ (2.3)
Non-cash gains on mark to market of derivative instruments ⁽²⁾	\$ (1.2)	\$ —	\$ (1.4)	\$ (0.5)
NorthPoint transaction costs ⁽³⁾	\$ —	\$ —	\$ 0.2	\$ —
Tundra transaction costs ⁽⁴⁾	\$ 1.0	\$ —	\$ 1.0	\$ —
CSC project costs ⁽⁵⁾	\$ —	\$ 0.1	\$ —	\$ 1.2
Adjusted EBITDA	\$ 30.9	\$ 31.9	\$ 122.0	\$ 130.3
Payment of lease liabilities ⁽⁶⁾	\$ (6.2)	\$ (5.6)	\$ (22.9)	\$ (22.0)
Pro-forma adjusted EBITDA	\$ 24.7	\$ 26.3	\$ 99.0	\$ 108.4

(1) For 2020, restructuring and other related costs consists primarily of costs relating to workforce reductions in response to the economic conditions created by COVID-19 and related sales volume impacts.

For 2019, restructuring and other related costs included costs relating to the Finance Reorganization Plan and the Management Realignment. The Finance Reorganization Plan commenced in the first quarter of 2018 and consisted of severance, project management and interim duplicate labour costs as the Corporation redesigned its finance function. The Management Realignment commenced in the third quarter of 2019 and consisted primarily of severance costs as the Corporation simplified its regional management structure, strengthened the partnership between sales and product support, and integrated the Corporation's legacy ERS business with Delom.

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

(3) In 2020, the Corporation incurred transaction costs in order to acquire NorthPoint. These costs were primarily for advisory services.

(4) In 2020, the Corporation incurred transaction costs relating to the upcoming Tundra acquisition which closed on January 22, 2021. These costs were primarily for advisory services.

(5) In 2019, the Corporation incurred professional fees relating to the CSC project.

(6) 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	
	2020	2019
Cash	\$ (6.6)	\$ (3.2)
Debentures	\$ 54.6	\$ 54.1
Long-term debt	\$ 171.6	\$ 225.6
Funded net debt	\$ 219.6	\$ 276.5
Letters of credit	\$ 6.4	\$ 5.5
Debt	\$ 226.0	\$ 282.0
Pro-forma adjusted EBITDA⁽¹⁾	\$ 99.0	\$ 108.4
Leverage ratio⁽²⁾	2.28	2.60
Senior secured leverage ratio⁽³⁾	1.73	2.10

(1) For the twelve months ended December 31, 2020 and December 31, 2019.

(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.

Cautionary Statement Regarding Forward-Looking Information

This MD&A and Annual Report contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward-looking statements. 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 main elements of our One Wajax strategy, including our focus on executing clear plans in five important areas: investments in our team, investments in our

customers, our organic growth strategy, our acquisition strategy and investments in our infrastructure; our introduction of a more comprehensive sustainability program and the achievement of goals related to employee health, safety and wellness, training and development, diversity and equal opportunity, sustainable products and services, environmental responsibility, governance and community; our expectation that, despite the challenges of 2020 carrying over into 2021, we are positioned to succeed over the long term; our focus and main objectives in managing our business through the COVID-19 pandemic; our expectation that Tundra will be the significant contributor to our total revenue growth in 2021, and that organic revenue growth will be modest during the year; our intention to make conservative inventory and working capital investment pending clear indication of a sustained recovery; our expectation that, considering the debt related to the acquisition of Tundra to be incurred during the first quarter of 2021, our leverage will decline by year-end due to positive cash flow from operations, our real estate monetization program and other cash management initiatives; regarding our key product categories, our plans to continue our focus on success in construction, material handling, forestry and mining, and our belief that we have excellent opportunities in these areas; our expectation that our industrial parts and ERS categories will yield higher organic growth and a strong contribution will come from Tundra, and that ERS continues to be one of Wajax's most significant opportunities; our expectation that our key infrastructure programs will continue in 2021, including investments in branch consolidation and technology; our plans to begin implementing our new ERP system in the second quarter of 2021 and our plans to minimize the associated implementation risks; our intention to manage owned and consignment equipment inventory levels in accordance with market conditions in 2021; our expectation that the proceeds of our real estate monetization program will be used for debt reduction; our objective of maintaining a target leverage ratio range of 1.5 – 2.0 times unless a leverage ratio outside such range is required to support key growth initiatives or fluctuations in working capital levels during changes in economic cycles; our expectation that none of the impact of (a) changes in interest rates (in particular, related to unhedged variable rate debt), (b) a change in foreign currency value relative to the Canadian dollar, on transactions with customers which include unhedged foreign currency exposures, nor (c) a change in the Corporation's share price on cash-settled MTIP rights, will 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 counterparties to foreign exchange forward contracts, long-term interest rate hedge contracts and total return swap contracts; our expectation that future cash contribution requirements to defined benefit pension plans will not change materially; the adequacy of our debt capacity and sufficiency of our debt facilities; our intention and ability to access debt and equity markets or reduce dividends should additional capital be required, including the potential that we may access equity or debt markets to fund significant acquisitions, growth related capital and capital expenditures; and our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, our ability to successfully manage our business through the COVID-19 pandemic and actions taken by governments, public authorities, suppliers and customers in response to the novel coronavirus and its variants; general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, including our ability to develop our core capabilities, execute our organic growth

priorities, complete and effectively integrate acquisitions, such as NorthPoint and Tundra, and to successfully implement new information technology platforms, systems and software; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, the geographic spread and ultimate impact of the COVID-19 virus and its variants, and the duration of the coronavirus pandemic; the duration of travel, business and other restrictions imposed by governments and public authorities in response to COVID-19, as well as other measures that may be taken by such authorities; actions taken by our suppliers customers in relation to the COVID-19 pandemic, including slowing, reducing or halting operations; a continued or prolonged deterioration in general business and economic conditions (including as a result of the COVID-19 pandemic); volatility in the supply and demand for, and the level of prices for, oil, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in

response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions (including disruptions caused by 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" and in our Annual Information Form for the year ended December 31, 2020 (the "AIF"), which has been filed on SEDAR. 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 the AIF, and in our annual MD&A, are not the only risks that could impact the Corporation. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our products and services due to the uncertainties related to the spread of the virus and its variants. 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.

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. Wajax also maintains an internal audit function, which reviews the system of internal control and its application.

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.



Mark Foote
President and
Chief Executive Officer



Stuart Auld
Chief Financial Officer

Mississauga, Canada, March 1, 2021

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, 2020 and December 31, 2019
- 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, 2020 and December 31, 2019, 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, 2020. 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, 2020, the Entity had an equipment inventory balance of \$219 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
- 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
- We performed analytical procedures by assessing the obsolescence provision for equipment inventory as a percentage of total inventory and comparing the ratio to the prior year.

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 2020 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 2020 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.

Yours very truly,



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Laura Price.

Vaughan, Canada, March 1, 2021

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Note	December 31	
		2020	2019
Assets			
Current			
Cash		\$ 6,625	\$ 3,180
Trade and other receivables	6	214,507	238,194
Contract assets	7	23,003	23,318
Inventory	8	357,421	414,928
Deposits on inventory	8	44,197	37,513
Lease receivables - current	14	784	617
Income taxes receivable		—	3,166
Prepaid expenses		5,639	6,110
Derivative financial assets - current	18	1,597	484
		653,773	727,510
Non-Current			
Rental equipment	9	56,901	77,020
Property, plant and equipment	9	41,371	42,139
Right-of-use assets	10	131,733	117,091
Lease receivables	14	6,375	1,714
Goodwill and intangible assets	11	90,726	79,572
Derivative financial assets	18	511	48
		327,617	317,584
Total assets		\$ 981,390	\$1,045,094
Liabilities And Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	12	\$ 231,726	\$ 282,611
Provisions - current	13	6,744	5,045
Contract liabilities	7	7,064	7,230
Dividends payable	19	5,008	5,003
Income taxes payable		1,085	—
Lease liabilities - current	14	23,852	20,706
Derivative financial liabilities - current	18	3,387	2,849
		278,866	323,444
Non-Current			
Provisions	13	216	216
Deferred tax liabilities	25	1,388	3,787
Employee benefits	15	9,223	9,144
Derivative financial liabilities	18	8,285	4,190
Other liabilities		2,365	1,386
Lease liabilities	14	129,181	106,424
Debentures	16	54,638	54,115
Long-term debt	17	171,580	225,573
		376,876	404,835
Total liabilities		655,742	728,279
Shareholders' Equity			
Share capital	19	181,274	181,075
Contributed surplus		7,698	7,165
Retained earnings		143,271	130,961
Accumulated other comprehensive loss		(6,595)	(2,386)
Total shareholders' equity		325,648	316,815
Total liabilities and shareholders' equity		\$ 981,390	\$1,045,094

Subsequent events (Note 32).

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	2020	2019
Revenue	21	\$1,422,648	\$1,553,046
Cost of sales		1,160,688	1,261,222
Gross profit		261,960	291,824
Selling and administrative expenses		189,593	212,752
Restructuring and other related costs	13, 23	7,799	5,587
Earnings before finance costs and income taxes		64,568	73,485
Finance costs	24	20,975	19,716
Earnings before income taxes		43,593	53,769
Income tax expense	25	11,940	14,265
Net earnings		\$ 31,653	\$ 39,504
Basic earnings per share	19	\$ 1.58	\$ 1.98
Diluted earnings per share	19	1.55	1.93

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	Note	2020	2019
Net earnings		\$ 31,653	\$ 39,504
Items that will not be reclassified to income			
Actuarial (losses) gains on pension plans, net of tax recovery of \$12 (2019 – expense of \$5)	15	(32)	14
Items that may be subsequently reclassified to income			
(Gains) losses on derivative instruments designated as cash flow hedges in prior years reclassified to net earnings during the year, net of tax expense of \$5 (2019 – recovery of \$96)		(13)	262
(Losses) gains on derivative instruments outstanding at the end of the year designated as cash flow hedges, net of tax recovery of \$1,544 (2019 – recovery of \$385)		(4,196)	(1,047)
Other comprehensive loss, net of tax		(4,241)	(771)
Total comprehensive income		\$ 27,412	\$ 38,733

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2020 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
					Cash flow hedges	
December 31, 2019		\$ 181,075	\$ 7,165	\$ 130,961	\$ (2,386)	\$ 316,815
Net earnings		—	—	31,653	—	31,653
Other comprehensive loss		—	—	(32)	(4,209)	(4,241)
Total comprehensive income (loss)		—	—	31,621	(4,209)	27,412
Shares released from trust to settle share-based compensation plans	19	199	(1,264)	721	—	(344)
Share-based compensation expense	20	—	1,797	—	—	1,797
Dividends declared	19	—	—	(20,032)	—	(20,032)
December 31, 2020		\$ 181,274	\$ 7,698	\$ 143,271	\$ (6,595)	\$ 325,648

See accompanying notes to consolidated financial statements.

For the year ended December 31, 2019 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
					Cash flow hedges	
December 31, 2018		\$ 180,369	\$ 7,360	\$ 110,842	\$ (1,601)	\$ 296,970
Net earnings		—	—	39,504	—	39,504
Other comprehensive gain (loss)		—	—	14	(785)	(771)
Total comprehensive income (loss)		—	—	39,518	(785)	38,733
Shares issued to settle share-based compensation plans	19	530	(530)	—	—	—
Shares released from trust to settle share-based compensation plans	19	176	(1,215)	607	—	(432)
Share-based compensation expense	20	—	1,550	—	—	1,550
Dividends declared	19	—	—	(20,006)	—	(20,006)
December 31, 2019		\$ 181,075	\$ 7,165	\$ 130,961	\$ (2,386)	\$ 316,815

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	Note	2020	2019
Operating Activities			
Net earnings		\$ 31,653	\$ 39,504
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	9	18,526	20,678
Property, plant and equipment	9	7,527	6,876
Right-of-use assets	10	23,953	23,029
Intangible assets	11	2,404	2,182
Gain on disposal of property, plant and equipment		(2,998)	(2,329)
Share-based compensation expense	20	4,482	3,446
Non-cash income from finance leases		(491)	(174)
Employee benefits expense, net of payments		248	470
(Gain) loss on derivative financial instruments	18	(1,129)	88
Finance costs	24	20,975	19,716
Income tax expense	25	11,940	14,265
		117,090	127,751
Changes in non-cash operating working capital	26	48,834	(50,546)
Rental equipment additions	9	(16,489)	(37,531)
Other non-current liabilities		(246)	(1,374)
Cash paid on settlement of total return swaps	18	(1,396)	(1,479)
Finance costs paid on debts		(11,207)	(13,051)
Finance costs paid on lease liabilities	14, 24	(8,152)	(5,675)
Interest collected on lease receivables	24	147	—
Income taxes paid		(9,774)	(27,764)
Cash generated from (used in) operating activities		118,807	(9,669)
Investing Activities			
Property, plant and equipment additions	9	(6,510)	(5,943)
Proceeds on disposal of property, plant and equipment		9,895	10,124
Intangible assets additions	11	(4,181)	(5,352)
Collection of lease receivables		1,085	—
Acquisition of business (net of cash acquired)	5	(17,931)	(795)
Cash used in investing activities		(17,642)	(1,966)
Financing Activities			
Net (decrease) increase in bank debt	17	(54,371)	7,362
Proceeds from issuance of debentures	16	—	57,000
Transaction costs on debts	16	(37)	(3,224)
Payment of lease liabilities	14	(22,940)	(21,967)
Payment of tax withholding for share-based compensation		(345)	(432)
Dividends paid		(20,027)	(19,992)
Cash (used in) generated from financing activities		(97,720)	18,747
Change in cash and bank indebtedness		3,445	7,112
Cash (bank indebtedness) – beginning of year		3,180	(3,932)
Cash – end of year		\$ 6,625	\$ 3,180

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (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 Argentea 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 1, 2021.

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.

On March 11, 2020, the World Health Organization declared the novel coronavirus a global pandemic. The COVID-19 outbreak and related mitigation measures have had an adverse impact on global economic conditions resulting in government response actions, business closures, social distancing and disruptions. The duration of the pandemic and its impact on the Corporation’s financial performance and position is an area of judgment and estimation uncertainty, which is continuously monitored and reflected in management’s estimates.

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, and COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for expected credit losses. However, this is partially mitigated by the Corporation’s diversified customer base which covers 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.

Goodwill and intangible assets

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.
Construction contracts	Construction contracts are equipment sales that involve design, installation, and assembly. As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of control of the work-in-progress to the customer as the asset is being constructed.
Industrial parts	
	The Corporation recognizes revenue when control of the parts passes to the customer based on shipment terms.
Product support	
Service	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its service work because the customer controls the asset as it is being serviced.
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")	
	This revenue consists primarily of engineered repair services ("ERS"). As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for ERS because it best reflects the transfer of control of the work-in-progress to the customer as the asset is being constructed or modified.

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.

Revenue from the rental of equipment is recognized on a straight-line basis over the term of the lease.

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 issue 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

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.

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.

Deposits on inventory

In the normal course of business, the Corporation receives inventory on consignment from a major manufacturer which is either rented, sold to customers, or purchased. Under the terms of the consignment program, the Corporation is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to customers or on-hand for greater than nine months. This consigned inventory is not included in the Corporation's inventory as the manufacturer retains title to the goods, however the deposits paid to the manufacturer are recorded as deposits on inventory. Other inventory prepayments are also included in deposits on inventory.

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 are 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 not amortized but are tested for impairment at least annually, or more frequently if certain indicators arise that indicate the assets might be impaired. 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 represent the fair value attributed to these rights at the time of acquisition and are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights with minimal cost of renewal.

Customer lists and non-competition agreements are amortized on a straight-line basis over their useful lives which range from 2 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 7 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 hedged 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 covering certain of its employees. The benefits are based on years of service and the employees’ earnings. Defined benefit plan obligations are accrued as the employees render the services necessary to earn the pension benefits. The Corporation has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method for defined benefit plans and management’s best estimate of salary escalation, and retirement ages of employees.
- 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, 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, 2023) 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.
- Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* (effective January 1, 2021) are the IASB’s response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks. The amendments are the Phase 2 amendments and complement those issued in 2019 as part of Phase 1 amendments. A company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. In addition, a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. And finally, some additional disclosure may be necessary relating to any new risks arising from the reform. Management is currently assessing the impact of adopting these amendments on its financial statements, but does not expect the impact to be material.

5. Acquisition of Business

NorthPoint Technical Services ULC (“NorthPoint”)

On January 13, 2020, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based NorthPoint. The aggregate purchase price for the shares was \$19,369 in cash. NorthPoint was formed in 2018 as a national electro-mechanical services provider and specializes in the repair of rotating industrial equipment. NorthPoint revenues of \$36,877 and net earnings of \$2,095 were included in the consolidated statements of earnings from the date of acquisition.

Recognized amounts of identifiable assets acquired and liabilities assumed for the acquisition are as follows:

Cash	\$ 1,438
Trade and other receivables	8,236
Contract assets	2,471
Inventory	1,128
Prepaid expenses	337
Property, plant and equipment	3,409
Right-of-use assets	12,926
Accounts payable and accrued liabilities	(5,340)
Contract liabilities	(116)
Income taxes payable	(68)
Lease liabilities – current	(1,680)
Deferred tax liabilities	(1,179)
Lease liabilities – non-current	(11,570)
Tangible net assets acquired	\$ 9,992
Intangible assets	4,000
Goodwill	5,377
Total Purchase Price	\$ 19,369

As at December 31, 2020, the purchase price allocation is considered final. Net cash outflow for the acquisition was \$17,931, as \$1,438 of cash was acquired as part of NorthPoint's net assets.

Trade and other receivables represents gross contractual amounts receivable of \$8,294 less management's best estimate of the allowance for credit losses of \$58.

Goodwill arises principally from 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 NorthPoint is not deductible for income tax purposes.

NorthPoint transaction costs, primarily for advisory services, were approximately \$241 and were included in selling and administrative expenses for the year ended December 31, 2020.

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	
	2020	2019
Trade accounts receivable	\$ 191,482	\$ 213,686
Less: allowance for credit losses	(3,626)	(2,371)
Net trade accounts receivable	187,856	211,315
Other receivables	26,651	26,879
Total trade and other receivables	\$ 214,507	\$ 238,194

The Corporation has two agreements with financial institutions to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under the first agreement, up to \$20,000 of accounts receivable may be sold to the financial institution and can remain outstanding at any point in time, while the second has no limit. After the sale, the Corporation does not retain any interests in the accounts receivable and removes them from its consolidated statement of financial position. For the first agreement, the Corporation continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at December 31, 2020, the Corporation continues to service and collect \$11,696 in accounts receivable on behalf of this financial institution (December 31, 2019 – \$13,388). For the second agreement, after the sale of accounts receivable to the financial institution, the Corporation does not continue to service and collect the outstanding accounts receivable on behalf of the financial institution. Net proceeds from these programs 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	
	2020	2019
Contract assets	\$ 23,003	\$ 23,318
Contract liabilities	\$ 7,064	\$ 7,230

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 ERS revenue. The contract assets are transferred to receivables when billed upon completion of significant milestones. The contract liabilities primarily relate to the 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 2020 that was included in the contract liability balance at the beginning of the year was \$6,535 (2019 – \$6,905).

8. Inventory

The Corporation's inventory balances consists of the following:

	December 31	
	2020	2019
Equipment	\$ 218,740	\$ 256,058
Parts	125,252	138,210
Work-in-process	13,429	20,660
Total inventory	\$ 357,421	\$ 414,928

All amounts shown are net of obsolescence provisions of \$28,144 (December 31, 2019 – \$26,263). For the year ended December 31, 2020, \$7,111 (2019 – \$2,297) was recorded in cost of sales for the write-down of inventory to estimated net realizable value.

For the year ended December 31, 2020, the Corporation recognized \$929,646 (2019 – \$1,006,929) of inventory as an expense which is included in cost of sales.

As at December 31, 2020, the Corporation has included \$41,815 (December 31, 2019 – \$54,022) 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.

Deposits on inventory in the consolidated statements of financial position, amounting to \$44,197 as at December 31, 2020 (December 31, 2019 – \$37,513), represents deposits and other required periodic payments on equipment held on consignment. These payments reduce the collateral value of the equipment and therefore the ultimate amount owing to the supplier upon eventual purchase. Upon sale of the equipment to a customer, the Corporation is required to purchase the equipment in full from the supplier.

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, 2019	\$ 33,216	\$ 65,655	\$ 6,389	\$ 11,651	\$ 12,182	\$ 129,093	\$ 134,124
Additions	2,006	2,853	77	674	900	6,510	16,489
Transfer from leased to owned at end of lease	—	4,516	—	—	—	4,516	—
Other transfers	—	66	—	—	—	66	(66)
Disposals	(6,475)	(11,708)	(1,730)	(1,734)	(891)	(22,538)	(38,743)
Acquisition of business (Note 5)	—	2,944	268	26	171	3,409	—
December 31, 2020	\$ 28,747	\$ 64,326	\$ 5,004	\$ 10,617	\$ 12,362	\$ 121,056	\$ 111,804
Accumulated depreciation							
December 31, 2019	\$ 16,891	\$ 48,548	\$ 4,153	\$ 8,790	\$ 8,572	\$ 86,954	\$ 57,104
Charge for the year	506	4,469	1,041	573	938	7,527	18,526
Transfer from leased to owned at end of lease	—	3,881	—	—	—	3,881	—
Other transfers	—	66	—	—	—	66	(66)
Disposals	(3,698)	(10,839)	(1,729)	(1,595)	(882)	(18,743)	(20,661)
December 31, 2020	\$ 13,699	\$ 46,125	\$ 3,465	\$ 7,768	\$ 8,628	\$ 79,685	\$ 54,903
Carrying amount							
December 31, 2020	\$ 15,048	\$ 18,201	\$ 1,539	\$ 2,849	\$ 3,734	\$ 41,371	\$ 56,901
Cost							
December 31, 2018	\$ 37,492	\$ 85,851	\$ 5,712	\$ 11,135	\$ 11,799	\$ 151,989	\$ 128,168
Adoption of IFRS 16 reclassification	—	(24,804)	—	—	—	(24,804)	—
Additions	525	2,810	1,173	693	742	5,943	37,531
Net transfers to intangibles	—	—	(135)	—	—	(135)	—
Transfer from leased to owned at end of lease	—	4,168	—	—	—	4,168	—
Disposals	(4,801)	(2,370)	(361)	(177)	(359)	(8,068)	(31,575)
December 31, 2019	\$ 33,216	\$ 65,655	\$ 6,389	\$ 11,651	\$ 12,182	\$ 129,093	\$ 134,124
Accumulated depreciation							
December 31, 2018	\$ 18,092	\$ 54,657	\$ 3,795	\$ 8,312	\$ 8,116	\$ 92,972	\$ 54,452
Adoption of IFRS 16 reclassification	—	(11,617)	—	—	—	(11,617)	—
Charge for the year	687	3,951	836	592	810	6,876	20,678
Net transfers to intangibles	—	—	(122)	—	—	(122)	—
Transfer from leased to owned at end of lease	—	3,498	—	—	—	3,498	—
Disposals	(1,888)	(1,941)	(356)	(114)	(354)	(4,653)	(18,026)
December 31, 2019	\$ 16,891	\$ 48,548	\$ 4,153	\$ 8,790	\$ 8,572	\$ 86,954	\$ 57,104
Carrying amount							
December 31, 2019	\$ 16,325	\$ 17,107	\$ 2,236	\$ 2,861	\$ 3,610	\$ 42,139	\$ 77,020

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, 2019	\$ 120,242	\$ 25,614	\$ 1,510	\$ —	\$ 147,366
Additions	18,906	7,123	939	5,412	32,380
Disposals	(1,898)	(1,414)	—	—	(3,312)
Disposal to lease receivables upon sublease	—	—	—	(5,412)	(5,412)
Transfer from leased to owned at end of lease	—	(4,516)	—	—	(4,516)
Acquisition of business (Note 5)	12,578	348	—	—	12,926
December 31, 2020	\$ 149,828	\$ 27,155	\$ 2,449	\$ —	\$ 179,432
Accumulated depreciation					
December 31, 2019	\$ 17,344	\$ 12,785	\$ 146	\$ —	\$ 30,275
Charge for the year	18,495	4,962	496	—	23,953
Disposals	(1,898)	(750)	—	—	(2,648)
Transfer from leased to owned at end of lease	—	(3,881)	—	—	(3,881)
December 31, 2020	\$ 33,941	\$ 13,116	\$ 642	\$ —	\$ 47,699
Carrying amount					
December 31, 2020	\$ 115,887	\$ 14,039	\$ 1,807	\$ —	\$ 131,733
Cost					
January 1, 2019	\$ 80,375	\$ 372	\$ 475	\$ —	\$ 81,222
Adoption of IFRS 16 reclassification	—	24,805	—	—	24,805
Additions	40,613	4,777	1,035	2,128	48,553
Disposals	(746)	(172)	—	—	(918)
Disposal to lease receivables upon sublease	—	—	—	(2,128)	(2,128)
Transfer from leased to owned at end of lease	—	(4,168)	—	—	(4,168)
December 31, 2019	\$ 120,242	\$ 25,614	\$ 1,510	\$ —	\$ 147,366
Accumulated depreciation					
January 1, 2019	\$ —	\$ —	\$ —	\$ —	\$ —
Adoption of IFRS 16 reclassification	—	11,617	—	—	11,617
Charge for the year	18,090	4,793	146	—	23,029
Disposals	(746)	(127)	—	—	(873)
Transfer from leased to owned at end of lease	—	(3,498)	—	—	(3,498)
December 31, 2019	\$ 17,344	\$ 12,785	\$ 146	\$ —	\$ 30,275
Carrying amount					
December 31, 2019	\$ 102,898	\$ 12,829	\$ 1,364	\$ —	\$ 117,091

During the year ended December 31, 2020, the Corporation entered into sale and leaseback transactions for two of its owned properties (2019 – two of its owned properties). The proceeds net of transaction costs on the sale of the properties were \$6,351 (2019 – \$9,385) and the carrying amount was \$1,779 (2019 – \$2,773), resulting in a total gain on the sale of the properties of \$4,572 (2019 – \$6,612), of which \$1,470 (2019 – \$2,262) has been recognized in the consolidated statements of earnings and the remaining \$3,102 (2019 – \$4,350) deferred as a reduction of the right-of-use assets. The Corporation also recorded lease liabilities of \$4,429 (2019 – \$6,526) and right-of-use assets of \$1,327 (2019 – \$2,178) related to these sale and leaseback transactions. The terms of the leases are 10 years (2019 – 10 and 15 years).

11. Goodwill and Intangible Assets

The Corporation performed its annual impairment test of its goodwill and indefinite life intangibles as at December 31, 2020. 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 2021 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% (2019 – 2%). The Corporation assumed a discount rate of approximately 9.0% (2019 – 9.4%) which is based on the Corporation's after-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 27.4%. 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, 2020 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, 2020 and December 31, 2019.

	Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software	Total
Cost					
December 31, 2019	\$ 50,737	\$ 3,236	\$ 23,902	\$ 16,020	\$ 93,895
Additions	—	—	—	4,181	4,181
Disposals	—	—	—	(4,071)	(4,071)
Acquisition of business (Note 5)	5,377	—	4,000	—	9,377
December 31, 2020	\$ 56,114	\$ 3,236	\$ 27,902	\$ 16,130	\$ 103,382
Accumulated amortization					
December 31, 2019	\$ —	\$ —	\$ 9,223	\$ 5,100	\$ 14,323
Charge for the year	—	—	2,175	229	2,404
Disposals	—	—	—	(4,071)	(4,071)
December 31, 2020	\$ —	\$ —	\$ 11,398	\$ 1,258	\$ 12,656
Carrying amount					
December 31, 2020	\$ 56,114	\$ 3,236	\$ 16,504	\$ 14,872	\$ 90,726
Cost					
December 31, 2018	\$ 47,663	\$ 3,376	\$ 24,131	\$ 10,548	\$ 85,718
Additions	—	—	—	5,352	5,352
Disposals	—	—	—	(15)	(15)
Transfers	—	—	—	135	135
Acquisition of business	3,074	(140)	(229)	—	2,705
December 31, 2019	\$ 50,737	\$ 3,236	\$ 23,902	\$ 16,020	\$ 93,895
Accumulated amortization					
December 31, 2018	\$ —	\$ —	\$ 7,528	\$ 4,505	\$ 12,033
Charge for the year	—	—	1,695	487	2,182
Disposals	—	—	—	(14)	(14)
Transfers	—	—	—	122	122
December 31, 2019	\$ —	\$ —	\$ 9,223	\$ 5,100	\$ 14,323
Carrying amount					
December 31, 2019	\$ 50,737	\$ 3,236	\$ 14,679	\$ 10,920	\$ 79,572

During the year, \$857 (2019 – nil) 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 year was 3.7%.

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	
	2020	2019
Trade payables	\$ 137,016	\$ 174,770
Deferred rental income	854	1,078
Supplier payables with extended terms	23,493	41,310
Payroll, bonuses and incentives	26,204	21,869
Accrued liabilities	44,159	43,584
Accounts payable and accrued liabilities	\$ 231,726	\$ 282,611

Supplier payables with extended terms relate to equipment purchases from suppliers with payment terms ranging anywhere from approximately 60 days to 8 months.

13. Provisions and Contingencies

	Restructuring	Warranties	Other	Total
Provisions,				
December 31, 2019	\$ 3,646	\$ 773	\$ 842	\$ 5,261
Charge for the year	7,799	10,237	3,626	21,662
Utilized in the year	(7,693)	(9,936)	(2,334)	(19,963)
Provisions,				
December 31, 2020	\$ 3,752	\$ 1,074	\$ 2,134	\$ 6,960
Current	\$ 3,752	\$ 1,074	\$ 1,918	\$ 6,744
Non-current	—	—	216	216
Total	\$ 3,752	\$ 1,074	\$ 2,134	\$ 6,960

See Note 23 for details on the restructuring charge recognized in the year.

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	2020	2019
Balance at beginning of year		\$ 127,130	\$ 13,749
Changes from operating cash flows			
Finance costs paid on lease liabilities		(8,152)	(5,675)
Changes from financing cash flows			
Payment of lease liabilities		(22,940)	(21,967)
Other changes			
Lease liabilities recognized on January 1, 2019 per IFRS 16, Leases		—	82,544
Acquisition of business	5	13,250	—
Interest expense	24	8,152	5,675
New leases, net of disposals		35,593	52,804
Balance at end of year		\$ 153,033	\$ 127,130
Current		\$ 23,852	\$ 20,706
Non-Current		\$ 129,181	\$ 106,424

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	2020	2019
Expense related to short term leases		\$ 396	\$ 209
Expense related to low value assets, excluding short term leases of low value assets		10	—
Expense relating to variable lease payments not included in the measurement of lease liabilities		1,867	1,323
Payment of lease liabilities		22,940	21,967
Interest paid on lease liabilities	24	8,152	5,675
Total outflow for leases		\$ 33,365	\$ 29,174

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

	December 31	
	2020	2019
Within one year	\$ 37,008	\$ 32,695
Between one and three years	64,811	54,611
Between three and five years	43,997	38,398
More than five years	81,109	65,550
Total undiscounted lease obligations	\$ 226,925	\$ 191,254

As lessor

Operating leases

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The future minimum lease payments receivable under the agreements are as follows:

	December 31	
	2020	2019
Less than one year	\$ 6,074	\$ 9,175
Between one and five years	5,855	12,052
	\$ 11,929	\$ 21,227

Finance leases

The Corporation subleases certain equipment to customers. 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	
	2020	2019
Less than one year	\$ 2,223	\$ 676
Between one and five years	5,255	1,812
Total undiscounted lease payments receivable	7,478	2,488
Unearned finance income	(319)	(157)
Lease receivables	\$ 7,159	\$ 2,331
Current portion	\$ 784	\$ 617
Long term portion	\$ 6,375	\$ 1,714

15. Employee Benefits

The Corporation sponsors three pension plans: the Wajax Limited Pension Plan (the “**Employees’ Plan**”) which, except for a small group of employees in a defined benefit plan, is a defined contribution plan, 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**”).

Effective December 31, 2019, the Employees’ Plan was wound up, which was comprised of both defined benefit and defined contribution components. Benefit accruals under the plan were frozen effective as of such date and all active members joined a new defined contribution plan sponsored by the Corporation, the Wajax Limited Defined Contribution Pension Plan (the “**DC Plan**”). The windup did not result in a curtailment or additional termination benefits. The timing of the full settlement of the defined benefit portion of the plan is not known as the windup is pending regulatory approval and the settlement cost will be measured at the settlement date.

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, compensation increases, mortality rates, inflation and service life. 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 Employees' Plan for funding purposes was December 31, 2019, when it was wound up. The previous actuarial valuation for the Executive Plan for funding purposes was as at January 1, 2018, and the next valuation is as at January 1, 2021.

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

	December 31	
	2020	2019
Discount rate – at beginning of year (to determine plan expenses)	3.0%	3.5%
Discount rate – at end of year (to determine defined benefit obligation)	2.5%	3.0%
Rate of compensation increase	—%	3.0%
Rate of inflation	2.0%	2.0%

Assumptions regarding future mortality were based on the following mortality tables: 2014 Private Sector Canadian Pensioner's Mortality Table for the Employees' Plan, and 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:

	Employees' Plan December 31, 2020	Executive Plan December 31, 2020	Employees' Plan December 31, 2019	Executive Plan December 31, 2019
Cash	—%	—%	2.3%	0.6%
Fixed Income	100.0%	39.9%	97.7%	40.2%
Canadian Equities	—%	—%	—%	0.3%
Foreign Equities	—%	60.1%	—%	58.9%
	100.0%	100.0%	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:

	2020	2019
Actuarial (gain) loss on defined benefit obligation arising from:		
Experience adjustment	\$ (35)	\$ —
Demographic assumption changes	(157)	—
Financial assumption changes	958	1,308
	766	1,308
Actuarial gain on asset return	(722)	(1,327)
Total remeasurement loss (gain) recognized in OCI, pre-tax	\$ 44	\$ (19)

Total cash payments

Total cash payments for employee future benefits for 2020, 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 \$8,610 (2019 – \$8,459).

The Corporation expects to contribute \$585 to the defined benefit pension plans in the year ended December 31, 2021.

The plan expenses recognized in earnings are as follows:

	2020	2019
Defined contribution plans		
Current service cost	\$ 8,015	\$ 7,967
Defined benefit plans		
Current service cost	288	295
Administration expenses	275	358
SERP line of credit fees	318	228
Interest cost on defined benefit obligation	648	728
Interest income on assets	(368)	(419)
	1,161	1,190
Total plan expense recognized in earnings	\$ 9,176	\$ 9,157

Of the amounts recognized in earnings, \$3,644 (2019 – \$3,600) is included in cost of sales and \$5,532 (2019 – \$5,557) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2020	2019
Net actuarial losses (gains)	\$ 44	\$ (19)
Deferred tax (recovery) expense	(12)	5
Amount recognized in other comprehensive income	\$ 32	\$ (14)
Cumulative actuarial losses, net of tax	\$ 3,189	\$ 3,157

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

Present value of benefit obligation	2020	2019
Present value of benefit obligation, beginning of year	\$ 22,185	\$ 21,390
Current service cost	288	295
Participant contributions	19	19
Interest cost on defined benefit obligation	648	728
Actuarial loss	766	1,308
Benefits paid	(1,085)	(1,555)
Present value of benefit obligation, end of year	\$ 22,821	\$ 22,185

Plan assets	2020	2019
Fair value of plan assets, beginning of year	\$ 12,669	\$ 12,325
Actual return	1,335	1,746
Participant contributions	19	19
Employer contributions	595	492
Benefits paid	(1,085)	(1,555)
Administration expenses	(520)	(358)
Fair value of plan assets, end of year	\$ 13,013	\$ 12,669

Funded Status	2020	2019
Fair value of plan assets, end of year	\$ 13,013	\$ 12,669
Present value of benefit obligation, end of year	(22,821)	(22,185)
Plan deficit	\$ (9,808)	\$ (9,516)

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

	2020	2019
Accounts payable and accrued liabilities	\$ (585)	\$ (372)
Employee benefits	(9,223)	(9,144)
Plan deficit	\$ (9,808)	\$ (9,516)

Present value of benefit obligation includes a benefit obligation of \$6,335 (2019 – \$6,332) related to the SERP that is not funded. This obligation is secured by a letter of credit of \$6,349 (2019 – \$5,359).

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 \$2,070 (2019 – \$2,548) decrease to the defined benefit obligation as at December 31, 2020. A 1% decrease in discount rate would result in a \$2,485 (2019 – \$2,879) 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, commencing July 15, 2020.

The debentures will not be redeemable before January 15, 2023, except upon the occurrence of a change of control of the Corporation in accordance with the terms of the indenture governing the debentures. 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	
	2020	2019
Debentures issued	\$ 57,000	\$ 57,000
Deferred financing costs, net of accumulated amortization	(2,362)	(2,885)
Total debentures	\$ 54,638	\$ 54,115

Movements in the debentures balance are as follows:

	December 31	
	2020	2019
For the year ended December 31		
Balance at beginning of year	\$ 54,115	\$ —
Changes from financing cash flows		
Proceeds from issuance	—	57,000
Transaction costs related to issuance	(37)	(2,925)
Other changes		
Amortization of deferred financing costs	560	40
Balance at end of year	\$ 54,638	\$ 54,115

Finance costs on the debentures for the year ended December 31, 2020 were \$3,999 (2019 – \$295).

17. Long-Term Debt

On December 30, 2020, the Corporation amended its senior secured credit facility, increasing the facility limit from \$400,000 to \$450,000 by adding a new non-revolving acquisition term facility of \$50,000 to be used to finance the acquisition of Tundra Process Solutions Ltd. (“**Tundra**”) in the first quarter of 2021. See Note 32 *Subsequent Events* for details on the acquisition of Tundra. As at December 31, 2020, the non-revolving acquisition term facility has not been utilized. Once drawn upon, repayment of the facility is due in full on December 30, 2022. The \$256 cost of amending the facility has been capitalized, recorded in prepaid expenses and will be amortized over the term of the non-revolving acquisition term facility.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR 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 LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings under the non-revolving and revolving term facilities. Margins on the non-revolving acquisition term facility range between 1.7% and 3.25% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.7% and 2.25% 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. 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, 2020.

The following balances were outstanding:

	December 31	
	2020	2019
Bank credit facility		
Non-revolving term portion	\$ 50,000	\$ 50,000
Revolving term portion	122,991	177,362
	\$ 172,991	\$ 227,362
Deferred financing costs, net of accumulated amortization	\$ (1,411)	\$ (1,789)
Total long-term debt	\$ 171,580	\$ 225,573

The Corporation had \$6,423 (December 31, 2019 – \$5,489) letters of credit outstanding at the end of the year. Finance costs on long-term debt amounted to \$8,971 (2019 – \$13,746). Movements in the long-term debt balance are as follows:

For the year ended December 31	2020	2019
Balance at beginning of year	\$ 225,573	\$ 218,116
Changes from financing cash flows		
Net (repayments) proceeds of borrowings	(54,371)	7,362
Transaction costs related to borrowings	—	(299)
Other changes		
Amortization of deferred financing costs	378	394
Balance at end of year	\$ 171,580	\$ 225,573

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	
	2020	2019
Financial assets measured at amortized cost:		
Cash	\$ 6,625	\$ 3,180
Trade and other receivables	214,507	238,194
Contract assets	23,003	23,318
Lease receivables	7,159	2,331
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	(231,726)	(282,611)
Provisions	(6,960)	(5,261)
Contract liabilities	(7,064)	(7,230)
Dividends payable	(5,008)	(5,003)
Other liabilities	(2,365)	(1,386)
Lease liabilities	(153,033)	(127,130)
Debentures	(54,638)	(54,115)
Long-term debt	(171,580)	(225,573)
Net derivative financial liabilities measured at fair value:		
Foreign exchange forwards	(710)	(930)
Total return swaps	(578)	(2,952)
Interest rate swaps	(8,276)	(2,625)

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. Cash-settled share-based compensation liabilities are recorded at fair value based on the Corporation's share price and deemed to be a Level 1 financial instrument. 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, 2020, the Corporation has estimated the fair value of its debentures to be \$58,151. The fair values of all other financial assets and liabilities, other than lease 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, 2020 and 2019:

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	
	2020	2019
Current	\$ 86,525	\$ 113,565
Less than 60 days overdue	89,097	79,126
More than 60 days overdue	15,860	20,995
Total trade accounts receivable	\$ 191,482	\$ 213,686

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	2020	2019
Opening balance	\$ 2,371	\$ 953
Additions	2,808	1,891
Utilization	(1,553)	(473)
Closing balance	\$ 3,626	\$ 2,371

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.

Contractual obligations are as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 231,726	\$ 231,726	\$ —	\$ —	\$ —
Undiscounted lease obligations	226,925	37,008	64,811	43,997	81,109
Long-term debt	172,991	—	—	172,991	—
Debentures	57,000	—	—	57,000	—
Total	\$ 688,642	\$ 268,734	\$ 64,811	\$ 273,988	\$ 81,109

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

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. On December 30, 2020, the Corporation amended its senior secured credit facility, increasing the facility limit from \$400,000 to \$450,000 by adding a new non-revolving acquisition term facility of \$50,000 to be used to finance the acquisition of Tundra in the first quarter of 2021. At December 31, 2020, the Corporation had borrowed \$172,991 (2019 – \$227,362) from the bank credit facility, maturing on October 1, 2024. The Corporation issued \$6,423 (2019 – \$5,489) of letters of credit for a total utilization of \$179,414 (2019 – \$232,851) of its \$450,000 (2019 – \$400,000) bank credit facility and had not utilized any (2019 – nil) of its \$25,000 (2019 – \$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 had not utilized \$270,586 of its \$450,000 bank credit facility as at December 31, 2020. Of the \$270,586 unutilized portion of the facility, \$50,000 can only be used to fund the acquisition of Tundra in the first quarter of 2021, and therefore the remaining \$220,586, along with the additional \$25,000 of equipment financing available under the bank credit facility, is deemed to be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

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. Wajax 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 2020 would result in a change to earnings before income taxes of approximately \$2,374 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 \$387 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 interest rate swaps are designated as effective hedges and are measured at fair value with subsequent changes in fair value recorded in other comprehensive income. 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, 2020, the Corporation recognized a loss of \$4,131 (2019 – loss of \$284), net of tax in other comprehensive income associated with its interest rate swaps.

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

Interest rate swaps	Notional Amount	Weighted Average Interest Rate	Maturity
December 31, 2020	\$ 150,000	2.12%	November 2024
December 31, 2019	\$ 104,000	2.56%	November 2024

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, 2020, the Corporation recognized a gain of \$151 (2019 – gain of \$79) associated with its foreign exchange forwards in the consolidated statements of earnings, and a gain of \$51 (2019 – loss of \$688), net of tax in other comprehensive income.

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

December 31, 2020	Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US\$ 45,912	1.3236	January 2021 to December 2022
	€ 102	1.5790	October 2021 to December 2022
Sales contracts	US\$ 32,187	1.3233	January 2021 to December 2022
	€ 939	1.5591	January 2021 to December 2022

December 31, 2019	Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US\$ 45,190	1.3270	January 2020 to October 2020
Sales contracts	US\$ 30,545	1.3091	January 2020 to March 2021
	€ 1,074	1.5003	January 2020 to November 2020

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, 2020, the Corporation's total return swaps cover 387,000 of the Corporation's underlying common shares (December 31, 2019 – 365,000), and expire between March 2021 and March 2023. During the year, the Corporation settled a total return swap contract for 121,000 shares (2019 – 205,000 shares), resulting in a cash payout of \$1,396 (2019 – \$1,479). For the year ended December 31, 2020, the Corporation recognized a gain of \$978 (2019 – loss of \$167) associated with its total return swaps.

Derivative financial assets consist of:

	December 31	
	2020	2019
Foreign exchange forwards	\$ 1,652	\$ 532
Total return swaps	456	—
Total derivative financial assets	\$ 2,108	\$ 532
Current portion	\$ 1,597	\$ 484
Long-term portion	\$ 511	\$ 48

Derivative financial liabilities consist of:

	December 31	
	2020	2019
Interest rate swaps	\$ 8,276	\$ 2,625
Foreign exchange forwards	2,362	1,462
Total return swaps	1,034	2,952
Total derivative financial liabilities	\$ 11,672	\$ 7,039
Current portion	\$ 3,387	\$ 2,849
Long-term portion	\$ 8,285	\$ 4,190

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

For the year ended December 31	2020	2019
Opening net derivative financial liabilities \$	6,507	\$ 6,568
(Gain) loss recognized in net earnings	(1,129)	88
Loss recognized in other comprehensive income – net of tax	4,080	972
Tax on loss recognized in other comprehensive income	1,502	358
Cash paid on settlement of total return swaps	(1,396)	(1,479)
Ending net derivative financial liabilities \$	9,564	\$ 6,507

The balance in accumulated other comprehensive loss 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, 2020 (2019 – 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, 2019 and December 31, 2020	20,167,703	\$ 182,482
Shares held in trust, December 31, 2019	(156,113)	(1,407)
Released for settlement of certain share-based compensation plans	22,029	199
Shares held in trust, December 31, 2020	(134,084)	(1,208)
Issued and outstanding, net of shares held in trust, December 31, 2020	20,033,619	\$ 181,274

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2018	20,132,194	\$ 181,952
Common shares issued to settle share-based compensation plans	35,509	530
Issued and outstanding, December 31, 2019	20,167,703	182,482
Shares held in trust, December 31, 2018	(175,680)	(1,583)
Released for settlement of certain share-based compensation plans	19,567	176
Shares held in trust, December 31, 2019	(156,113)	(1,407)
Issued and outstanding, net of shares held in trust, December 31, 2019	20,011,590	\$ 181,075

Dividends declared

During the twelve months ended December 31, 2020, the Corporation declared cash dividends of \$1.00 per share or \$20,032 (2019 – dividends of \$1.00 per share or \$20,006). As at December 31, 2020, the Corporation had \$5,008 (December 31, 2019 – \$5,003) dividends outstanding which were paid on January 5, 2021.

Earnings per share

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

For the year ended December 31	2020	2019
Numerator for basic and diluted earnings per share:		
– net earnings	\$ 31,653	\$ 39,504
Denominator for basic earnings per share:		
– weighted average shares, net of shares held in trust	20,029,345	19,998,656
Denominator for diluted earnings per share:		
– weighted average shares, net of shares held in trust	20,029,345	19,998,656
– effect of dilutive share rights	457,423	417,535
Denominator for diluted earnings per share	20,486,768	20,416,191
Basic earnings per share	\$ 1.58	\$ 1.98
Diluted earnings per share	\$ 1.55	\$ 1.93

20,768 anti-dilutive share rights were excluded from the above calculation (2019 – 24,906).

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	2020	2019
Treasury share rights plans		
SOP equity-settled	\$ 88	\$ 52
DDSUP equity-settled	564	597
Total treasury share rights plans expense	\$ 652	\$ 649
Market-purchased share rights plans		
MTIP equity-settled	\$ 1,094	\$ 920
DSUP equity-settled	51	(19)
Total market-purchased share rights plans expense	\$ 1,145	\$ 901
Cash-settled rights plans		
MTIP cash-settled	\$ 2,645	\$ 1,897
DSUP cash-settled	40	(1)
Total cash-settled rights plans expense	\$ 2,685	\$ 1,896
Total share-based compensation expense	\$ 4,482	\$ 3,446

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, 2019	361,100	\$ 5,984
Grants – new grants	75,789	642
– dividend equivalents	45,335	—
Outstanding at December 31, 2020	482,224	\$ 6,626

At December 31, 2020, 453,466 share rights were vested (December 31, 2019 – 347,946 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	(352,810)
Rights outstanding	(482,224)
Available for future grants at December 31, 2020	464,966

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 components: return on net assets (“RONA”) PSUs and total shareholder return (“TSR”) PSUs as described below:

- RONA PSUs vest dependent upon the attainment of a target level of return on net assets. Such performance vesting criteria results in a performance vesting factor that ranges from 0% to 150% depending on the level of RONA attained.
- 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.

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, 2019	213,149	\$ 5,081
Grants – new grants	109,294	1,828
– dividend equivalents	29,512	—
Forfeitures	(15,459)	(337)
Settlements	(46,926)	(1,138)
Outstanding at December 31, 2020	289,570	\$ 5,434

At December 31, 2020, 21,004 outstanding rights were vested (December 31, 2019 – 15,426 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 five previous day volume weighted average share price, from the date of settlement. At December 31, 2020, the carrying amount of the liabilities for these plans was \$3,863 (December 31, 2019 – \$2,524).

The following rights under these plans are outstanding:

	Number of Rights
Outstanding at December 31, 2019	334,696
Grants – new grants	195,252
– dividend equivalents	47,815
Forfeitures	(14,155)
Settlements	(98,156)
Outstanding at December 31, 2020	465,452

At December 31, 2020, 10,182 outstanding rights were vested (December 31, 2019 – 9,127 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	2020	2019
Equipment sales	\$ 471,447	\$ 523,874
Product support	411,767	476,125
Industrial parts	342,576	366,561
ERS	164,246	149,579
Revenue from contracts with customers	1,390,036	1,516,139
Equipment rental	32,612	36,907
Total	\$1,422,648	\$1,553,046

As at December 31, 2020, the Corporation has included \$18,193 (2019 – \$22,504) 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:

	2021	2022	Total
Equipment sales	\$ 29,407	\$ 581	\$ 29,988
Product support	285	—	285
ERS	6,180	317	6,497
Total	\$ 35,872	\$ 898	\$ 36,770

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	2020	2019
Wages and salaries, including bonuses		\$ 197,006	\$ 236,512
Other benefits		34,882	35,036
Pension costs – defined contribution plans	15	8,015	7,967
Pension costs – defined benefit plans	15	1,161	1,190
Share-based compensation expense	20	4,482	3,446
		\$ 245,546	\$ 284,151

23. Restructuring and Other Related Costs

In the first half of 2020, a restructuring cost of \$112 was recognized relating to the Finance Reorganization Plan. The Corporation does not expect any further restructuring costs relating to the Finance Reorganization Plan.

In the third quarter of 2020, the Corporation implemented workforce reductions in response to the economic conditions created by COVID-19 and related revenue impacts. A restructuring cost of \$7,687 was recognized in the third quarter relating primarily to severance costs.

See Note 13 for the restructuring provision balance and movement.

24. Finance Costs

Finance costs are comprised of the following:

For the year ended December 31	Note	2020	2019
Finance costs on long-term debt	17	\$ 8,971	\$ 13,746
Finance costs on debentures	16	3,999	295
Interest on lease liabilities	14	8,152	5,675
Interest income on lease receivables		(147)	—
Finance costs		\$ 20,975	\$ 19,716

During the year, \$857 (2019 – nil) of borrowing costs directly attributable to the construction of qualifying assets were capitalized.

25. Income Tax Expense

Income tax expense comprises current and deferred tax as follows:

For the year ended December 31	2020	2019
Current	\$ 13,957	\$ 12,425
Deferred	(2,017)	1,840
Income tax expense	\$ 11,940	\$ 14,265

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.5% (2019 – 26.8%). 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 26.5% 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	2020	2019
Combined statutory income tax rate	26.5%	26.8%
Expected income tax expense at statutory rates	\$ 11,552	\$ 14,410
Non-deductible expenses	522	636
Non-taxable portion of gain on real estate disposal	(410)	(654)
Other	276	(127)
Income tax expense	\$ 11,940	\$ 14,265

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

	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on acquisition of business (Note 5)	December 31, 2020
Property, plant and equipment	\$ (8,310)	\$ (328)	\$ —	\$ (146)	\$ (8,784)
Finance leases	2,068	1,701	—	(12)	3,757
Intangible assets	(3,580)	506	—	(1,060)	(4,134)
Goodwill	(184)	(134)	—	—	(318)
Accrued liabilities	3,781	1,317	12	39	5,149
Provisions	375	230	—	—	605
Derivative instruments	1,694	(672)	1,549	—	2,571
Employee benefits	2,450	50	—	—	2,500
Deferred financing costs	(20)	(310)	—	—	(330)
Partnership income not currently taxable	(1,948)	(618)	—	—	(2,566)
Tax loss carryforwards	(113)	275	—	—	162
Net deferred tax (liabilities) assets	\$ (3,787)	\$ 2,017	\$ 1,561	\$ (1,179)	\$ (1,388)

	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on acquisition of business	December 31, 2019
Property, plant and equipment	\$ (3,894)	\$ (3,394)	\$ —	\$ (1,022)	\$ (8,310)
Finance leases	153	1,915	—	—	2,068
Intangible assets	(4,898)	1,318	—	—	(3,580)
Goodwill	—	(184)	—	—	(184)
Accrued liabilities	4,613	(827)	(5)	—	3,781
Provisions	915	(540)	—	—	375
Derivative instruments	1,777	(372)	289	—	1,694
Employee benefits	2,272	178	—	—	2,450
Deferred financing costs	656	(676)	—	—	(20)
Partnership income not currently taxable	(2,803)	855	—	—	(1,948)
Tax loss carryforwards	—	(113)	—	—	(113)
Net deferred tax (liabilities) assets	\$ (1,209)	\$ (1,840)	\$ 284	\$ (1,022)	\$ (3,787)

26. 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	2020	2019
Trade and other receivables	\$ 31,900	\$ (32,093)
Contract assets	2,786	6,989
Inventory	76,718	(36,270)
Deposits on inventory	(6,684)	(24,068)
Prepaid expenses	808	1,080
Accounts payable and accrued liabilities	(58,111)	32,831
Provisions	1,699	2,046
Contract liabilities	(282)	(1,061)
Total	\$ 48,834	\$ (50,546)

27. 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, and 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 restructuring and other related costs (recoveries), gain recorded on sales of properties, non-cash losses (gains) on mark to market of derivative instruments, Customer Support Centre project costs, Tundra transaction costs, NorthPoint 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 on 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 \$450,000 bank credit facility, of which \$400,000 expires on October 1, 2024 and \$50,000 expires on December 30, 2022. 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**"). Of the borrowing capacity of \$438,710 as at December 31, 2020, \$50,000 can only be used to fund the acquisition of Tundra in the first quarter of 2021.
- 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, 2020, 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 \$450,000 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. LIBOR rates. Principal repayments are generally due the earlier of 12 months from the date of financing and the date the equipment is sold. At December 31, 2020, the Corporation had not utilized any of its interest bearing equipment financing facilities.

28. Related Party Transactions

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:

	2020	2019
Salaries, bonus and other		
short-term employee benefits	\$ 2,779	\$ 3,771
Pension costs –		
defined contribution plans	87	189
Pension costs – defined benefit plans	288	255
Share-based compensation expense	2,775	1,972
Total compensation	\$ 5,929	\$ 6,187

29. 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.

30. 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. The CEWS currently provides eligible businesses with a reimbursement of compensation expense for the period from March 15, 2020 to December 19, 2020 of up to 75% of eligible employees' employment remuneration, subject to certain criteria. The Corporation applied for the CEWS for the period from March 15, 2020 to December 19, 2020 to the extent it met the requirements to receive the subsidy. In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, during the year, the Corporation recognized \$26,592 as a reimbursement of compensation expense, with \$14,132 and \$12,460 allocated to cost of sales and selling and administrative expenses, respectively, in proportion to personnel costs recorded in those areas. As at December 31, 2020, \$1,929 of the total \$26,592 subsidy has not yet been received from the Government of Canada and is included in trade and other receivables.

On October 14, 2020, the Government of Canada announced that it would be extending the CEWS program until June 2021. The Corporation will continue to monitor its eligibility for the subsidy.

31. Comparative Information

Certain comparative information has been reclassified to conform to the current year's presentation.

32. Subsequent Events

On March 1, 2021, the Corporation declared a first quarter 2021 dividend of \$0.25 per share or \$5,008.

On January 22, 2021, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Tundra for total consideration of approximately \$99,093, subject to final working capital adjustments. The purchase price for the Tundra shares was satisfied by the payment in cash of \$74,584 and the issuance of 1,357,142 common shares of Wajax. Tundra transaction costs, primarily for advisory services, were approximately \$1,041 and were included in selling and administrative expenses for the year ended December 31, 2020.

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	\$ 344.1	\$ 356.9	\$ 340.6	\$ 381.0	\$ 374.6	\$ 409.4	\$ 365.1	\$ 403.9
Net earnings	4.1	10.2	6.7	10.7	7.9	11.9	7.6	12.2
Earnings per share – Basic	\$ 0.20	\$ 0.51	\$ 0.33	\$ 0.53	\$ 0.39	\$ 0.59	\$ 0.38	\$ 0.61
Earnings per share – Diluted	0.20	0.50	0.33	0.52	0.39	0.58	0.37	0.60

Eleven Year Summary – Unaudited

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Results											
Revenue	\$ 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	\$ 1,377.1	\$ 1,110.9
Net earnings (loss)	31.7	39.5	35.9	27.4	11.0	(11.0)	41.2	47.7	65.9	63.8	56.4
Finance costs	21.0	19.7	8.8	15.2	11.2	12.2	13.0	9.0	4.4	4.6	5.2
Property, plant and equipment expenditures – net	2.7	2.5	4.2	1.7	6.5	4.1	5.4	3.9	5.6	5.3	1.7
Rental equipment expenditures	16.5	37.5	43.6	19.3	13.5	23.0	23.1	20.0	25.1	20.2	5.8
Depreciation and amortization	52.4	52.8	27.0	23.2	24.7	24.5	22.5	21.6	17.8	13.5	11.2
Per Share											
Net (loss) earnings – Basic	\$ 1.58	\$ 1.98	\$ 1.82	\$ 1.40	\$ 0.55	\$ (0.59)	\$ 2.46	\$ 2.85	\$ 3.95	\$ 3.84	\$ 3.39
Dividends declared	1.00	1.00	1.00	1.00	1.00	1.23	2.40	2.68	3.10	2.14	—
Distributions declared	—	—	—	—	—	—	—	—	—	—	3.40
Equity	16.26	15.83	14.88	14.08	14.07	14.44	14.82	14.77	14.45	13.69	12.00
Financial Position											
Working capital	\$ 374.9	\$ 404.1	\$ 334.7	\$ 289.7	\$ 268.8	\$ 302.7	\$ 258.2	\$ 272.7	\$ 230.1	\$ 167.0	\$ 77.9
Rental equipment	56.9	77.0	73.7	60.4	58.1	64.1	59.4	52.3	43.7	28.1	15.8
Property, plant and equipment	41.4	42.1	59.0	43.6	45.7	46.2	48.7	49.7	50.7	47.9	43.3
Right-of-use assets	131.7	117.1	—	—	—	—	—	—	—	—	—
Lease liabilities excluding current portion	129.2	106.4	—	—	—	—	—	—	—	—	—
Debentures	54.6	54.1	—	—	—	—	—	—	—	—	—
Long-term debt excluding current portion	171.6	225.6	218.1	143.7	122.0	151.6	180.9	195.9	151.7	59.0	—
Shareholders' equity	325.6	316.8	297.0	274.7	278.9	288.5	248.5	247.2	241.9	227.6	199.3
Total assets	981.4	1,045.1	831.2	694.4	667.3	677.5	718.2	682.1	671.9	589.9	522.5
Other Information											
Number of employees	2,461	2,700	2,800	2,418	2,318	2,609	2,725	2,766	2,833	2,738	2,382
Shares outstanding (000s)	20,034	20,012	19,957	19,504	19,826	19,986	16,779	16,744	16,736	16,629	16,629
Price range of shares											
High	\$ 19.60	\$ 19.95	\$ 28.17	\$ 25.74	\$ 25.76	\$ 30.93	\$ 39.56	\$ 46.24	\$ 53.43	\$ 44.94	\$ 38.50
Low	4.90	13.98	15.43	18.49	13.34	14.81	28.75	29.38	38.59	27.80	21.65

Corporate Information

Directors

Robert P. Dexter

Chairman, Wajax Corporation
Chairman and Chief Executive Officer,
Maritime Travel Inc.

Leslie Abi-karam^{1, 3}

Corporate Director
President of LAK Partners LLC

Thomas M. Alford^{1, 2}

President, Well Services,
Precision Drilling Corporation

Edward M. Barrett^{2, 3}

Chairman and Co-Chief Executive Officer,
Barrett Corporation

Douglas A. Carty^{1, 2}

Corporate Director
Chairman and Co-Founder of
Switzer-Carty Transportation Inc.

Sylvia D. Chrominska^{1, 3}

Corporate Director

John C. Eby^{2, 3}

Corporate Director
Founder and President of
Developing Scholars

A. Mark Foote

President and Chief Executive Officer,
Wajax Corporation

Alexander S. Taylor^{2, 3}

President, Nuclear, SNC-Lavalin Group Inc.

Susan Uthayakumar^{1, 2}

Global Sustainability Business
Division Leader, Schneider Electric

¹ Member of the Audit Committee

² Member of the Governance Committee

³ Member of the Human Resources and
Compensation Committee

Honourary Director

H. Gordon MacNeill

Home Office

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

Officers

A. Mark Foote

President and Chief Executive Officer

Steven C. Deck

Chief Operating Officer

Stuart H. Auld

Chief Financial Officer

Irene Stretton

Vice President, Human Resources

Cristian Rodriguez

Vice President, EHS and Sustainability

Donna Baratto

Vice President, Customer Service Centres

Trevor Carson

Vice President, Supply Chain and
Corporate Development

Tania Casadinho

Vice President, Corporate Controller

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

Exchange Listing

Toronto Stock Exchange

Symbol

WJX

Wajax Corporation

Share Trading Information

(January 1 – December 31, 2020)

	Open	High	Low	Close	Volume of Shares Traded
	\$15.05	\$19.60	\$4.90	\$17.09	23,510,484

Quarterly Earnings Reports

Quarterly earnings for 2021 are anticipated to
be announced after market close on May 3,
August 5 and November 1, 2021 and
March 7, 2022.

2021 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, or
Trevor Carson, Vice President, Supply Chain
and Corporate Development,
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 corporation's offices located at
2250 Argentia Road, Mississauga, Ontario on
Tuesday, May 4, 2021, at 11:00 a.m. EDT.

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

Locations

Western Canada

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

Calgary, AB (4)
Clairmont, AB
Edmonton, AB (5)
Edmonton (Acheson), AB
Fort McMurray, AB (2)
Grande Prairie, AB (3)
Nisku, AB
Red Deer, AB
Redcliff, 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
Ottawa (Gloucester), ON
Pembroke (Laurentian Valley), ON
Sarnia, ON
Sault Ste. Marie, ON
Stoney Creek, ON (2)
Sudbury, ON
Sudbury (Lively), ON (2)
Thunder Bay, ON (4)
Timmins, ON (2)
Toronto, ON
Vaughan, ON
Windsor, ON

Eastern Canada

Baie-Comeau, QC
Chambly, QC
Chicoutimi, QC
Dorval, QC
Drummondville, 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
Québec City, QC
Rimouski, QC
Sept Îles, 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 (2)
Pasadena, NL
St. John's, NL
Wabush, NL





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