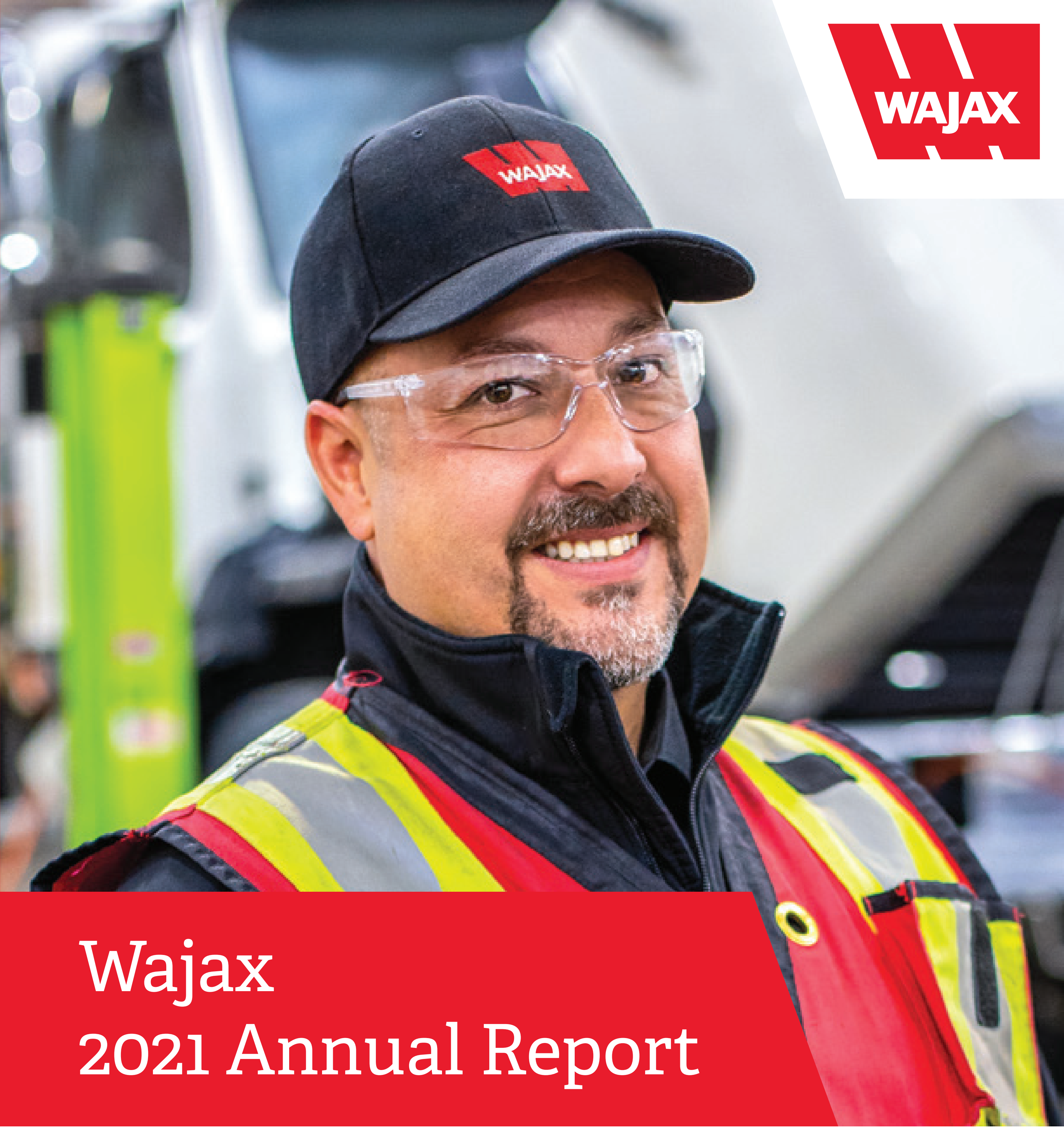


Wajax 2021 Annual Report

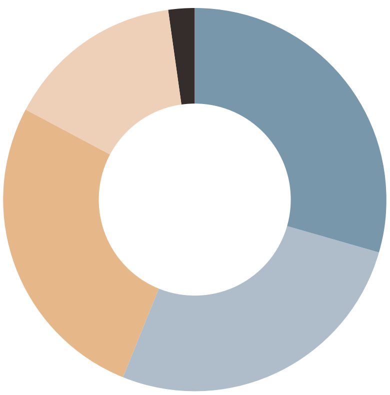
\\ Together We Get More Done.™

Wajax at a Glance

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

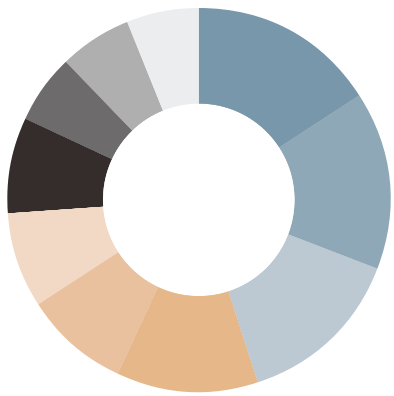
For the years ended December 31	**2021**	2020
Revenue	**$ 1,637.3**	$ 1,422.6
Net earnings	**53.2**	31.7
Adjusted net earnings(1)	**51.5**	35.1
Funded net debt(1)	**143.5**	219.6
Shareholders' equity	**389.9**	325.6
Basic earnings per share	**2.50**	1.58
Adjusted basic earnings per share(1)	**2.41**	1.75
Cash dividends declared per share	**1.00**	1.00
Leverage ratio(1)	**1.29**	2.28
Weighted average number of shares outstanding(2)	**21,328,093**	20,029,345

Revenue Sources ($ millions)



For the year ended December 31	**2021**	2020	% change
Equipment sales	**$ 484.2**	$ 471.4	3%
Product Support	**437.6**	411.8	6%
Industrial Parts	**438.1**	342.6	28%
ERS	**241.7**	164.2	47%
Equipment rental	**35.5**	32.6	9%
	$ 1,637.3	$ 1,422.6	15%

Revenue by End Market(3)



For the year ended December 31	**2021**	2020
Mining	**16%**	15%
Construction	**15%**	14%
Forestry	**14%**	14%
Industrial/Commercial	**12%**	12%
Oil Sands	**9%**	13%
Oil and Gas	**8%**	3%
Transportation	**8%**	8%
Government and Utilities	**6%**	8%
Metal Processing	**6%**	6%
Other	**6%**	7%

Revenue by Region ($ millions)

For the year ended December 31	**2021**	2020	% change
Western Canada	**$ 698.4**	$ 549.6	27%
Central Canada (Ontario)	**311.7**	302.3	3%
Eastern Canada*	**627.2**	570.7	10%
	$ 1,637.3	$ 1,422.6	15%

* Includes Quebec and the Atlantic provinces.

Contents

(1) These measures do not have standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 49.
(2) Weighted average number of shares outstanding is net of shares held in trust.
(3) End markets are based on the North American Industry Classification System (NAICS).

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 51 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 2021, together we:

- Protected the health, safety and well-being of our team – achieved strong workplace safety results, maintained strong employee satisfaction scores and expanded the size of our team to ~2,800 dedicated professionals;
- Continued to deliver consistently excellent service to our 32,000 customers, increasing our Net Promoter Score® to 73;
- Protected the financial health of our company – achieving strong financial performance, producing $190.1 million in cash flow from operations and reducing debt[(1)] by $76.1 million; and
- Continued to take steps to grow our business now and in the future, including the testing and phased implementation of our new ERP system; completing the acquisition of Tundra Process Solutions, our largest acquisition to date; and announcing the 2022 expansion of our relationship with Hitachi, our largest manufacturing partner.

\\ Together We Get More Done.™

(1) Funded net debt as defined in Management's Discussion and Analysis, page 49.

Message to Shareholders

During our 164th year in business, Wajax delivered record revenue and strong earnings, rebounding from the challenges we faced in 2020 and exceeding our pre-COVID performance in 2019. Combine that with our strengthened balance sheet and expanded product and service offerings, and Wajax is ideally positioned to continue to grow in 2022 and beyond.

Putting People First

In 2021, it was our ~2,800 dedicated team members that once again helped us manage through the ongoing COVID-19 pandemic. Our frontline teams provided innovative solutions to our customers while adhering to enhanced safety protocols, and our support teams tackled global supply chain constraints while managing the unique challenges of working from home. I want to thank them for their persistence, adaptability, and teamwork during what continues to be a volatile and uncertain time – you are the foundation of our business, and you have all made a real difference.

As an organization we made a concerted effort to help our team members thrive. In recent years we have taken a holistic approach to health and wellness, spanning physical, mental, and financial well-being, in addition to providing extensive learning and development opportunities through our WajaxU learning management system. We believe having these resources in place has allowed our team members to access the career progression and lifestyle tools they need to deliver high performance and persevere, especially through this difficult period which has impacted businesses and communities around the world.

We use Net Promoter Score® to measure our team and customer satisfaction, and our employee score remained constant at +21 throughout 2021 and 2020, an improvement from +10 in 2019. Our most important objective is the safety of our team, and we are proud to report another year of improvement in workplace safety with a 2021 TRIF(1) rate of 1.02.

Like many businesses, we continue to experience a strong demand for talent, particularly in technical positions. Beyond our focus on caring for our current team members, we are actively implementing a range of recruitment initiatives aimed at attracting and retaining talent in key roles and markets.

Creating a Differentiated Customer Experience

Our people are the cornerstone of our brand and value proposition, and their technical expertise, experience and relationships are highly valued by our customers. We delivered another strong improvement in customer satisfaction in 2021 with a Net Promoter Score® of +73, up from +67 in 2020 and +62 in 2019.

Our Voice-of-the-Customer program is a key source of differentiation, and we will continue to invest in the very best tools, training, and support to deliver the expertise and technical support our customers deserve. Delivering a differentiated and exceptional customer experience is a key enabler of our growth strategy.

Executing on Our Established Growth Strategy

Industrial Parts ("**IP**") and Engineered Repair Services ("**ERS**") remain core drivers for Wajax's long-term growth strategy as they are capable of delivering sustainable earnings and growth at every point in the economic cycle. In 2021, our combined IP and ERS businesses accounted for 42% of total revenues, up from 36% in 2020. This increase was partially driven by the $99 million acquisition of Tundra Process Solutions Ltd. ("**Tundra**") at the end of January 2021, Wajax's largest acquisition to date. Tundra contributed $125 million in revenue during the first 11 months following the acquisition and provided an expanded range of industrial process equipment and technical services, as well as a trusted brand and sizeable geographic footprint in western Canada. Acquisitions in the IP and ERS space remain an important area of focus for Wajax, and we recently completed two "tuck-in" IP/ERS acquisitions that added fresh expertise and additional services in key markets: British Columbia-based QT Valve & Supply Ltd. in September 2021, and Ontario-based Process Flow Systems Ltd. in January 2022.

We have also positioned our Heavy Equipment business, which accounted for 58% of 2021 total revenues, to grow by continuing to invest in our product support capabilities and expanding our direct distribution strategy with Hitachi.

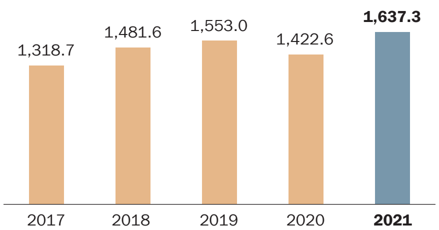
Cementing a closer relationship with Hitachi, our largest manufacturing business partner, is expected to provide us with enhanced access to equipment and parts inventories, drive improved market share, facilitate an improved customer experience, and support innovative technologies such as Hitachi's Remote Oil Monitoring system. We also continue to make investments in our remote diagnostic and service systems which enable us to connect with thousands of customer assets.

Building Enhanced Financial Flexibility

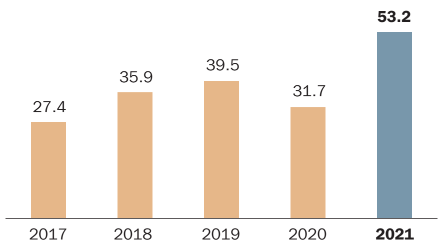
In 2021, we saw overall revenue and earnings increase over the prior year by 15% and 68%, respectively. We also saw cash flow from operations improve significantly, generating $190 million during the year, up from $119 million in 2020. This has allowed us to effectively repay the debt we used to fund the Tundra acquisition, while simultaneously seeing our leverage ratio drop to 1.29 times

Net Promoter Score® is a registered trademark of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

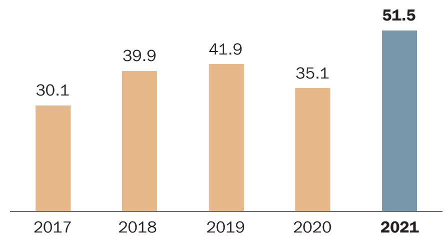
Revenue ($ millions)



Basic Net Earnings ($ millions)



Adjusted Net Earnings ($ millions)



as at December 31, 2021 – its lowest level in a decade. Over the last three years, we have worked diligently to right-size our inventory and have undertaken sale and leaseback transactions in relation to a selection of our owned properties – all with the aim of further strengthening our balance sheet. We intend to continue using cash flow to pay down debt when prudent, and we have significant financial flexibility to invest in organic growth, pursue additional "tuck-ins" and consider larger acquisitions in the IP and ERS space. We also intend to continue investing in the speed and effectiveness of our infrastructure, including our ongoing Enterprise Resource Planning ("**ERP**") system implementation – now successfully rolled out to 10% of our branches.

Growing Commitment to Sustainability

Wajax began its formal Environmental, Social and Governance ("**ESG**") journey in 2020, recognizing the importance of sound sustainability practices to a full range of stakeholder groups including investors, customers, suppliers, team members, and our communities. For 2021, key achievements included: launching our first carbon footprint reduction initiative; adding new products that help our customers reduce their carbon footprint; focusing on diversity through training and hiring initiatives; and selecting new charities to support, including the Canadian Cancer Society and Food Banks Canada. In 2021, we also established longer-term sustainability targets for greenhouse gas emission reductions and increased charitable giving. These important initiatives are covered more thoroughly in the Sustainability section of this report.

Our Outlook

As we move further into 2022, we are seeing sound fundamentals in many of our key markets, bolstered by improving commodity prices and increased capital spending. This positive view of the market is counterbalanced by the unpredictable COVID-19 pandemic and related supply chain issues, which we expect will be a factor throughout the year ahead, particularly in our heavy equipment business. We continue to manage these challenges through frequent dialogue with key suppliers and customers, pre-ordering new equipment, and utilizing repairs and rebuilds to extend the service life of equipment.

Despite these ongoing challenges, our improved balance sheet and record start-of-year backlog of $419 million shows momentum in the business. To maintain this momentum and increase shareholder value, we plan to continue our focus on the following priorities: investing in our people and their safety, delivering exceptional customer experiences, organically growing our business, building our acquisition pipeline, supporting our closer relationship with Hitachi, prudently managing our balance sheet, deploying our ERP and remote diagnostic systems, and building ESG into our business.

The Future is Bright

In closing, I want to thank our retiring CEO Mark Foote for a decade of incredible leadership at Wajax, and for his mentorship to me following Wajax's acquisition of Tundra. I also want to recognize our retiring directors – Chairman Robert Dexter, for the extensive contributions during his 34-year board tenure, and director John Eby, for 16 years of outstanding service. Ed Barrett, who has also been a director for 16 years, has been nominated to assume the duties of Chairman following our 2022 annual meeting. I look forward to working with him, as well as our entire board and management team as we work to grow Wajax together.

Looking ahead, our strong balance sheet, ability to generate cash flow, and abundant growth opportunities will allow the business to grow meaningfully over the long term.

I am proud to be leading such a strong and dedicated team and am truly excited by what the future holds for our organization.

Ignacy (Iggy) Domagalski
President and Chief Executive Officer

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

Coast to Coast

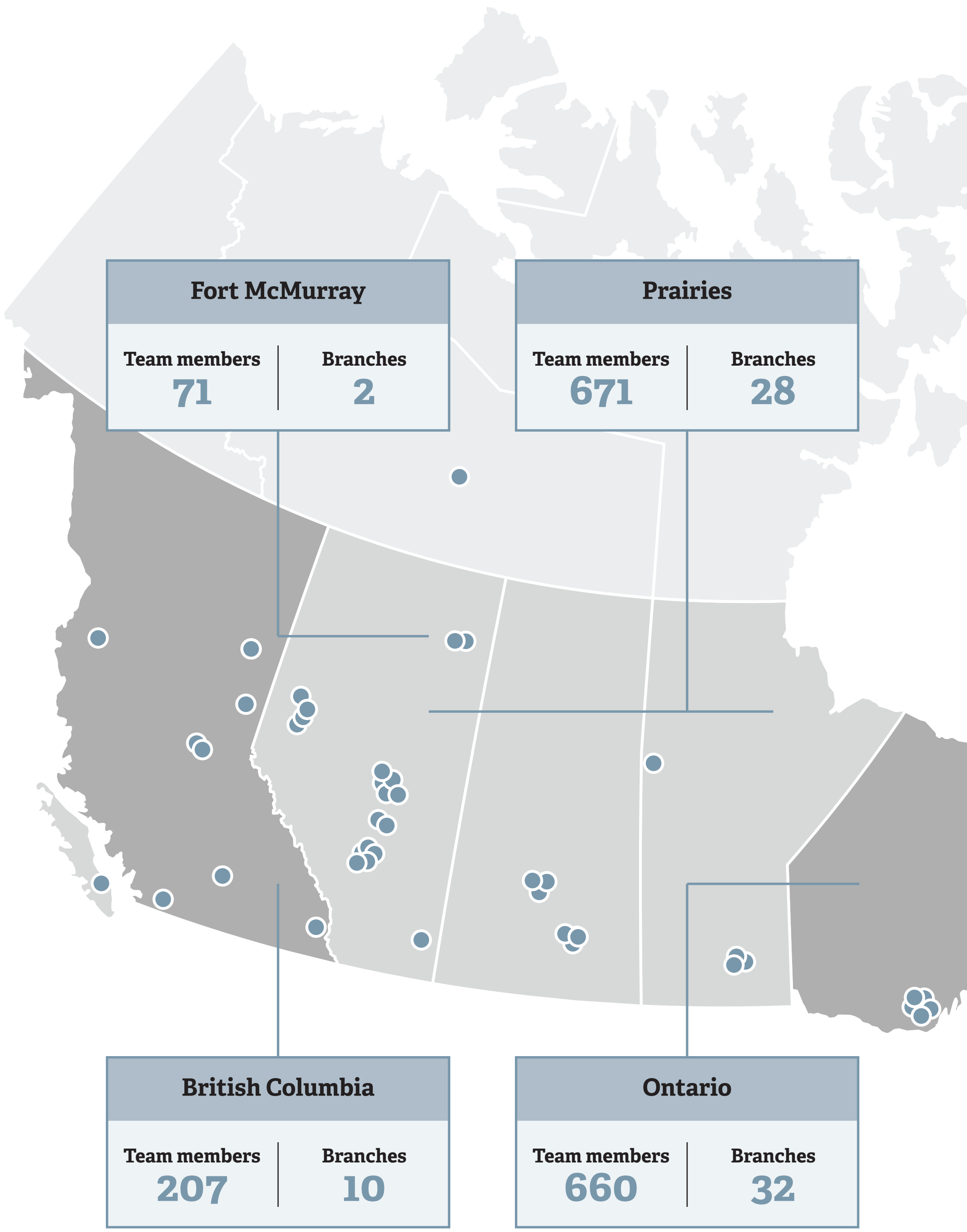
From remote northern mines, to urban construction sites, to manufacturing plants and wind farms, Wajax has the geographic footprint to rapidly deploy the necessary expertise to meet individual customer needs at the local, regional or national level.

32,000
customers

2,824
employees

115
locations

With locations across Canada, Wajax employees deliver comprehensive sales, support and service expertise exactly where it's needed.

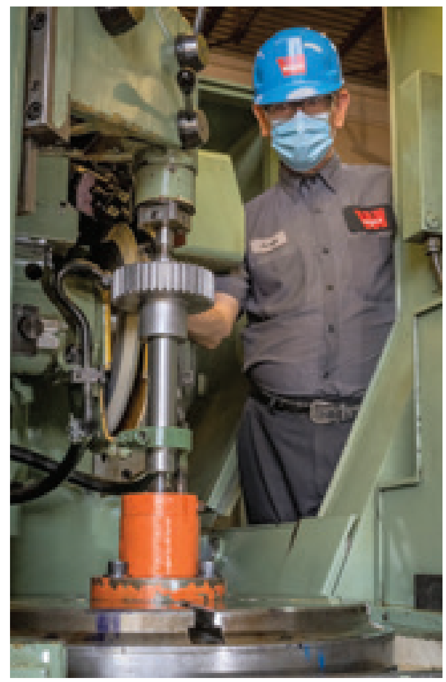


The Right Person, at the Right Time, in the Right Location

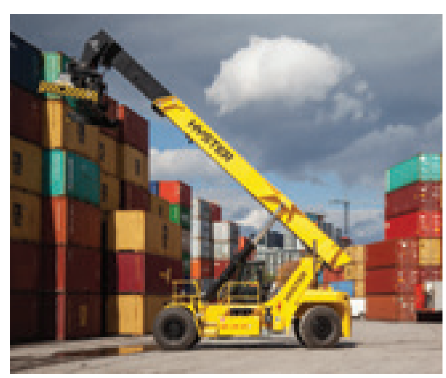
A customer's ability to access the right people and resources quickly and efficiently is a core service priority at Wajax. With locations across Canada, we are evolving as an intelligent services provider, leveraging a growing array of digital solutions, so that our employees stand ready to provide a full range of products and services on-site, off-site or remotely.

Leveraging the One Wajax strategy ensures we can take the best approach to meet individual customer needs. We recommend and integrate key products and services from across our organization to deliver solutions that seamlessly address challenges at the heart of complex operations. Wajax combines a broad range of Industrial Parts, Engineered Repair Services and a focused Heavy Equipment offering to serve the needs of customers in end markets key to Canada's economy, including Construction and Forestry, Mining, Oil Sands, Manufacturing, Commercial industries and Oil and Gas.

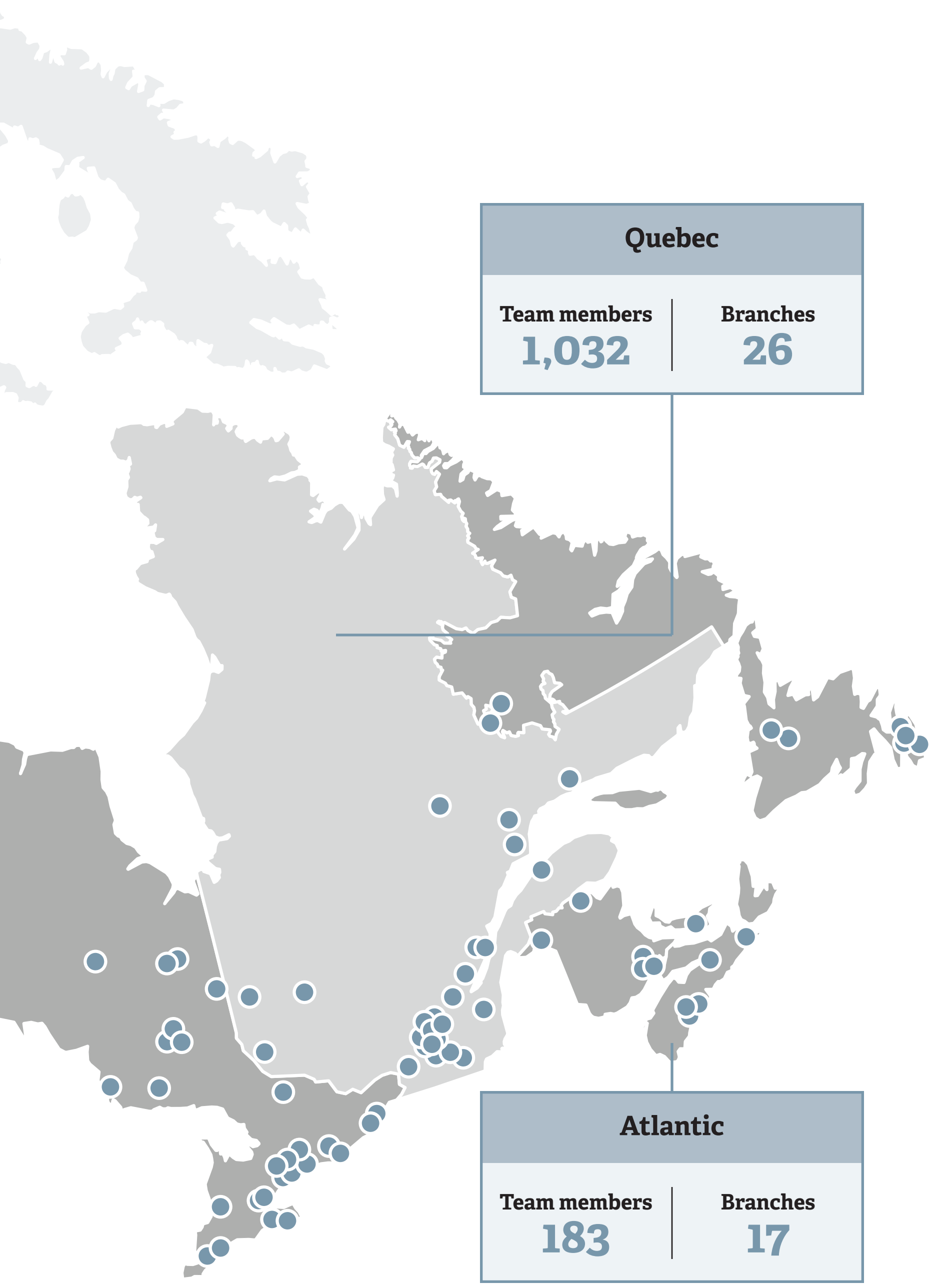
A Hitachi ZW370-5B Wheel Loader with log grapple working in the forestry industry on Vancouver Island.



An ERS technician grinding straight tooth gear at the LaSalle branch.



A Hyster® Container ReachStacker working in the Port of Montreal.



One Wajax

Wajax offers a suite of complementary products and services unparalleled in the industry. Industrial Parts and Engineered Repair Services expertise allow us to meet the most demanding design, construction, maintenance, repair and overhaul challenges. Combining this with the sale and service of Heavy Equipment from industry-leading OEM's is a key differentiator for Wajax.

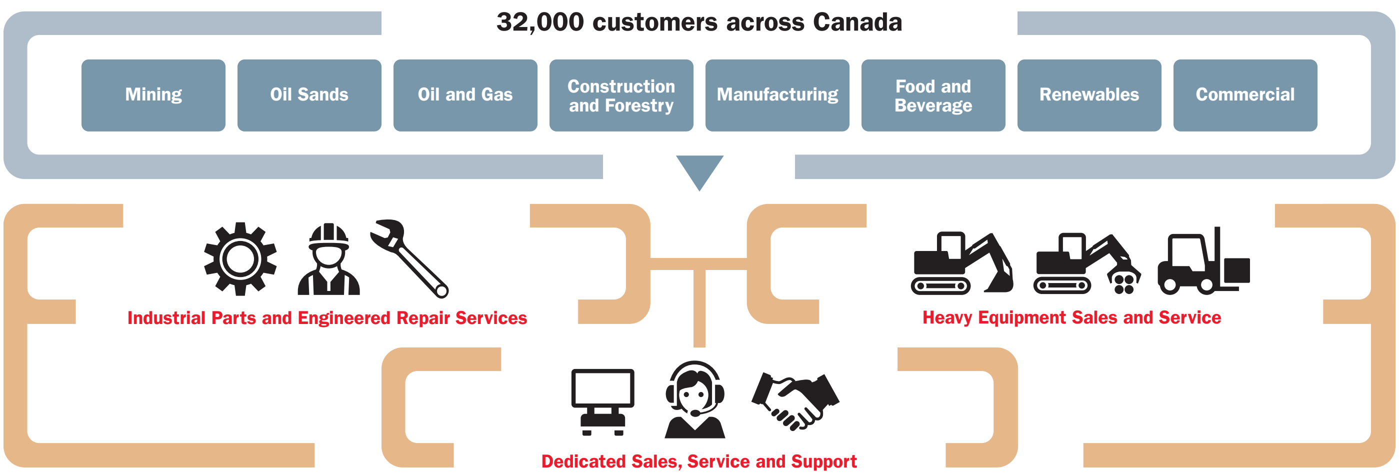
Making customer service a priority by providing individualized customer care. Here, our experienced Customer Service Representative is serving a valued Wajax customer.

Delivering Value Across Our Customers' Operations

We are a trusted partner for our customers, and ultimately one that can help them across the full breadth of their operations, regardless of the industry they operate in. We want to sell an excavator that operates efficiently with minimal downtime; we also want to help optimize and maintain the mining loop fed by that excavator and reduce the mine's environmental footprint. We will supply parts, help understand why a specific component fails and come up with a preventative maintenance solution that improves reliability and efficiency, while saving money. Our goal is to have multiple touch points with each customer and deliver value on every interaction.

We help customers by fully assessing and understanding their needs and assembling a multi-disciplinary team of experts, from right across our organization when necessary, to come up with a customized solution that addresses their individual challenges. Wajax works with industry-leading heavy equipment and industrial parts manufacturers, which also allows us to leverage specific third-party expertise on key products and components when needed. All of this is underpinned by a support network that ensures our customers can reach the right person and get the help they need when and where they need it. We also regularly solicit feedback from our customers, allowing us to continually reflect and learn as an organization from both successes and setbacks. The One Wajax approach allows our entire team to work in concert to deliver seamless, fully-integrated solutions for customers that promote operational efficiency, improve safety, drive profitability and reduce environmental impact.

One Wajax Delivers Value Across Our Customers' Operations



Our goal is to have multiple touch points with each customer and deliver value on every interaction.

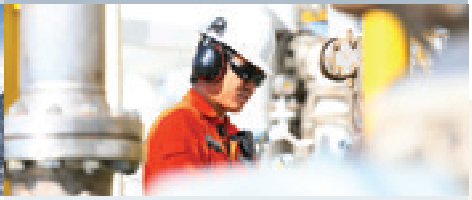
Mining

Keeping mining operations running smoothly with minimal interruptions is critical in the face of volatile commodity pricing and increased competition. Wajax supplies industrial parts, engineering, maintenance, repair and overhaul services for mine infrastructure nationwide, in addition to sales, support and service for a full line of excavators and rigid frame mining trucks.

Oil Sands

Oil sands operations require efficient and reliable excavation and transportation solutions to move large quantities of sand for processing, often in the harshest environments. Wajax offers heavy equipment, commissioning, decommissioning and embedded technical services, as well as a full range of components including pumps, valves, drives, motors and measurement and analysis tools that are key to producing bitumen efficiently and with a smaller environmental footprint.

Oil and Gas

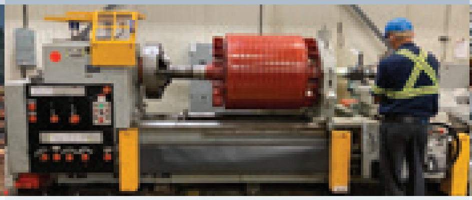


Wajax keeps some of Canada's key commodities flowing by supporting the efficient extraction, production and transportation of oil, natural gas and natural gas liquids nationwide. The offering includes a comprehensive suite of commissioning, decommissioning, testing, engineering, maintenance, repair and overhaul services. These are supported by a full range of industrial parts, including pumps, valves, drives, motors and measurement and analysis tools from leading OEMs globally.

Construction / Forestry

Wajax and its industry-leading OEM partners offer a range of heavy equipment, incorporating the latest digital fleet management technologies, serving commercial construction and logging customers nationwide. The offering includes aftermarket support and service to ensure maximum efficiency and minimal downtime.

Manufacturing



Wajax keeps Canadian industry working by combining efficient Material Handling solutions with extensive maintenance, repair and overhaul expertise. Wajax also provides a broad range of industrial parts, including motors, drives, bearings, valves, panels and measurement and analysis solutions.

Food and Beverage

The food and beverage industry is subject to stringent hygiene standards as well as higher raw input costs. Wajax helps support food, personnel and equipment safety and security, ensuring that operations run efficiently and cost-effectively by minimizing downtime and reducing waste.

Renewables

Wajax's renewable energy offering is focused on hydroelectric and wind turbine generators, motors and related components. Increasingly complex energy infrastructure is becoming a fixture of the Canadian landscape and Wajax offers a comprehensive suite of on-site and in-house, specialized maintenance and repair services that help minimize downtime and maximize output.

Commercial

Wajax serves an array of commercial and government customers across Canada including clients in the distribution, retail, on-highway, public transit and intermodal transportation markets, providing a full suite of products and services ranging from capital equipment to day-to-day services. From Material Handling equipment and systems, to transit vehicle hybrid electrification conversions, to maintenance and repair, Wajax can help cost conscious customers increase efficiency and reduce their carbon footprint.

Industrial Parts and Engineered Repair Services

Through a combination of acquisitions and organic growth, Wajax has established itself as a Canadian leader in the multi-billion dollar Industrial Parts ("IP") and Engineered Repair Services ("ERS") space. Supported by leading global OEMs, Wajax is an ideal partner to address the maintenance, repair and overhaul needs of Canadian businesses from coast to coast.

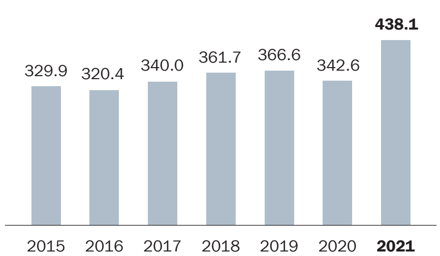
~$10 billion

Annual Canadian IP and ERS market size[1]

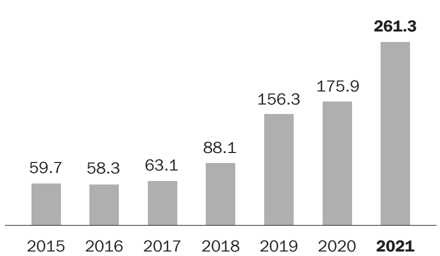
~$175 million

in acquisition capital deployed since 2018

Industrial Parts Revenue ($ millions)



Engineered Repair Services Revenue[2] ($ millions)



The Engine for Growth

Wajax's IP and ERS business continues to be a key driver of long-term growth and significant investments have been made in these segments since 2018. IP/ERS acquisitions made by Wajax over the last three years expanded our national presence in key markets both east and west. They have also expanded our "legacy" core competencies in bearing and power transmission and hydraulics, adding electro-mechanical, and process and instrumentation capabilities.

IP and ERS offer a strong complement to our heavy equipment business, helping to offset some of the cyclicality seen in certain geographies and end markets, especially those involving large projects. The expanded capabilities within IP and ERS also further support our One Wajax strategy, allowing us to offer even more products and services to support the full breadth of our customers' operations.

Tundra Contributing Financially and Beyond

In January 2021, Wajax completed the $99 million acquisition 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 addition to providing a host of new capabilities and expanded access to leading parts suppliers, Tundra helped to expand Wajax's footprint in Western Canada.

Other benefits have rapidly emerged. Following Wajax's acquisition of Tundra in January 2021, Tundra generated $125 million in revenue, brought extensive industry expertise and has also had a strong influence on Wajax's culture and community initiatives.

Building a Canadian ERS Leader

Wajax has deployed ~$175 million in acquisition capital since late 2018 to acquire businesses that expand our legacy ERS offering nationwide. Groupe Delom added maintenance and repair of critical electro-mechanical and rotating equipment for continuous process industries, while NorthPoint Technical Services ("**NTS**") brought electro-mechanical service capabilities focused on rotating industrial equipment. Coupled with Tundra's strength in process and instrumentation, Wajax has one of the broadest solution offerings in the market and the ability to provide them across Canada.

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

Inspection of filtration equipment on a Continuous Emissions Monitoring Sample Conditioning System by a Project Manager.

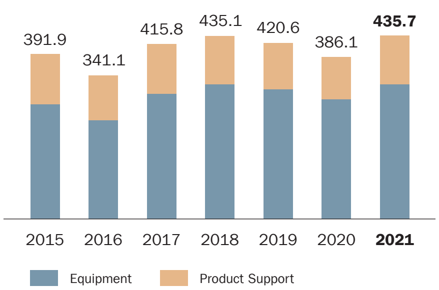
Quality Assurance Technician inspecting gear in the LaSalle branch.

Engineered Repair Services Technician horizontally boring a bearing journal.

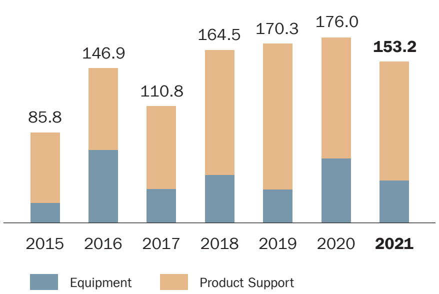
Heavy Equipment

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

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



Mining Revenue ($ millions)



Connecting Customers with Innovative Solutions

Many of our core manufacturing partner relationships have been in place for decades. We work closely with our suppliers, relaying customer feedback and helping them to develop and deliver new products and solutions. Our teams also collaborate closely with customers, working to understand their needs through a comprehensive consultation and audit process. This allows us to recommend the best solution – one that is tailored to them.

Many of the brands we represent are increasingly leveraging next-generation technologies that support improved fleet management, high levels of operational efficiency, greater safety and a smaller environmental footprint. These include automation, telematics and cleaner power sources, as well as advanced hardware and software modules that support sound operational decision-making and high levels of utilization.

Expanded Direct Distribution Strategy with Hitachi

In August 2021 Wajax announced an expanded direct distribution strategy with its largest manufacturing business partner, Hitachi. The expanded arrangement relates to construction excavators, mining equipment and related aftermarket parts. Direct alignment with the OEM is expected to provide enhanced access to equipment and parts inventories as well as innovative, next-generation technologies, while also facilitating an improved customer experience. As Hitachi's national construction and mining partner, Wajax is ideally positioned to expand this core OEM's reputation for value, performance and reliability. The expanded relationship took effect March 1, 2022.

Leading Brands Across Key Categories

Hitachi

Construction

Completing projects on time and on budget requires knowledge, discipline and the right tools. Over more than a century, Hitachi has built a legacy of delivering a range of efficient, reliable and durable solutions designed specifically to meet the heavy demands of the construction industry. Wajax carries a full line of industry-leading tracked excavators and wheel loaders, designed to get the job done on any construction site.

Oil Sands and Mining

Hitachi's mining line includes excavators and haul trucks that are designed to operate safely and reliably in the harsh conditions often found in mining camps. Hitachi's Global e-Service telematics box can be installed on any brand of equipment and collects a range of data, including machine hours, location, maintenance and work level intensity, transmitting it over cellular modem to a cloud-based database. The data can be used to optimize jobsite efficiency, machine performance and uptime, allowing the customer to maximize profits and reduce waste.

Tigercat

Tigercat is a premium provider of forest harvesting and specialized off-road industrial machines. Born into the forestry business, the privately-owned company is headquartered in Canada, and has a unique understanding of the Canadian market. Their products are designed to perform in harsh conditions and take on demanding duty cycles in remote areas. Tigercat has a reputation for rapid innovation, finding bespoke solutions for unique client challenges. Their telematics offering provides real-time data and machine diagnostics to support fleet management and machine monitoring. This allows for rapid troubleshooting and minimal downtime when working deep in the bush, far from the nearest service facility.

Hyster-Yale Group

For more than 50 years, Wajax has distributed the comprehensive line of lift trucks from Hyster®, capable of handling loads from 2,000 to 115,000 lbs. Hyster® lift trucks combine award-winning designs, industrial-strength components and high-tech manufacturing to deliver versatile and dependable solutions. Hyster® continues to invest in and expand their portfolio of clean-energy and environmentally friendly solutions with lithium-ion batteries and hydrogen fuel cell technology. These solutions open doors to greater productivity and performance, as well as faster ROI and lower cost of ownership. The Hyster® Tracker solution provides customers with insights and controls to improve operator behavior, control access to equipment, confirm pre-shift checklist completion and monitor equipment and operator utilization. The cloud-based telemetry solution provides actionable insights giving a thorough look into a fleet's day-to-day operations.

MTU – A Rolls-Royce Solution

MTU delivers world-class power solutions for energy and mobility based on gas, diesel and electrified hybrid systems with applications in power generation, marine, oil and gas, mining and rail. Wajax delivers full life cycle solutions from new and used sales to support and service. With an increasing focus on sustainability, Rolls-Royce has committed to being a net-zero company by 2050, and MTU is using digitalization and electrification to deliver environmentally responsible solutions to meet increasingly stringent emissions standards. These products will help end users achieve their own sustainability goals.

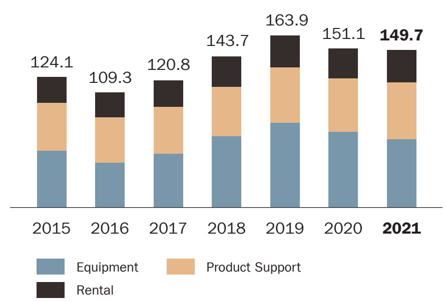
Allison Transmission

Allison Transmission is a leading designer and manufacturer of conventional and electrified propulsion solutions and the largest global manufacturer of medium- and heavy-duty fully automatic transmissions. The company offers solutions for on-highway trucks, buses, motorhomes and off-highway vehicles. Its next-generation products include eGen Flex™ electric hybrid systems and eGen Power™ fully integrated electric axles which support increased sustainability for customers' bus and on-highway vehicles. FuelSense® 2.0 combines software and electronic controls to manage shift points, gear position at idle and acceleration management to deliver measurable fuels savings across a fleet. Wajax offers new product sales, parts and services for a full range of Allison products.

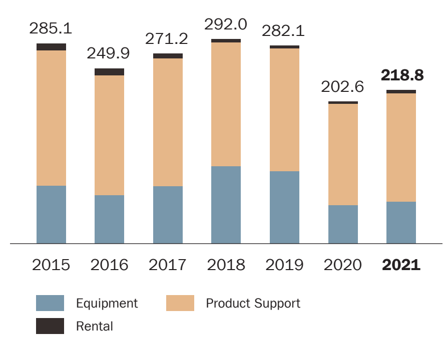
Tigercat purpose-built forestry equipment working near Quebec City.

Hyster® Forklift hard at work at our London branch.

Material Handling Revenue ($ millions)



Power Systems Revenue ($ millions)

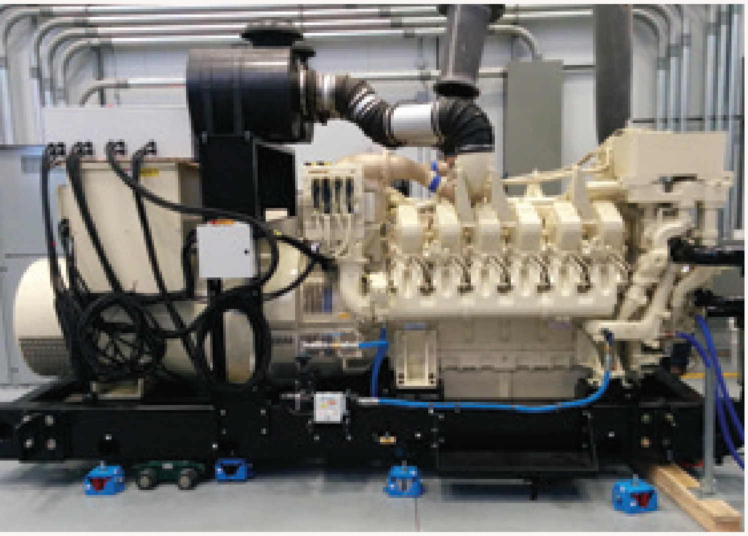


Partnering with Our Customers

Moving to Proactive Maintenance Saves Costly Downtime

Our customer, one of the largest salt mines in Canada, experiences harsh conditions and long operating hours leading to breakdowns and downtime.

The customer needed a solution to analyze the health of their machinery, detect potential issues, and act as an early warning system. After an extensive review, Wajax proposed an advanced vibration analysis and inspection monitoring system that could diagnose potential problems. This new preventative maintenance system has enabled the customer to take proactive actions, avoiding costly downtime.



Helping a Provincial Utility Keep the Lights On

Our customer operates 22 different plants, providing essential energy for over 200 communities across their province.

With most of their larger plants located in remote areas, new generators need to be extremely reliable and require minimal maintenance, a tall order for machines that are continuously running in harsh weather conditions. Wajax evaluated the operating conditions and recommended custom generator sets from MTU with improved fuel economy, required power output, and exceptional reliability. Shipping to remote locations can be challenging but Wajax's expertise and teamwork ensured every one of the generator sets was delivered on time.

A Modern Fleet Helps Save Costs… and the Planet

For more than 50 years, our customer has been Canada's leading foam and fibre manufacturer, providing innovative industrial, healthcare and residential solutions.

Using a fleet of internal combustion-powered equipment, our customer's existing approach no longer aligned with their environmental goals. Wajax recommended Hyster electric forklifts powered by lithium-ion technology, producing zero emissions with minimal maintenance. The new Hyster solution also included Fleet Telematics allowing for real-time monitoring of equipment. We're proud to have provided an innovative solution that helped our customer to reduce carbon emissions.

Helping our Customers Grow in Competitive Markets

Our customer expanded from a small start-up to a company with an impressive heavy equipment fleet, including excavators and road graders, as well as rental units.

In a competitive fast-paced industry, our customer needed a reliable partner with exceptional products, service and a customer-first approach. Wajax's extensive equipment catalogue and nationwide support network, combined with Hitachi's leading technology enabled our customer to rapidly expand their business across Canada.

New Lease on Life for a Small Hydro Turbine Generator

Our customer provides regulated electricity, water, and natural gas utility services to more than one million customers, primarily in North America, through a portfolio of wind, solar, hydro and thermal power generation facilities. Their core generating units passed 25 years in service and critical issues have arisen more frequently. Wajax's technical expertise, and a comprehensive logistics plan won over the customer. Groupe Delom's hydro group, part of Wajax's ERS team, identified significant issues and had the in-house capability to complete all repairs and re-installation within a tight time-frame.

Our team's performance maintaining the project schedule and providing quality workmanship strengthened our valuable customer relationship.

Sustainability at Wajax

In 2021, we continued our sustainability journey, building on the materiality assessments, benchmarking and environmental footprint calculations we conducted in 2020. For this reporting year, we are introducing our long-term objectives and targets, establishing our path forward.

Wajax intends to reach net-zero by 2050 and make a 10% reduction in GHG emissions by 2025.

Launched Carbon Footprint Reduction Initiative with LED lighting retrofit pilot study (expected to support a ~700 tCO_2e reduction in GHG by 2025).

Measuring Our Progress Effectively

As an organization, we believe individuals, communities, and organizations all need to play their part when it comes to sustainability. This is important to Wajax because it is the right thing to do, and because we have an obligation to manage the Corporation in a socially responsible and progressive fashion. Our sustainability initiatives will continue to evolve and grow over time as Environmental, Social and Governance ("**ESG**") guidelines and frameworks evolve, including those of the Global Reporting Initiative ("**GRI**"), the Taskforce on Climate-Related Financial Disclosures ("**TCFD**") and the United Nations, through both the Paris Agreement and the Sustainable Development Goals.

We are committed to supporting and reporting in accordance with these emerging global standards. We are also focused on helping to build a net-zero society. On that basis, Wajax intends to be carbon neutral by 2050, with a preliminary goal of a 10% reduction from our 2020 greenhouse gas ("**GHG**") emissions baseline by 2025.

Regular Stakeholder Engagement

Wajax believes that our position on sustainability is an increasingly important factor to a range of both internal and external stakeholders. We regularly engage with our team across the country, including via bi-weekly all-employee video update calls, semi-annual Voice of the Employee surveys and virtual town halls, in addition to regular training, health and wellness, and community involvement events. This provides employees with the opportunity to provide feedback on a range of subjects, including specific social and environmental initiatives within our broader sustainability program.

We also engage with our customers in a variety of ways, but most formally via our monthly and semi-annual Voice of the Customer surveys, which measure performance at key points within a specific transaction as well as the broader relationship. We follow up on survey responses with more detailed live conversations which seek feedback to drive improvement in the overall customer experience at the branch level and beyond. Customers often request information on our ESG progress as part of their vendor pre-qualification of Wajax. In 2020 and 2021, 20% of senior executive annual incentive compensation was linked to employee and customer survey response rates, employee and customer Net Promoter Scores® , and safety performance.

We regularly attend investor events hosted by major financial institutions to engage with our major shareholders. Although the opportunities were fewer and farther between during 2020 and 2021 due to the COVID-19 pandemic, we continued to attend virtual investor events, in addition to meeting with investors through scheduled calls. Investor audiences are increasingly focused on sustainability and we do receive specific questions regarding our ESG initiatives from this group.

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, together we are taking decisive action to meet our long-term sustainability goals.

Wajax has a core belief that we all need to play a part in sustainability. Wajax is committed to supporting emerging global standards to help build a net-zero society.

Sustainability Roadmap

Areas	Goals	Progress
Products and Services	Wajax is committed to a continuous process of understanding customer needs and leveraging technology, our broad in-house expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.	▪ Added Columbia Vehicles’ line of pure electric, no emissions vehicles. ▪ Expanded up-tower wind and small hydro offerings through Groupe Delom.
Environment	Wajax is committed to being a good steward of the environment. We want to ensure that our operations are managed with a clear focus on minimizing their environmental impact and will increasingly target initiatives that lower energy intensity and reduce waste.	▪ Established carbon footprint reduction goals. ▪ Launched carbon footprint reduction initiative, starting with LED lighting retrofit pilot study. ▪ Initiated Scope 3 emissions reporting from downstream transportation and distribution.
People	Wajax believes its most important resource is its people. We want to ensure employees are safe on the job and physically, mentally and financially healthy. We offer employees the ability to learn continuously across a broad range of topics. We want a diverse workforce that broadly represents Canadian society. Each of these elements is critical to providing world-class service and solutions and our overall, long-term success as an organization.	▪ Implemented a Diversity and Equal Opportunity Policy. ▪ Employees completed self identification questionnaire to establish our diversity baseline. ▪ Launched company-wide diversity awareness training. ▪ Formalized partnerships with two organizations, one supporting indigenous peoples, and the other, the empowerment of women to succeed in their careers. ▪ Established goals to increase the representation of women and other underrepresented groups among our team.
Governance	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.	▪ Targeting fuller alignment of Wajax sustainability reporting with TCFD for climate scenario, risk, and opportunities.
Community	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 do this through a combination of volunteer hours, fundraising and in-kind donations.	▪ Identified new charities to support: Canadian Cancer Society and Food Banks Canada. ▪ Maintained support for Kids Cancer Care Foundation of Alberta (through Tundra) ▪ Set a $125,000 corporate contribution goal for 2022

Products and Services

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

Program Core Priorities

- Broadening our product and service offering to support our customers in meeting their environmental objectives
- Partnering with vendors with robust sustainability programs to deliver innovative products that reduce environmental impact
- Building our business in end markets focused on sustainability such as wind and hydroelectric power
- Leveraging our broader offering and One Wajax strategy to create increased relevance to customers improving efficiency and reducing waste
- Identifying opportunities for remote monitoring of equipment to avoid unplanned outages, improving productivity and reducing waste

Recent Progress

- Added Columbia Vehicles' line of pure electric, no emissions vehicles
- Expanded up-tower wind and small hydro offerings through Groupe Delom

Current Objectives

- Continue to develop our vendor partnerships to both broaden Wajax's product offering and deliver innovative new products that help our customers reduce their environmental footprint
- Build partnerships with organizations that are leveraging innovation to reduce the environmental impact made by the industries that we serve

Wajax is helping to build safe and sustainable communities that foster innovation and are underpinned by stable and efficient infrastructure in support of the Sustainable Development Goals as defined by the United Nations.

Sourcing Innovative, Sustainable Products

Wajax works with leading, global brands across its portfolio. We act as a conduit for feedback between end customers and our vendor partners, providing them with customer feedback to help develop their next generation products. Many of our vendor partners continue to advance their commitment to operating sustainably and developing and manufacturing products that deliver a reduced environmental footprint.

While safety, operational efficiency and cost-effectiveness remain key development drivers, Wajax's vendor partners are increasingly focused on reducing the impact their products have on the environment. This includes both developing and actively marketing a range of products that:

- Leverage hardware and software solutions that reduce fuel/power consumption;
- Utilize alternative fuel and power sources such as hybrid, full electric and hydrogen;
- Incorporate telematics and other software solutions that promote efficient fleet management and support predictive maintenance to reduce waste; and
- Offer lower greenhouse gas emissions to comply with increasingly stringent emission standards globally.

No Emissions? No problem. In 2021, Wajax brought the innovative line of Columbia no-emissions electric vehicles to Canada. The vehicles move, carry and tow in a variety of environments ranging from airports, parks and campuses to warehouses and shop floors.

ERS Serves Sustainability

Keeping the Wind in the Sails of Canada's Renewable Energy

Canada has invested in wind power for nearly 30 years. Wind farms in every province now account for roughly 6% of electricity production nationwide, moving Canada closer to achieving its 2030 goal of making 90% of its electricity non-emitting.

Multiple wind farms across the country were reporting the premature failure of the wye ring connection (method of wire connection) in their wind turbine generators. This was causing frequent breakdowns, excessive downtime, and costing millions in repairs, maintenance, and productivity losses. The first step was an in-depth analysis of the current wye ring connection to determine the cause of the failure. For this highly technical job, Wajax ERS' Groupe Delom leveraged their extensive expertise in electromechanical equipment, maintenance, and wind turbine repair. They conducted a comprehensive investigation to determine the cause of the failure and then used the findings to design and engineer a new wye ring.

Nothing like this had been attempted before, and some operators were hesitant to proceed. To demonstrate the benefits of the new wye ring, Groupe Delom helped calculate the repair and maintenance costs over the next five years should preventative measures not be taken. The replacement had to be made with the utmost precision and care. Groupe Delom's team needed to open each generator's winding, remove the wye ring, install the new one, and put everything back together – 300 feet in the air. If just one component were out of place, it would result in total turbine failure.

Our trial proved to be a success. It confirmed Groupe Delom's new wye ring could be a reliably and effectively retrofitted up-tower, eliminating the need for generator removal, a costly and time-consuming process that requires a specialized crew and equipment. First implemented in 2014, more than 400 wind turbines now feature Groupe Delom's wye ring connection. Not one has reported a premature failure, saving millions of dollars in repair costs and potential downtime, leaving Canada free to pursue its renewable energy generation goals.

Wajax's ERS team has extensive experience in the maintenance and repair of wind turbines across Canada.

Helping School Buses Charge Forward

For almost 60 years, our customer has provided Ontario, Quebec, and Atlantic Canada with commercial and school buses. Dedicated to quality and safety, they are constantly innovating to provide the best for children and communities, and electric buses are the latest innovative solution. School boards across the country are looking to reduce their environmental footprint, however infrastructure has developed slowly, and the lack of bus charging stations has slowed progress. To supply school boards with electric buses, our customer needed to develop a charging solution that makes owning and operating a fleet of electric buses feasible.

This was a complex job, requiring a significant amount of planning, engineering, and experience, perfect for Tundra, a distributor of process equipment for industries such as oil and gas, petrochemical, mining, forestry and municipalities. Two custom battery charging solutions were designed for the customer: a skid-based station capable of charging 21 buses, and a mobile trailer-based unit capable of charging seven buses.

Both options are fed by utility power, which is then synchronized and transferred to the vehicle by simply plugging in the charging cable. The entire solution, from planning and design to construction and installation, was handled in-house.

Tundra developed charging solutions for electric bus fleets in Ontario, Quebec and the Maritimes.

HBC
Hydrogen Business Council

In 2021, Wajax joined the Hydrogen Business Council, which is focused on bringing knowledge and opportunities to those who can apply and realize hydrogen technology's benefits in their work.

Environment

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

Program Core Priorities

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

Progress in 2021

- Reported comparative data against 2020 benchmarks
- Established carbon footprint reduction goals
- Implemented reporting system organization-wide with selected environmental performance KPIs now available down to branch level
- Launched Carbon Footprint Reduction Initiative with LED lighting retrofit pilot study (expected to support a ~700 tonnes of carbon dioxide equivalent ("**tCO_2e**") reduction in GHG)
- Completed broader rollout of the national Waste Management Program across all branches and implemented an e-waste initiative

Objectives for 2022/2023

- Compare against 2020 and 2021 data to identify areas of progress and those needing improvement
- Continue to evaluate and pilot energy reduction measures with increased complexity and investment
- Aim to establish future GHG reduction targets using SBTi's WB2C scenario
- Review and, where possible, align reporting to TCFD

As an organization, Wajax continues to take steps to actively manage and reduce environmental risks in support of the Sustainable Development Goals as defined by the United Nations.

We are focused on helping to build a net-zero society. On that basis, Wajax intends to be carbon neutral by 2050 with a preliminary goal of a 10% reduction from our 2020 GHG emissions baseline by 2025.

Continuing Our Sustainability Journey

Over the last several years Wajax has rolled out an array of environmental management protocols and best practices aimed at reducing its operational environmental risks. In 2020, as we formally began our sustainability journey, our focus was on establishing benchmarks and identifying programs that would drive our program forward and allow us to assess GHG reduction performance and progress. In 2021, we delivered on these initiatives, implementing organization-wide reporting that can offer detail right down to the branch level, and identifying a new range of initiatives in both waste management and GHG emissions reduction. In addition, we initiated quantifying our Scope 3 emissions from "downstream transportation and distribution" only. Therefore, our Scope 3 disclosure is not yet comprehensive. During 2022 and beyond we will continue to expand the scope to establish a more comprehensive baseline.

Environmental Performance

Managing environmental risk is paramount for Wajax to comply with its environmental obligations and meet community expectations for sound environmental performance. We have implemented programs to help manage day-to-day risks and identify any issues as early as possible to prevent escalation and minimize any impact on human health and the environment.

Spills are a significant environmental risk and, therefore, an area of focus. Prevention is our priority, which is reinforced with employees through training and procedures aligned with industry best practices. Specific education on spill response also facilitates quick and decisive action, which reduces any impact if a spill event does occur. Incident tracking and corrective actions are mandatory to determine the root-cause of incidents and prevent similar occurrences in the future by sharing outcomes organization wide.

Overall environmental awareness training is provided to all employees, primarily through WajaxU, our online training platform, with key learnings shared across the organization through town halls and other media. Environmental Audits are conducted to provide a further status check on our operations. We have successfully maintained our auditing program throughout the pandemic using a virtual format. Continuous improvement and revision of our policies, procedures and training is routinely conducted to ensure they remain relevant and adhere to changing regulations and learned best practices.

As an organization, Wajax continues to take steps to actively manage and reduce environmental risks.

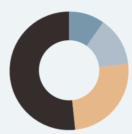
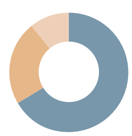
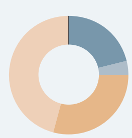
Planning for a Greener Future

One of the core priorities for our environmental program is the reduction of greenhouse gas emissions. In 2020, we implemented our Carbon Footprint Reduction Initiative. The program is designed to reduce our environmental footprint through reduced energy consumption. We have identified a range of energy reduction measures with increasing levels of complexity and investment that will form part of a multi-year implementation strategy.

We are starting with LED lighting upgrades, which are a lower complexity and highly cost-effective initiative, with a payback of approximately three years. LED lighting also offers ancillary benefits to the business, such as improved safety. We conducted a facility benchmarking study and identified our medium-to-large size facilities that would provide a strong base case for broader implementation. The pilot project is expected to run through the balance of 2022 with estimated annual GHG reductions totaling nearly 300 tonnes of CO_2 annually once completed.

Wajax's Carbon Footprint Reduction Initiative is designed to reduce our environmental footprint through reduced energy consumption.

Key Environmental Metrics

Metric	What it Measures	Data	2021 Notes
Energy Usage(1)	Energy consumption within the organization including: ▪ Fleet unleaded and premium gasoline ▪ Fleet diesel fuel ▪ Building electricity ▪ Building natural gas consumption	 MWh — 2020 — **2021** Fuel – Gasoline — 6,932 — **10,280** Fuel – Diesel — 6,569 — **14,056** Electricity — 26,916 — **26,251** Natural Gas — 51,941 — **53,854** Total — 92,358 — **104,537**	Total energy consumption equivalent to 2,468 homes for one year
Greenhouse Gases(1) **("GHG")**	We are focused on helping to build a net-zero society. On that basis, Wajax intends to be carbon neutral by 2050, with a preliminary goal of a 10% reduction from our 2020 Scope 1 and 2 GHG emissions baseline by 2025. Scope 1 – direct emissions from owned/controlled sources Scope 2 – indirect emissions from the generation of purchased energy Scope 3 – Scope 3 emissions reporting resulting from downstream transportation and distribution	 tCO_2e — 2020 — **2021** Scope 1 — 12,243 — **15,280** Scope 2 — 5,121 — **5,209** Scope 3 — — — **2,434** Total — 17,364 — **22,923**	Total GHG emissions equivalent to 4,989 passenger cars driven for one year
Hazardous/ Non-Hazardous Waste(2)	The amount of Hazardous Waste and Non-Hazardous Waste sent for recycling or to landfill. **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.	 tonnes — 2020 — **2021** **Hazardous Waste** Recycled — 518 — **566** Landfilled — 50 — **101** **Non-Hazardous Waste** Recycled — 565 — **776** Landfilled — 937 — **1,209** **E-Waste** Recycled/Recycled — – — **5** **GHG Emissions Avoided from Recycling** tCO_2e avoided Hazardous Waste — 547 — **686** Non-Hazardous Waste — 1,407 — **1,859**	Avoided 2,545 tCO_2e from recycling which is equivalent to 553 passenger cars driven for one year

(1) Includes Wajax, Groupe Delom and NTS operations.
(2) Wajax operations only.

Energy Usage
Fleet fuels (gasoline, diesel) consumption increase due to larger fleet (now including acquisitions) and colder temperatures.
Natural gas 2020 baseline adjusted with better quality data.

Greenhouse Gases ("GHG")
GHG emissions variance due to real estate mix, acquisitions and changes in emission factors.
Scope 3 emissions: only downstream transportation and distribution from Wajax's top four transportation partners.

Waste
Tonnage increases and composition of waste stream changes due to continuation of branch additions under national waste service contracts.
E-Waste: equipment reused or recycled through Electronics Recycling Association ("**ERA**").

People

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 possible care of the people who provide that experience day in and day out: our employees.

Employee safety, health and wellness is critical to the overall strength and performance of Wajax in support of the Sustainable Development Goals as defined by the United Nations.

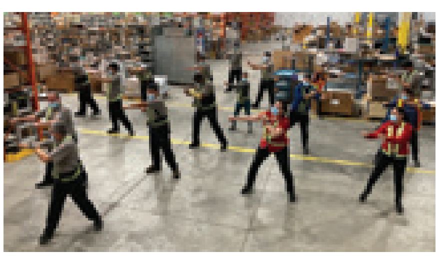
Overcoming the COVID-19 Challenge

Through the heart of the pandemic, we have mounted a robust response to the challenge of COVID-19, working to keep all stakeholders safe and ensuring the integrity of our business operations so that customers could continue to access our suite of essential products and services. Our four main priorities in managing the challenges associated with COVID-19 are:

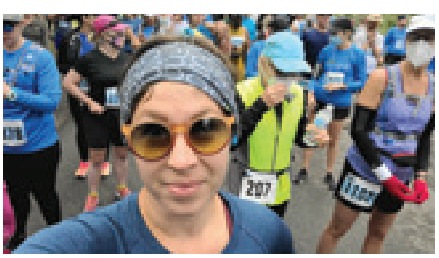
1. Protecting the health, safety and well-being of employees;
2. Providing strong service to customers;
3. Protecting the financial health of the Corporation; and
4. Continuing to be well-positioned to execute on the Corporation's growth strategy

In addition to the comprehensive list of protocols we established in early 2020, and the use of a broader information campaign, we also piloted COVID-19 rapid testing at selected branches. Wajax's low number of COVID-19 cases trended below broader Canadian levels thanks to careful adherence to our health and safety protocols. Employees able to work from home continue to do so and we are helping all employees meet the challenges of this difficult time, both mentally and physically, with an expanded offering of resources including a digital well-being platform, frequent wellness challenges and health promotions.

LIFESPEAK



Wajax employees taking part in the pre-work stretch program, as part of the "Move at Work" Wellness Challenge.



Wajax provides opportunities for employees to participate in health and wellness activites.

Promoting 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 continue 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. Key accomplishments for 2021 include:

- 104 Wellness Champions helping to promote and engage the team at the end of 2021;
- Delivered The Wellness Report Survey findings that focused on physical, mental and financial health and identified areas where improvements were needed;
- Launched the LifeSpeak digital well-being platform, which included more than 240 videos as well as information on a variety of health, wellness and diversity and inclusion topics; and
- Introduced monthly wellness challenges mid-2021 and delivered Health and Wellness bulletins, in addition to conducting regular wellness campaigns throughout the year.
- Other key initiatives that went forward in 2021 included:
  - Refreshing internal physical, mental and financial health resources, and added health and wellness content to new employee orientation training;
  - Promoting smoking cessation resources, in response to feedback from The Wellness Report Survey;
  - Launching financial wellness webinars, flagged as important by employees in The Wellness Report Survey;
  - Providing internal Wellness Champions with additional communication tools; and
  - Adding new paramedical practitioner categories to the Wajax employee benefits plan.

London branch staff take part in a safety share meeting.

Committed to Operating Safely

A core value at Wajax is that everyone goes home safe at the end of their shift. Likewise, our customers expect that we will operate safely, especially when we are working on their sites, which is key to delivering excellent service.

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

1.02 TRIF(1)

Wajax has a continuous effort to drive improved performance across the organization.

Key Indicators of Safety Performance

Metric	What it Measures	Performance	Discussion
Total Recordable Incident Frequency (TRIF) Rate(1) Wajax target for 2022: at or below 1.0	Overall safety performance of the organization. A TRIF rate of 1.02 or less is considered exceptional for companies performing high-risk activities.	2019: 1.39 2020: 1.08 **2021: 1.02**	▪ Groupe Delom and NorthPoint Technical Services included for first time in 2019 and 2020 results(3) ▪ Tundra included in 2021 data ▪ Total TRIF Rate improved 6% ▪ Wajax had three injury-free months in 2021
Motor Vehicle Accident (MVA) Rate(2) Wajax target for 2022: at or below 1.0	Safety performance of a vehicle fleet. The Motor Vehicle Accident Rate is an industry accepted metric to evaluate fleet safety performance. An MVA Rate < 1.00 is considered best in class.	2019: 3.20 2020: 2.66 **2021: 2.23**	▪ Increased focus on driver behaviour and driver safety indicators supported 12% improvement
Corrective Actions Wajax target for 2022: 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.	2017: 89% 2018: 86% 2019: 92% 2020: 95% **2021: 95%**	▪ Increased communication around implementation and closure of Corrective Actions drove improved closure rate in 2021
Branch Health and Safety Evaluations Wajax target for 2022: Average Score 90%	Compliance with Wajax standards and occupational health and safety legislation. 90% grade required to pass.	2017: 89% 2018: 92% 2019: 92% 2020: 86% **2021: 86%**	▪ Coherent, risk-based virtual audits to optimize resources and get effective results for hazard control and compliance across Wajax
Certificate of Recognition (COR) Wajax target for 2022: 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.	2018: 97% 2019: 94% 2020: 100% **2021: 98%**	▪ Wajax scored very well, at 98%, and Northpoint at 95% during the COR external re-certification audits, showcasing our strong commitment to safety

(1) Total Recordable Incident Frequency (TRIF) = total recordable injuries x 200,000 / number of hours worked. Consolidated Wajax, Groupe Delom, NorthPoint Technical Services and Tundra results.
(2) Motor Vehicle Accident (MVA) Rate = Total number of motor vehicle traffic collisions x 1,000,000 kilometers / number of kilometers driven (does not include Tundra).
(3) Although acquired in 2020, NorthPoint Technical Services 2019 TRIF results have been added to Wajax's 2019 data for comparison purposes.

A DIVERSE TEAM IS A STRONG TEAM. WAJAX.

Wajax supports a culture of equal opportunity including the training, support and promotion of all employees.

Wajax Women Representation by Level	2021
Women on the Board	36%
Women in Senior Leadership Roles	30%
Women in Management	16%

Diversity

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

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 their employer to others.

WBF™ WOMEN BUILDING FUTURES®

Employer of Choice with Women Building Futures

Wajax's partnership represents a commitment to gender inclusion in the workplace. Women Building Futures' vision is to empower women to succeed in careers where women are underrepresented, to inspire positive economic change for women and to forever transform the face of industry in Canada. Partnering with WBF supports our diversity journey and fits with our goal of attracting, retaining and developing a diverse and skilled workforce.

Diversity			
Program Core Priorities	**Previous Objectives**	**Progress**	**Current Objectives**
▪ Increase representation of all groups, including women, Black, Indigenous, People Of Colour (BIPOC), LGBTQ2S+ and those with disabilities	▪ Release 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 underrepresented groups including women, BIPOC and those with disabilities	▪ Implemented Diversity and Equal Opportunity Policy ▪ Rolled out Diversity and Equal Opportunity training content on multiple learning management system platforms ▪ Completed Senior Leader Diversity and Equity in the Workplace Workshops ▪ Employees completed self identification questionnaire which established our diversity baseline ▪ Launched company-wide diversity campaign ▪ Formalized partnerships with two organizations which support and promote underrepresented groups	▪ Focus on diversity hiring ▪ Continue diversity training ▪ Continue to review and add partnerships for underrepresented groups ▪ Continue to celebrate diversity

Supporting Indigenous Peoples

In 2021, Wajax entered into a support agreement with Indspire, a national charity that invests in the education of First Nations, Inuit and Métis people for the long-term benefit of these individuals, their families and communities and Canada. As part of the relationship, Wajax's Indigenous employees (2.2% of our team members self-identify as Indigenous) will act as mentors to youth. The Corporation will also donate $50,000, which will be augmented through matching government grants. The funding will be used for post-secondary bursaries, among other educational initiatives, with a particular focus on STEM and the trades.

Indspire

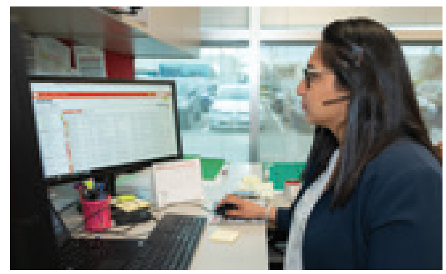
Indigenous education, Canada's future. | L'éducation des autochtones. L'avenir du Canada.

Learning and Development

Wajax's goal is to attract, engage, train, develop and retain the best people across all levels of the organization. Continuous learning and development opportunities are key drivers of overall employee satisfaction. Wajax relies on its frontline staff to provide an excellent customer experience with every interaction, and we remain committed to building those skills. Sharpening 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.

Embracing Learning at Every Opportunity

Our WajaxU LMS offers a curated combination of in-house, vendor and third-party created content spanning a range of topics, including product knowledge, systems and applications, sales, inter and intrapersonal skills, leadership, and company policy. In 2021, we added 600 new courses bringing the total available to more than 3,200. This year, our training hours tripled to more than 46,000 hours including time from recent acquisitions who are now all on our online platform. We are also now tracking third-party vendor technical training.



Continuous learning and development is encouraged for all Wajax employees. In addition, the WajaxU LMS offers a curated combination of in-house, vendor and third-party created content spanning a range of topics.

Learning and Development			
Program Core Priorities	**Previous Objectives**	**Recent Progress**	**Current Objectives**
▪ Provide employees with the tools and support needed to do their best work ▪ Promote and foster a learning culture	▪ 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 Human Resources Management Systems ("**HRMS**") ▪ Facilitate self-serve access to HR reporting and business intelligence metrics	▪ Increased training hours by 58% versus the prior year(1) ▪ Added 600 new courses to the WajaxU LMS ▪ Four cohorts (89 employees) completed the Wajax Leadership Practices program ▪ 108 managers / supervisors completed in-house safety leadership training ▪ Continuing SafeStart safety training for employees ▪ Launched pilot Customer Service training program ▪ Integrated National Technical Training Team into the Learning and Development group ▪ Launched online performance review process company wide	▪ Increase training hours for employees ▪ Create dedicated learning paths for key roles ▪ Further expand leadership development programs utilizing HRMS ▪ Refine current processes and systems to ensure a more user-friendly and accessible learning experience

(1) Increase in training due to adding technical training by vendors and recent acquisitions to total 2021 training hours.

Community

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 do this through a combination of volunteer hours, fundraising and in-kind donations.

Program Core Priorities

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

Successes in 2021

- Identified multiple new charities to support including Canadian Cancer Society, Food Banks Canada and Indspire
- Set a $125,000 corporate contribution goal for 2022

Objectives for 2022

- 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
- Contribute to extraordinary causes (natural disasters, etc.) on a case-by-case basis
- Fund community support initiatives at the local level

Good corporate citizenship means more than just providing employment. Wajax works charities at the local and national level in support of the Sustainable Development Goals as defined by the United Nations.

Partnering with National Charities to Deliver Local Impact

Wajax has a track record of working with charitable organizations at both the national and local level. We believe that when businesses, employees and their extended networks get behind an organization, contributions can be amplified exponentially. In 2021, one of our core objectives was to identify charities that we could make a multi-year commitment to. Considering employee feedback that supported prioritizing the health of children and feeding people in need, as well as multiple health initiatives, we selected Food Banks Canada and the Canadian Cancer Society.

Additionally, Tundra Process Solutions, which we acquired in early 2021, has been a long-term supporter of the Kids Cancer Care Foundation of Alberta, and will continue to support that organization going forward. Wajax is also making a financial commitment to Indspire, a national organization that invests in education initiatives for the benefit of First Nations, Inuit and Métis people.

Tundra team members participating in the Ride to Conquer Cancer.

Fighting Cancer Nationally…

The Canadian Cancer Society ("**CCS**") is a national charity that supports Canadians living with the full spectrum of cancer-related diseases. They are focused on funding groundbreaking research, shaping healthcare policy around prevention and treatment, and acting as a trusted source of up-to-date information. CCS offers a full range of employee giving and engagement options running throughout the year, backed by multiple broader awareness initiatives. Wajax is making a three-year commitment to CCS valued at $150,000, in addition to supporting local volunteering programs and fundraising activities.

…and at Home

Tundra is a corporate champion for Kids Cancer Care Foundation of Alberta ("**KCCF**"), an organization dedicated to supporting children and families battling childhood cancers. Each year, through the High Hopes campaign, KCCF raises money for Camp Kindle, Alberta's only pediatric oncology camp, which is specially designed to allow children and families dealing with cancer to enjoy all the fun of a camp experience in a safe and supportive environment.

The High Hopes campaign pairs community business leaders with kid coaches, who have cancer, are a cancer survivor, or have a family member dealing with the disease. In 2021, Ashley Allers, Tundra's CEO was paired with Matthew, who had a little brother that lost his battle with cancer. Ash was ultimately the top fundraiser in 2021, raising more than $27,000 for this worthy cause. Together with his peers in the business community, more than $156,000 was raised for KCCF.

Feeding those in Need

Food Banks Canada is a national charitable organization dedicated to helping Canadians living with food insecurity. Its mission is to continue to relieve hunger today and prevent hunger tomorrow in collaboration with the food bank network from coast-to-coast. For 2022, Wajax is making a total commitment of $75,000, which includes $10,000 in company matching for the Holiday Food Drive and a $15,000 contribution to the After the Bell program. Wajax is also supporting employee volunteering and other fundraising and donation campaigns. Food Banks Canada work aligns to the United Nation's Sustainable Development Goal of Zero Hunger.

Food donations awaiting delivery to local food banks.

PROUD SUPPORTER OF

Canadian Cancer Society

One of Tundra's core values is "give back", and the company offers a dollar-for-dollar corporate matching program on amounts raised by employees for approved causes.

Food Banks Canada

Governance

Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business.

Key Corporate Governance Practices
Independent board – 91% of directors are independent(1)
Independent committees – 100% of board committees are independent
Equity ownership – directors and certain senior officers are required to own shares or have an equity interest in the Corporation to further align their interests with those of shareholders
Non-executive chair – separate 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, chairs and individual director performance every year
Board renewal – the board has adopted a retirement policy for directors
Board diversity – the board has adopted a diversity policy, including a target of 30% for the number of women on board, and 36% of directors are women(1)
Independent advice – each board committee has full authority to retain independent advisors to assist them in carrying out their duties and responsibilities
Code of conduct – directors, officers and employees must comply with the Corporation's Code of Business Conduct and confirm their compliance every year
Say-on-pay – an advisory vote on our approach to executive compensation has been held every year since 2013
No 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

(1) As of the date of this report.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Wajax has high expectations regarding behaviour and conduct for all employees and directors in support of the Sustainable Development Goals as defined by the United Nations.

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.

Ensuring High Ethical Standards Across the Business

Expectations regarding behaviour and conduct are set out in the Wajax Code of Business Conduct (the **"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 more fully described in our annual management information circular, which is publicly filed and available via SEDAR. A summary of key corporate governance practices is set out in table to the left.

Commitment to Sustainability

Wajax's board is committed to sustainability, viewing it as essential to being a good corporate citizen and the long-term success of the Corporation. The board regularly reviews the Corporation's progress with ongoing sustainability initiatives and offers oversight for new programs as well as the setting of both short and long term objectives. The board is focused on supporting management to ensure that Wajax takes a meaningful stance on sustainability and has a comprehensive ESG program in place to meet societal, employee, customer and investor expectations. The board also wants to ensure that progress is assessed using clear targets, informed by external, well-established standards and/or benchmarks.

Global Reporting Initiative (“**GRI**”) Index

The Global Reporting Initiative is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruptions.

GRI Indicator			Page
Products and Services			
GRI 102	Innovative, sustainable products	Sustainable product and services offerings reducing carbon footprint and environmental impact	16, 17
GRI 102	Customer Service	Voice of the Customer surveys, improving customer relevancy	14, 16
GRI 305	Greenhouse gases (“**GHG**”) Scope 3	GHG from downstream transportation and distribution	15, 18, 19
Environment			
GRI 302	Energy consumption within the organization	Electricity, natural gas, fuel (gasoline and diesel) consumption	19
GRI 305	Direct (Scope 1) GHG emissions	GHG from natural gas, fuel (gasoline and diesel)	19
GRI 305	Indirect (Scope 2) GHG emissions	GHG from electricity	19
GRI 305	Other indirect (Scope 3) GHG emissions	GHG from downstream transportation and distribution	15, 18, 19
GRI 306	Hazardous / non-hazardous waste	Hazardous waste – recycled, landfilled; non-hazardous waste – recycled, landfilled	19
People			
GRI 403	Occupational health and safety	Total Recordable Incident Frequency (“**TRIF**”) Rate, Motor Vehicle Accident (“**MVA**”) Rate, Corrective Actions, Branch Health and Safety Evaluations, Certificate of Recognition (“**COR**”)	21
GRI 403	Health and wellness	COVID-19 response, Wellness Champions, Wellness Report Survey, LifeSpeak digital platform, wellness key initiatives: challenges, physical, mental and health resources, smoking cessation, financial wellness webinars	20
GRI 404	Learning and development	Training hours, number of training courses, development of specialty courses ie. leadership, customer service	23
GRI 405	Diversity	Percentage of women representation on Board of Directors, Diversity and Equal Opportunity Policy, training, recruitment strategy, partnerships for underrepresented groups – Indspire, Women Building Futures (“**WBF**”)	22
Community			
GRI 201	Charitable contributions	Donations of money, time, and expertise to extraordinary events (natural disasters etc.) and key charities; volunteer policy; annual targets for monetary donations	24, 25
GRI 201	Charity partnerships	Key charities supported; community initiatives at local levels	25
Governance			
GRI 205	Governance and ethics	Code of Business Conduct, Anti-Corruption and Bribery communication training, ethics hotline, key corporate governance practices	26

Message from the Chairman

Wajax delivered strong financial performance and record revenue in 2021 as it navigated the continuing turmoil of the coronavirus pandemic and a broadening, but still fragile, recovery. While health and safety remained Wajax's number one priority, the Corporation's additional areas of focus – providing strong service to customers, protecting the financial health of the Corporation, and continuing to position the Corporation to execute its growth strategy – paid dividends, and Wajax enters 2022 on strong footing with the resources to drive additional growth.

As expected, the acquisition of Tundra Process Solutions early in the year contributed meaningfully to Wajax's performance in 2021. This was complimented by solid organic growth across each of the Corporation's regions and revenue categories as general market conditions proved stronger than anticipated. During the year, the board closely monitored actions taken by management to address the market challenges brought on each new phase of the pandemic, including increasing costs and inventory availability, and remains very pleased with management's responsiveness during these extraordinary times. Of significant note during the latter half of 2021 was the announcement of the expansion of the direct distribution relationship between the Corporation and its largest manufacturing partner, Hitachi. As detailed elsewhere in this report, the further enhancement of this strong relationship is expected to provide significant benefits, and the board is eager to support management as it develops strategies to increase market share with better access to world-class Hitachi products.

In the fourth quarter of 2021, Wajax announced the impending retirement of President and CEO Mark Foote after a decade of service. During his tenure, Mark was the architect of the integrated One Wajax model, achieved significant improvements in employee safety and satisfaction, and implemented the Corporation's customer-focused growth strategy. Beginning in late 2018, Mark spearheaded the investment of ~$175 million in acquisition capital to rapidly expand the Corporation's ERS and related industrial parts business and, most recently, his steady leadership has been a stabilizing influence for customers, suppliers and employees throughout the pandemic – which Wajax has successfully weathered. Mark also championed the Corporation's move to formalized sustainability reporting, recognizing its growing importance for stakeholders and the need for all organizations to do their part. That initiative continues, and an update on Wajax's sustainability efforts may be found elsewhere in this report. On behalf of the board, management, and all employees, I want to thank Mark for his strong and defining contribution to Wajax and wish him some well-deserved rest.

In considering potential successors to Mark as CEO, the board undertook a thoughtful and comprehensive process, surveying and evaluating a wide range of internal and external candidates. In selecting Ignacy (Iggy) Domagalski for the role, we considered many factors, including Iggy's outstanding leadership at Tundra and his experience in building that company into a Canadian ERS and Industrial Parts leader. With a year at Wajax already under his belt, and the full support of the management team, Iggy is primed for a smooth transition as Wajax continues to advance its growth strategy – one in which the board continues to believe very strongly – in 2022 and beyond.

In keeping with Wajax's belief in strong governance practices, including those relating to board renewal, director John Eby and I will be retiring from the board at the close of the Corporation's 2022 annual meeting. I want to thank John for his 16-year commitment to Wajax and express my own pride in all that Wajax has accomplished over my 34 years as a director. Both John and I will be watching closely to see what the next chapter in Wajax's growth story will bring. Ed Barrett, a director since 2006, has been nominated by the members of the board to assume the duties of Chairman following the 2022 annual meeting. Ed is an exceptionally experienced director and will do an excellent job in leading the board forward. As part of its broader renewal efforts, the board also welcomed Jane Craighead as a director in November 2021. Jane is a seasoned corporate director with many years of senior strategic human resources experience with the Bank of Nova Scotia, Rio Tinto Plc and Mercer Human Resources Consulting, and the board will benefit from her insight and extensive people-focused expertise.

In closing, and on behalf of the board, I want to thank the entire Wajax team for their hard work, flexibility, and determination, all of which was instrumental to the Corporation's resilience and strong performance in 2021. I would also like to thank our suppliers and customers for their steadfast support in the face of the mutual challenges we faced this year. Lastly, but certainly not least, I thank my fellow directors, past and present, for their patience, good humour and wise counsel over the years.

Robert P. Dexter
Chairman of the Board

Management's Discussion and Analysis

The following management's discussion and analysis ("**MD&A**") discusses the consolidated financial condition and results of operations of Wajax Corporation ("**Wajax**" or the "**Corporation**") for the year ended December 31, 2021. 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, 2021. Information contained in this MD&A is based on information available to management as of March 7, 2022.

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 and putting people first** – The safety, well-being and engagement of approximately 2,800 employees is the foundation of the Corporation. To help its team members thrive, Wajax is taking a holistic approach to health and wellness, spanning physical, mental, and financial well-being, in addition to providing extensive learning and development opportunities.
- **Investing in Wajax customers and creating a differentiated customer experience** – The Corporation has the privilege of supporting approximately 32,000 individual customers across Canada ranging from small local contractors to the country's largest industrial and resource organizations. People are the cornerstone of Wajax's brand and value proposition and the Corporation will continue to invest in the best tools, training and support to deliver the technical expertise and experience that is highly valued by its customers.
- **Executing a clear organic growth strategy** – The Corporation has organic growth opportunities in each of its heavy equipment and industrial parts and services categories. Heavy equipment categories include construction and forestry, mining, material handling and power systems, which collectively serve a broad range of customer capital equipment and related product support needs. Industrial parts and services categories include industrial parts and engineered repair services ("**ERS**"), which collectively serve a broad range of customer fixed plant maintenance, repair and reliability needs.
- **Accretive acquisitions strategy** – Acquisitions are an important aspect of the Corporation's growth strategy. The Corporation focuses primarily on acquisitions that add to the breadth and scale of its industrial parts and services categories. Wajax's national infrastructure and extensive customer relationships position it as an aggregator in the highly fragmented ERS and related industrial parts market. Secondarily, the Corporation considers acquisitions in heavy equipment categories where extensions to existing major distribution relationships are enhanced.
- **Investing in the Wajax infrastructure** – The Corporation invests in its infrastructure to improve the consistency of customer service and lower costs. The Corporation's current programs include the ongoing consolidation of its branch network, investing in new information systems and implementing Customer Support Centres 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 continues to focus and develop its environmental, social and governance programs as outlined below and further discussed in the Corporation's 2021 Annual Report:

Sustainability Roadmap

Areas	Goals
Products and Services	Wajax is committed to a continuous process of understanding customer needs and leveraging technology, its broad in-house expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.
Environment	Wajax is committed to being a good steward of the environment. The Corporation wants to ensure that its operations are managed with a clear focus on minimizing its environmental impact and will increasingly target initiatives that lower energy intensity and reduce waste.
People	Wajax believes its most important resource is its people. Wajax wants to ensure employees are safe on the job and physically, mentally and financially healthy. Wajax offers employees the ability to learn continuously across a broad range of topics. Wajax wants a diverse workforce that broadly represents Canadian society. Each of these elements is critical to providing world-class service and solutions and the Corporation's overall, long-term success as an organization.

Governance	Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business. Wajax wants its customers to trust the Corporation to help them find solutions across their business and having high ethical standards and strong governance practices in place are key to maintaining their confidence.
Community	Wajax believes that being a good corporate citizen goes well beyond just providing employment. Wajax wants to invest in and contribute to the communities that it operates in across the country. The Corporation does this through a combination of volunteer hours, fundraising and in-kind donations.

Outlook

In 2021, Wajax delivered record revenue and strong earnings, rebounding from the challenges it faced in 2020 and exceeding its pre-COVID performance in 2019. Combine that with the Corporation's strengthened balance sheet and expanded product and service offerings, and Wajax is ideally positioned to continue to grow in 2022 and beyond.

As it moves further into 2022, Wajax is seeing sound fundamentals in many of its key markets, bolstered by improving commodity prices and increased capital spending. This positive view of the market is counterbalanced by the unpredictable COVID-19 pandemic and related supply chain issues, which Wajax expects will be a factor throughout the year ahead, particularly in its heavy equipment business. Wajax continues to manage these challenges through frequent dialogue with key suppliers and customers, pre-ordering new equipment, and utilizing repairs and rebuilds to extend the service life of equipment.

Despite these ongoing challenges, the Corporation's improved balance sheet and record start-of-year backlog of $419 million shows momentum in the business.(1) To maintain this momentum and increase shareholder value, Wajax plans to continue its focus on the following priorities: investing in its people and their safety, delivering exceptional customer experiences, organically growing its business, building its acquisition pipeline, supporting its closer relationship with Hitachi, prudently managing its balance sheet, deploying its ERP and remote diagnostic systems, and building sustainability into the business. Looking ahead, Wajax believes its strong balance sheet, ability to generate cash flow, and abundant growth opportunities will allow its business to grow meaningfully over the long term.

See the Cautionary Statement Regarding Forward-Looking Information section.

Annual and Fourth Quarter Highlights

2021 Full Year Highlights

- Revenue increased $214.6 million or 15.1%, to $1,637.3 million in 2021 from $1,422.6 million in 2020. Regionally:
  - Revenue in western Canada of $698.4 million increased 27.1% from the prior year due primarily to ERS and industrial parts strength related to the acquisition of Tundra Process Solutions Ltd. ("**Tundra**") earlier in the year, coupled with higher construction and forestry equipment revenue.
  - Revenue in central Canada of $311.7 million increased 3.1% from the prior year due primarily to strong ERS sales and higher power systems product support revenue, offset partially by lower material handling equipment sales.
  - Revenue in eastern Canada of $627.2 million increased 9.9% from the prior year due primarily to strength in bearings sales driving higher industrial parts revenue, and higher equipment and product support revenue in the construction and forestry and power systems categories, offset partially by lower mining equipment revenue.
- During the year, the Corporation qualified for the Canada Emergency Wage Subsidy ("**CEWS**") program and recognized $8.4 million as a reimbursement of compensation expense with $3.7 million and $4.7 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 employee compensation programs which included special bonuses for frontline employees. The resultant net pre-tax contribution to earnings of the CEWS recovery for the year ended December 31, 2021 was approximately $4.4 million. During the same period last year, the Corporation recognized $26.6 million as a reimbursement of compensation expense from the CEWS program 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.
- Gross profit margin of 20.3% in 2021 increased 1.9% compared to 2020. Excluding the CEWS recoveries for the year ended December 31, 2021 and for the same period of 2020 of $3.7 million and $14.1 million respectively, gross profit margin was 20.0%, representing an increase of 2.6% compared to the gross profit margin of 17.4% in 2020. The increase in margin was driven primarily by higher equipment and parts margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales. The higher equipment margins were partially driven by the accelerated disposal of aged and used equipment in the prior year.
- Selling and administrative expenses as a percentage of revenue increased to 14.6% in 2021 from 13.3% in 2020. Excluding the CEWS recoveries for the year ended December 31, 2021 and for the same period of 2020, of $4.7 million and $12.5 million respectively, selling and administrative expenses as a percentage of revenue increased to 14.9% in 2021 from 14.2% in 2020. For the year ended December 31, 2021, selling and administrative expenses increased $50.0 million compared to the same period last year. This increase was due mainly to additional selling and administrative expenses related to Tundra of $20.5 million, higher incentive compensation of $12.2 million due primarily to improved financial results in 2021, a lower recovery of personnel expenses from the CEWS program of $7.7 million, and amortization expense of $2.5 million in the year relating to intangible assets recognized for the Tundra acquisition. The remaining increase to selling and administrative expenses was largely driven by higher salary costs as the volume of business increased over the prior year.
- EBIT increased $27.7 million, or 43.0%, to $92.3 million in 2021 versus $64.6 million in 2020.(1) The year-over-year increase is primarily attributable to increased volumes and margins, a higher proportion of industrial parts and ERS sales compared to equipment sales, and prior year restructuring and other related costs of $7.8 million without a similar cost in the current year. These increases were offset partially by higher selling and administrative expenses and a lower recovery of personnel expenses from the CEWS program.
- The Corporation generated net earnings of $53.2 million, or $2.50 per share in 2021, versus $31.7 million, or $1.58 per share in 2020. The Corporation generated adjusted net earnings of $51.5 million, or $2.41 per share in 2021, versus $35.1 million, or $1.75 per share in 2020.(1)

- Adjusted EBITDA margin increased to 8.9% in 2021 from 8.6% in 2020.(1) Excluding the CEWS recoveries in 2021 and 2020 of $8.4 million and $26.6 million respectively, adjusted EBITDA margin increased to 8.4% in 2021 from 6.7% in 2020.(1)
- Cash flows generated from operating activities amounted to $190.1 million in 2021, compared to cash flows generated from operating activities of $118.8 million in 2020. The increase in cash generated of $71.3 million was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of $52.7 million, and an increase in net earnings excluding items not affecting cash flow of $31.1 million, offset partially by an increase in income taxes paid of $8.4 million.
- The Corporation's backlog at December 31, 2021 of $419.1 million increased $237.4 million, or 130.7%, compared to December 31, 2020 due to higher orders in all categories, including higher industrial parts and ERS orders with the addition of Tundra's backlog.(1)
- Inventory increased $31.3 million from December 31, 2020 due primarily to the addition of Tundra's inventory and higher work-in-process and parts inventory driven by increased sales volumes, offset partially by lower equipment inventory.
- Working capital at December 31, 2021 decreased $62.7 million from December 31, 2020 due primarily to higher accounts payable and accrued liabilities, higher contract liabilities, and lower deposits on inventory. These working capital decreases were offset partially by higher inventory levels, higher contract assets, and higher trade and other receivables.(1) Trailing four-quarter average working capital as a percentage of the trailing 12-month sales was 20.5%, a decrease of 7.4% from 2020, due to the combination of the lower four-quarter average working capital and the higher trailing 12-month average sales.(1)
- The Corporation's leverage ratio decreased to 1.29 times at December 31, 2021 compared to 2.28 times at December 31, 2020 due to the lower debt level on account of significant cash generated from operating activities, and a higher trailing 12-month pro-forma adjusted EBITDA.(1) The Corporation's senior secured leverage ratio was 0.82 times at December 31, 2021, compared to 1.73 times at December 31, 2020.(1)
- On January 22, 2021, the Corporation acquired all of the issued and outstanding shares of Tundra for total consideration of $99.4 million, consisting of $74.1 million in cash and the issuance of 1,357,142 common shares of Wajax with a fair value of $25.3 million.
- During the year ended December 31, 2021, the Corporation entered into sale and leaseback transactions for three of its owned properties. The proceeds net of transaction costs on the sale of the properties were $13.8 million and the carrying amount was $3.6 million, resulting in a total gain on the sale of the properties of $10.2 million, of which $0.9 million was recognized in earnings at the time of transaction and the remaining $9.3 million was deferred as a reduction of the right-of-use assets.
- On August 19, 2021, Wajax and Hitachi Construction Machinery Loaders America Inc. ("**Hitachi**") announced that, effective March 1, 2022, the companies plan to expand their current Canadian direct distribution relationship to include construction excavators, mining equipment and related aftermarket parts. Since 2001, these products have been supplied to Wajax via a third-party joint venture partner to Hitachi Construction Machinery ("**HCM**"). HCM and its joint venture partner dissolved their partnership effective February 28, 2022.

  This change is expected to provide Wajax with enhanced access to product development, increased market responsiveness and improved reliability of equipment supply. It is also expected to increase Wajax and Hitachi market share by providing customers with better access to products which lead the market in terms of value, performance and reliability.

  Wajax and Hitachi have continued to work closely on transition planning leading up to March 1, 2022, and continue to expect significant long-term benefits from the expanded relationship. For more information, please see the Corporation's press release dated August 19, 2021.
- On September 1, 2021, the Corporation acquired all of the issued and outstanding shares of Fort St. John, British Columbia-based QT Valve & Supply Limited ("**QT Valve**"), a supplier of valves and valve services to the western oil and gas market. QT Valve was acquired for total consideration of approximately $2.0 million, subject to post-closing adjustments. QT Valve's trailing twelve-month revenue from the time of acquisition was $4.6 million.
- On October 1, 2021, the Corporation amended its bank credit facility to extend the maturity date for the combined $400.0 million non-revolving and revolving term facilities from October 1, 2024 to October 1, 2026, and to reduce the pricing of the $50.0 million non-revolving acquisition term facility to match the pricing on the main credit facility.
- The consignment program of HCM's joint venture partner, relating to construction-class excavators, ended October 31, 2021. Effective November 1, 2021, the Corporation began assuming ownership of new stock received. Inventory on hand as at October 31, 2021 remained subject to the prior consignment terms, which included the opportunity for the Corporation to purchase the inventory prior to sale to a customer. Due to certain preferential terms offered by the supplier, and as previously announced, the Corporation purchased all consignment inventory on hand during the fourth quarter of 2021. The Corporation also purchased all inventory received from the supplier during the period from January 1, 2022 to February 28, 2022. On March 1, 2022, new payment terms from the manufacturer took effect. The Corporation's existing credit facilities are expected to continue to be sufficient to support total normal course working capital requirements, including the effect of this change.
- Jane Craighead was appointed to the Corporation's Board of Directors, effective November 1, 2021.
- As previously announced, President and Chief Executive Officer Mark Foote retired on December 31, 2021. Ignacy (Iggy) Domagalski, formerly the Chief Executive Officer of Tundra, which was acquired by Wajax effective January 22, 2021, succeeded Mr. Foote as President and Chief Executive Officer of Wajax on January 1, 2022. For more information, please see the Corporation's press release dated October 5, 2021.
- Subsequent to year-end, on January 31, 2022, the Corporation announced the acquisition of the net operating assets of Thunder Bay, Ontario-based Process Flow Systems Ltd. ("**Process Flow**"). The assets of Process Flow were acquired in exchange for cash consideration of approximately $4.0 million, plus a three-year performance-based earnout of up to $0.7 million in the aggregate, payable in cash. Process Flow's trailing twelve-month revenue from the time of acquisition was $6.5 million.

Fourth Quarter Highlights

- Revenue in the fourth quarter of 2021 increased $21.8 million, or 5.7%, to $402.8 million, from $381.0 million in the fourth quarter of 2020. Regionally:
  - Revenue in western Canada of $169.7 million increased 11.9% from the prior year due primarily to ERS and industrial parts strength related to the acquisition of Tundra earlier in the year, offset partially by lower mining equipment sales.
  - Revenue in central Canada of $75.9 million decreased 6.7% from the prior year mainly due to lower construction and forestry equipment revenue.
  - Revenue in eastern Canada of $157.2 million increased 6.2% from the prior year due to moderately higher revenue in most categories, offset partially by lower construction and forestry equipment revenue.
- During the fourth quarter, the Corporation did not recognize any reimbursement of compensation expense from the CEWS program. During the same quarter last year, 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.
- Gross profit margin of 20.3% in the fourth quarter of 2021 increased 2.2% compared to gross profit margin of 18.1% in 2020. Excluding the CEWS recoveries in the fourth quarter of last year of $4.4 million, gross profit margin in the fourth quarter of 2021 increased 3.3% compared to the gross profit margin of 17.0% in 2020. The increase in margin was driven primarily by higher equipment and parts margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales.
- Selling and administrative expenses as a percentage of revenue increased to 16.5% in the fourth quarter of 2021 from 13.2% in the fourth quarter of 2020. Excluding the CEWS recoveries in the fourth quarter of last year of $1.3 million, selling and administrative expenses as a percentage of revenue increased from 13.5% in the fourth quarter last year to 16.5% in the fourth quarter of 2021. Selling and administrative expenses in the fourth quarter of 2021 increased $16.2 million compared to the fourth quarter of 2020 due mainly to additional selling and administrative expenses related to Tundra of $5.9 million, higher incentive compensation of $4.0 million due primarily to improved financial results in 2021, a prior year $1.3 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year, professional fees related to environmental remediation of $1.0 million in the quarter, and amortization expense of $0.7 million in the quarter relating to intangible assets recognized for the Tundra acquisition.
- EBIT decreased $3.5 million, or 18.5%, to $15.3 million in the fourth quarter of 2021 versus $18.8 million in 2020.(1) The year-over-year decrease in EBIT is primarily attributable to higher selling and administrative expenses, partially offset by higher volumes and margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales.
- The Corporation generated net earnings of $8.0 million, or $0.37 per share, in the fourth quarter of 2021 versus $10.7 million, or $0.53 per share, in 2020. The Corporation generated adjusted net earnings of $7.0 million, or $0.33 per share, in the fourth quarter of 2021 versus $9.6 million, or $0.48 per share, in 2020.(1)
- Adjusted EBITDA margin decreased to 7.1% in the fourth quarter of 2021 from 8.1% in 2020.(1) Excluding the CEWS recoveries in the fourth quarter of last year of $5.7 million, adjusted EBITDA margin increased to 7.1% in the fourth quarter of 2021 from 6.6% in 2020.(1)
- The Corporation's backlog at December 31, 2021 of $419.1 million increased $47.5 million, or 12.8%, compared to September 30, 2021 due primarily to higher construction and forestry orders and higher industrial parts orders.(1)
- Inventory of $388.7 million at December 31, 2021 increased $17.4 million from September 30, 2021 due largely to the previously announced purchase by the Corporation of all construction-class excavator consignment inventory on hand. Additional details are provided above, and in the Corporation's press release dated November 1, 2021. Consignment inventory, comprised primarily of construction excavators, declined by $27.0 million in the fourth quarter of 2021 to nil as at December 31, 2021.
- Working capital of $313.5 million at December 31, 2021 decreased $16.9 million from September 30, 2021, due primarily to higher accounts payable and accrued liabilities, lower contract assets, and higher contract liabilities, offset partially by higher inventory.(1) Trailing four-quarter average working capital as a percentage of the trailing 12-month sales was 20.5%, a decrease of 1.2% from September 30, 2021, due to the combination of the lower four-quarter average working capital and the higher trailing 12-month sales.(1)
- Cash flows generated from operating activities amounted to $36.0 million in the fourth quarter of 2021, compared to cash flows generated from operating activities of $48.1 million in the same quarter of the previous year. The decrease in cash generated of $12.0 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $11.1 million. The decrease in cash generated from changes in non-cash operating working capital of $11.1 million was driven primarily by a decrease in cash generated from changes in inventory of $52.3 million, offset partially by a decrease in cash used in changes in accounts payable and accrued liabilities of $18.0 million, an increase in cash generated from changes in contract liabilities of $5.3 million, a decrease in cash used in changes in provisions of $4.7 million, and an increase in cash generated from changes in contract assets of $8.9 million.
- The Corporation's leverage ratio decreased to 1.29 times at December 31, 2021, compared to 1.39 times at September 30, 2021.(1) The decrease in the leverage ratio was due to the lower debt level in the current period, offset partially by a lower trailing 12-month pro-forma adjusted EBITDA.(1) The Corporation's senior secured leverage ratio was 0.82 times at December 31, 2021, compared to 0.95 times at September 30, 2021.(1)

(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.

Summary of Annual Operating Results

Statement of earnings highlights

	2021	2020	% change
Revenue	$ 1,637.3	$ 1,422.6	15.1%
Gross profit	331.9	262.0	26.7%
Selling and administrative expenses	239.6	189.6	26.4%
Restructuring and other related costs	—	7.8	(100.0)%
Earnings before finance costs and income taxes(1)	$ 92.3	$ 64.6	42.9%
Finance costs	19.1	21.0	(9.0)%
Earnings before income taxes(1)	$ 73.2	$ 43.6	67.9%
Income tax expense	19.9	11.9	67.2%
Net earnings	$ 53.2	$ 31.7	67.8%
– Basic earnings per share(2)	$ 2.50	$ 1.58	58.2%
– Diluted earnings per share(2)	$ 2.42	$ 1.55	56.1%
Adjusted net earnings(1)(3)	$ 51.5	$ 35.1	46.7%
– Adjusted basic earnings per share(1)(2)(3)	$ 2.41	$ 1.75	37.7%
– Adjusted diluted earnings per share(1)(2)(3)	$ 2.34	$ 1.71	36.8%
Adjusted EBITDA(1)	$ 145.6	$ 122.0	19.3%
Key ratios:			
Gross profit margin	20.3%	18.4%	
Selling and administrative expenses as a percentage of revenue	14.6%	13.3%	
EBIT margin(1)	5.6%	4.5%	
Adjusted EBITDA margin(1)	8.9%	8.6%	
Effective income tax rate	27.2%	27.4%	

Statement of financial position highlights

As at December 31	2021	2020
Trade and other receivables	$ 223.5	$ 214.5
Inventory	388.7	357.4
Accounts payable and accrued liabilities	(305.8)	(231.7)
Other working capital amounts(1)	7.1	36.0
Working capital(1)	$ 313.5	$ 376.2
Rental equipment	$ 45.8	$ 56.9
Property, plant and equipment	$ 39.6	$ 41.4
Funded net debt(1)	$ 143.5	$ 219.6
Key ratios:		
Leverage ratio(1)	1.29	2.28
Senior secured leverage ratio(1)	0.82	1.73

(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 year ended December 31, 2021 was 21,328,093 (2020 – 20,029,345) and 22,026,875 (2020 – 20,486,768), respectively.

(3) Net earnings excluding the following:

a. after-tax gain recorded on the sale of properties of $2.1 million (2020 – gain of $2.1 million), or basic and diluted earnings per share of $0.10 (2020 – basic and diluted earnings per share of $0.11 and $0.10 respectively) for the year ended December 31, 2021.

b. after-tax non-cash losses on mark to market of derivative instruments of less than $0.1 million (2020 – gains of $1.0 million), or basic and diluted loss per share of less than $0.01 (2020 – $0.05 earnings per share) for the year ended December 31, 2021.

c. after-tax Tundra transaction costs of $0.3 million (2020 – $0.8 million), or basic and diluted earnings per share of $0.01 (2020 – $0.04) for the year ended December 31, 2021.

d. after-tax restructuring and other related costs of nil (2020 – $5.7 million), or basic and diluted earnings per share of nil (2020 – $0.28) for the year ended December 31, 2021.

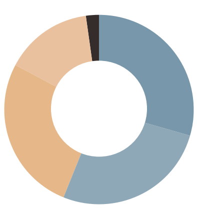
e. after-tax NorthPoint Technical Services ULC ("**NorthPoint**") transaction costs of nil (2020 – $0.2 million), or basic and diluted earnings per share of nil (2020 – $0.01) for the year ended December 31, 2021.

Annual Results of Operations

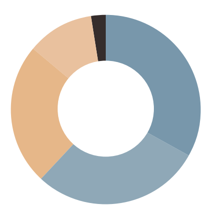
For the year ended December 31, 2021, revenue increased 15.1%, or $214.6 million, to $1,637.3 million, from $1,422.6 million in 2020. The following factors contributed to the increase in revenue:

- Industrial parts sales have increased due mainly to the acquisition of Tundra effective January 22, 2021 and organic strength in bearings and hydraulics sales in all regions, but primarily in western and eastern Canada.

Revenue Sources ($ millions)

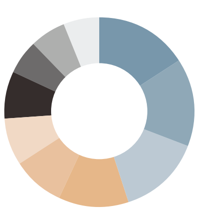


For the year ended December 31	2021	$ change
Equipment sales	$ 484.2	$ 12.8
Product support	437.6	25.8
Industrial parts	438.1	95.5
ERS	241.7	77.5
Equipment rental	35.5	2.9
Total	$ 1,637.3	$ 214.6

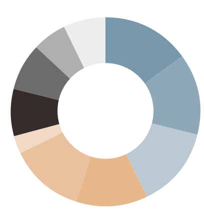


For the year ended December 31	2020
Equipment sales	$ 471.4
Product support	411.8
Industrial parts	342.6
ERS	164.2
Equipment rental	32.6
Total	$ 1,422.6

Revenue by Market

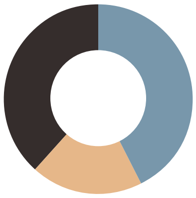


For the year ended December 31	2021
Mining	16%
Construction	15%
Forestry	14%
Industrial/Commercial	12%
Oil Sands	9%
Oil and Gas	8%
Transportation	8%
Government and Utilities	6%
Metal Processing	6%
Other	6%



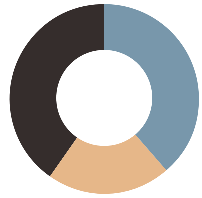
For the year ended December 31	2020
Mining	15%
Construction	14%
Forestry	14%
Industrial/Commercial	12%
Oil Sands	13%
Oil and Gas	3%
Transportation	8%
Government and Utilities	8%
Metal Processing	6%
Other	7%

Revenue by Geographic Region ($ millions)



For the year ended December 31	2021	$ change
Western Canada[1]	**$ 698.4**	$ 148.8
Central Canada	**311.7**	9.4
Eastern Canada[2]	**627.2**	56.5
Total	**$ 1,637.3**	$ 214.7

(1) Includes Tundra in 2021.
(2) Includes Quebec and the Atlantic provinces.



For the year ended December 31	2020
Western Canada	$ 549.6
Central Canada	302.3
Eastern Canada[2]	570.7
Total	$ 1,422.6

- ERS sales have increased due to strength in all regions, but primarily in western Canada. The higher ERS revenue in western Canada was driven primarily by the acquisition of Tundra.
- Product support sales have increased primarily on higher construction and forestry revenue in western and eastern Canada and higher power systems revenue in central and eastern Canada.
- Equipment sales have increased due mainly to strength in construction and forestry sales in eastern and western Canada and higher power systems revenue in eastern Canada. These increases were offset partially by lower mining sales in eastern and western Canada and lower material handling sales in central Canada.

Backlog

The Corporation's backlog at December 31, 2021 of $419.1 million increased $237.4 million, or 130.7%, compared to December 31, 2020 due to higher orders in all categories, including higher industrial parts and ERS orders with the addition of Tundra's backlog. "Backlog" does not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.

Canada Emergency Wage Subsidy (CEWS)

For the year ended December 31, 2021, the Corporation recognized $8.4 million as a reimbursement of compensation expense from the CEWS program with $3.7 million and $4.7 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 employee compensation programs which included special bonuses for frontline employees. The resultant net pre-tax contribution to earnings of the CEWS recovery for the year ended December 31, 2021 was approximately $4.4 million. During the same period last year, the Corporation recognized $26.6 million as a reimbursement of compensation expense from the CEWS program 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.

Gross profit

For the year ended December 31, 2021, gross profit increased $69.9 million, or 26.7%, compared to the same period last year due to increased volumes and margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales. These increases were offset partially by a lower recovery of personnel expenses from the CEWS program.

For the year ended December 31, 2021, gross profit margin of 20.3% increased 1.9% compared to gross profit margin of 18.4% in the same period last year. Excluding the CEWS recoveries for the year ended December 31, 2021 and for the same period of 2020 of $3.7 million and $14.1 million respectively, gross profit margin was 20.0%, representing an increase of 2.6% compared to the gross profit margin of 17.4% in 2020. The increase in margin was driven primarily by higher equipment and parts margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales. The higher equipment margins were partially driven by the accelerated disposal of aged and used equipment in the prior year.

Selling and administrative expenses

For the year ended December 31, 2021, selling and administrative expenses increased $50.0 million compared to the same period last year. This increase was due mainly to additional selling and administrative expenses related to Tundra of $20.5 million, higher incentive compensation of $12.2 million due primarily to improved financial results in 2021, a lower recovery of personnel expenses from the CEWS program of $7.7 million, and amortization expense of $2.5 million in the year relating to intangible assets recognized for the Tundra acquisition. The remaining increase to selling and administrative expenses was largely driven by higher salary costs as the volume of business increased over the prior year. Selling and administrative expenses as a percentage of revenue increased to 14.6% in 2021 from 13.3% in 2020. Excluding the CEWS recoveries for the year ended December 31, 2021 and for the same period of 2020, of $4.7 million and $12.5 million respectively, selling and administrative expenses as a percentage of revenue increased to 14.9% in 2021 from 14.2% in 2020.

Finance costs

For the year ended December 31, 2021, finance costs of $19.1 million decreased $1.8 million compared to the same period in 2020 due primarily to lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 27.2% for the year ended December 31, 2021 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 27.4% for the same period in 2020 was higher compared to the statutory rate of 26.5% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings

For the year ended December 31, 2021, the Corporation generated net earnings of $53.2 million, or $2.50 per share, compared to $31.7 million, or $1.58 per share, in 2020. The $21.6 million increase in net earnings resulted primarily from increased volumes and margins, a higher proportion of industrial parts and ERS sales compared to equipment sales, and prior year restructuring and other related costs of $7.8 million without a similar cost in the current year. These increases were offset partially by higher selling and administrative expenses and a lower recovery of personnel expenses from the CEWS program.

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

Adjusted net earnings for the year ended December 31, 2021 excludes a gain recorded on the sale of properties of $2.1 million after-tax, or $0.10 per share (2020 – gain of $2.1 million after-tax, or $0.11 per share), non-cash losses on mark to market of derivative instruments of less than $0.1 million after-tax, or less than $0.01 per share (2020 – gains of $1.0 million after-tax, or $0.05 per share), and Tundra transaction costs of $0.3 million after-tax, or $0.01 per share (2020 – cost of $0.8 million after-tax, or $0.04 per share). Adjusted net earnings in 2020 also excludes restructuring and other related costs of $5.7 million after-tax, or $0.28 per share, and NorthPoint transaction costs of $0.2 million after-tax, or $0.01 per share.

As such, adjusted net earnings increased $16.4 million to $51.5 million, or $2.41 per share, for the year ended December 31, 2021 from $35.1 million, or $1.75 per share, in 2020.

Comprehensive income

For the year ended December 31, 2021, the total comprehensive income of $58.9 million included net earnings of $53.2 million and an other comprehensive gain of $5.7 million. The other comprehensive gain of $5.7 million in the current year resulted primarily from $3.3 million of gains on derivative instruments outstanding at the end of the period designated as cash flow hedges.

Acquisition of Tundra

On January 22, 2021, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Tundra for an aggregate purchase price of $99.4 million, composed of cash consideration of $74.1 million and the issuance of 1,357,142 Wajax common shares with a fair value of $25.3 million. Founded in 1999, Tundra provides maintenance and technical services to customers in the western Canadian midstream oil and gas, oil sands, petrochemical, mining, forestry and municipal sectors. Tundra also distributes a diverse range of industrial process equipment, representing industry-leading manufacturers of valves and actuators, instrumentation and controls, motors and drives, control buildings, boilers and water treatment solutions. Employing approximately 150 people at the time of acquisition, Tundra operates four facilities in Alberta and maintains a sales presence in western Canada. Tundra added revenues of $125.4 million and net earnings of $5.2 million during the year ended December 31, 2021, excluding $1.8 million of after-tax amortization expense relating to intangible assets recognized for the Tundra acquisition. Consistent with Wajax's strategy, the acquisition of Tundra is expected to continue to provide meaningful growth in the Corporation's ERS and industrial parts categories. Tundra's operations are complementary to Wajax's existing ERS and industrial parts businesses, adding extensively to its service offering and product portfolio, and further enhancing the "One Wajax" value proposition. The acquisition contributed $0.12 (net of acquisition-related interest costs and amortization on intangible assets) for the 2021 financial year, on an earnings per share basis.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2021 annual audited consolidated financial statements.

For the year ended December 31	**2021**	2020	2019
Revenue	**$ 1,637.3**	$ 1,422.6	$ 1,553.0
Net earnings	**$ 53.2**	$ 31.7	$ 39.5
Basic earnings per share	**$ 2.50**	$ 1.58	$ 1.98
Diluted earnings per share	**$ 2.42**	$ 1.55	$ 1.93
Total assets	**$ 1,080.8**	$ 981.4	$ 1,045.1
Non-current liabilities	**$ 323.0**	$ 376.9	$ 404.8
Dividends declared per share	**$ 1.00**	$ 1.00	$ 1.00

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

Revenue in 2021 of $1,637.3 million increased $214.6 million compared to 2020. While Wajax saw revenue increases across all categories, the favourable variance was driven largely by ERS and industrial parts strength in western Canada. This was due to the acquisition of Tundra during the year as the Corporation continues to grow its industrial parts and ERS business. Revenue in 2020 of $1,422.6 million decreased $130.4 million compared to 2019. The decrease in 2020 was due primarily to lower construction and forestry, industrial parts, and power systems revenue in all regions, and lower material handling sales in eastern Canada. These declines were offset partially by ERS strength in western and central Canada due to the acquisition of NorthPoint as the Corporation continued to focus on expanding its ERS business.

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

The $35.8 million increase in total assets from December 31, 2019 to December 31, 2021 was mainly attributable to higher goodwill and intangible assets of $91.8 million, and the higher right-of-use assets of $17.4 million. These increases were partially offset by lower rental equipment of $31.3 million, lower deposits on inventory of $30.4 million, and lower inventories of $26.2 million.

Non-current liabilities at December 31, 2021 of $323.0 million decreased $81.8 million from December 31, 2019 primarily attributable to a decrease in long-term debt of $127.4 million, offset partially by an increase in lease liabilities of $31.2 million and an increase in deferred tax liabilities of $12.9 million.

Selected Quarterly Information

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

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 402.8**	$ 401.3	$ 446.1	$ 387.1	$ 381.0	$ 340.6	$ 356.9	$ 344.1
Net earnings	**$ 8.0**	$ 14.7	$ 18.1	$ 12.5	$ 10.7	$ 6.7	$ 10.2	$ 4.1
Earnings per share								
– Basic	**$ 0.37**	$ 0.68	$ 0.85	$ 0.59	$ 0.53	$ 0.33	$ 0.51	$ 0.20
– Diluted	**$ 0.36**	$ 0.66	$ 0.82	$ 0.58	$ 0.52	$ 0.33	$ 0.50	$ 0.20
Adjusted net earnings(1)	**$ 7.0**	$ 15.5	$ 16.6	$ 12.4	$ 9.6	$ 10.1	$ 9.6	$ 5.8
Adjusted earnings per share(1)								
– Basic	**$ 0.33**	$ 0.72	$ 0.77	$ 0.59	$ 0.48	$ 0.50	$ 0.48	$ 0.29
– Diluted	**$ 0.32**	$ 0.70	$ 0.75	$ 0.57	$ 0.47	$ 0.49	$ 0.47	$ 0.28
Dividends declared per share	**$ 0.25**	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Weighted average common shares outstanding – basic (in thousands)	**21,409**	21,409	21,409	21,080	20,034	20,034	20,034	20,016

(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. Starting in 2020, revenues and net earnings have also been impacted by COVID-19, with the impact being felt more significantly in 2020 as compared to 2021.

Effective January 13, 2020, the Corporation acquired NorthPoint, and effective January 22, 2021, the Corporation acquired Tundra. The results of operations and financial position of these acquired businesses have been included in the above figures since their respective dates of acquisition. The acquisition of NorthPoint facilitated year-over-year growth in the Corporation's ERS revenue when comparing 2020 to 2019, which contributed to Wajax's ability to weather the conditions of the COVID-19 pandemic, adding $36.9 million in incremental revenue and $2.1 million in incremental net earnings in 2020. The acquisition of Tundra facilitated year-over-year growth in the Corporation's ERS and industrial parts revenue when comparing 2021 to 2020, adding $125.4 million in incremental revenue and $5.2 million in incremental net earnings in 2021, excluding $1.8 million of after-tax amortization expense relating to intangible assets recognized for the Tundra acquisition.

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31	
	2021	2020
Shareholders' equity	**$ 389.9**	$ 325.6
Funded net debt(1)	**143.5**	219.6
Total capital	**$ 533.4**	$ 545.2
Funded net debt to total capital(1)	**26.9%**	40.3%
Leverage ratio(1)	**1.29**	2.28
Senior secured leverage ratio(1)	**0.82**	1.73

(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 investments in acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors. The Corporation's leverage ratio is currently below the target range, due to strength in the trailing 12-month pro-forma adjusted EBITDA, combined with a reduction in debt levels on account of significant cash generated from operating activities. See the Funded Net Debt section.

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2021 of $389.9 million increased $64.3 million from December 31, 2020, due primarily to total comprehensive income of $58.9 million and shares issued to acquire Tundra of $25.3 million, offset partially by dividends declared of $21.4 million.

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

	Number of Common Shares		Amount
Issued and outstanding, December 31, 2020	20,167,703	$	182.5
Common shares issued for acquisition of business	1,357,142		25.3
Common shares issued to settle share-based compensation plans	6,583		0.1
Issued and outstanding, December 31, 2021	21,531,428	$	207.8
Shares held in trust, December 31, 2020	(134,084)		(1.2)
Released for settlement of certain share-based compensation plans	11,979		0.1
Shares held in trust, December 31, 2021	(122,105)	$	(1.1)
Issued and outstanding, net of shares held in trust, December 31, 2021	**21,409,323**	**$**	**206.7**

At the date of this MD&A, the Corporation had 21,409,323 common shares issued and outstanding, net of shares held in trust.

At December 31, 2021, 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, 2021, there were 530,598 SOP and DDSUP (treasury share rights plans) rights outstanding of which 500,405 rights were vested, 300,982 MTIP PSUs and equity-settled DSUP (market-purchased share rights plans) rights outstanding of which 26,092 rights were vested, and 525,210 MTIP RSUs and cash-settled DSUP (cash-settled rights plans) rights outstanding of which 10,689 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 $6.9 million for the year ended December 31, 2021 (2020 – expense of $4.5 million) in respect of these plans.

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

		December 31 2021		2020
Cash	**$**	**(10.0)**	$	(6.6)
Debentures		**55.2**		54.6
Long-term debt		**98.2**		171.6
Funded net debt	**$**	**143.5**	$	219.6

Funded net debt of $143.5 million at December 31, 2021 decreased $76.1 million compared to $219.6 million at December 31, 2020. The decrease during the year was due primarily to cash generated from operating activities of $190.1 million and proceeds on disposal of property, plant and equipment of $17.6 million, offset partially by the $75.4 million in cash paid as consideration for business acquisitions, the payment of lease liabilities of $28.9 million and dividends paid of $21.1 million.

The Corporation's ratio of funded net debt to total capital decreased to 26.9% at December 31, 2021 from 40.3% at December 31, 2020 due to both the lower funded net debt level in the current year and the higher shareholders' equity level in the current year.

The Corporation's leverage ratio of 1.29 times at December 31, 2021 decreased from the December 31, 2020 ratio of 2.28 times due primarily to the lower debt level in the current year and a higher 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 swap contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate swap contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2021, Wajax had the following interest rate swap contracts outstanding:

- $150.0 million, expiring in October 2026, with a weighted average interest rate of 2.21% (December 31, 2020 – $150.0 million, expiring in November 2024, with a weighted average interest rate of 2.12%)

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, 2021, Wajax had the following contracts outstanding:

- to buy U.S. $96.5 million (December 31, 2020 – to buy U.S. $45.9 million),
- to buy Euro €0.5 million (December 31, 2020 – to buy Euro €0.1 million),
- to sell U.S. $37.0 million (December 31, 2020 – to sell U.S. $32.2 million), and
- to sell Euro €0.9 million (December 31, 2020 – to sell Euro €0.9 million).

The U.S. dollar contracts expire between January 2022 and January 2024, with an average U.S./Canadian dollar rate of 1.2546.

The Euro contracts expire between January 2022 and December 2022, with an average Euro/Canadian dollar rate of 1.4940.

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, 2021, Wajax had the following total return swap contracts outstanding:

- contracts totaling 390,000 shares at an initial share value of $6.6 million (December 31, 2020 – contracts totaling 387,000 shares at an initial share value of $7.2 million)

The total return swap contracts expire between March 2022 and March 2024.

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

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

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

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

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

Contractual Obligations

Contractual Obligations	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	**$ 305.8**	$ 305.8	$ —	$ —	$ —
Undiscounted lease obligations	**251.0**	48.8	74.0	47.5	80.7
Bank debt	**100.0**	50.0	—	50.0	—
Debentures	**57.0**	—	—	57.0	—
Total	**$ 713.8**	$ 404.6	$ 74.0	$ 154.5	$ 80.7

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

Employee Pension Plan Wind-Up Settlement

Prior to December 31, 2019, the Corporation sponsored three pension plans: the Wajax Limited Pension Plan (the "**Employees' Plan**") which, except for a small group of employees in a defined benefit plan, was 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. 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. During the year, the Corporation established and sponsored a Simplified Pension Plan, designed as a defined contribution plan for employees in the province of Quebec.

During the year, the Corporation settled benefit obligations and plan assets as part of the wind-up of the Employees' Plan. The settlement was completed by entering into an agreement with a third-party insurance company to purchase an annuity for participants who selected that an annuity be purchased on their behalf, and by paying commuted values to participants who selected a lump sum payout. The cost of the annuity purchase totaled $4.4 million and was funded with existing plan assets. For those participants who selected a lump sum settlement, the total lump sum paid was $2.6 million, which was also paid from existing plan assets. As a result of the settlement, the Employees' Plan assets and benefit obligations declined by $7.0 million and $7.1 million, respectively, resulting in a gain on settlement of $0.1 million that the Corporation recorded in the consolidated statements of earnings during the year.

Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled $7.6 million in 2021 (2020 – $5.9 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 similar levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

As of December 31, 2021, the Corporation no longer had consignment inventory on hand from a major supplier (December 31, 2020 – $54.6 million, net of deposits of $42.3 million). The consignment program of the supplier, HCM's joint venture partner, relating to construction-class excavators, ended October 31, 2021. Effective November 1, 2021, the Corporation began assuming ownership of new stock received. Inventory on hand as at October 31, 2021 remained subject to the prior consignment terms, which included the opportunity for the Corporation to purchase the inventory prior to sale to a customer. Due to certain preferential terms offered by the supplier, and as previously announced, the Corporation purchased all consignment inventory on hand during the fourth quarter of 2021. The Corporation also purchased all inventory received from the supplier during the period from January 1, 2022 to February 28, 2022. On March 1, 2022, new payment terms from the manufacturer took effect.

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

Liquidity and Capital Resources

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

Bank and Non-bank Credit Facilities and Debentures

Wajax has a $450.0 million bank credit facility, of which $400.0 million matures October 1, 2026 and is composed of a non-revolving term facility and a revolving term facility; the remaining $50.0 million matures December 30, 2022 and represents a non-revolving acquisition term facility. On October 1, 2021, the Corporation amended its bank credit facility to extend the maturity date for the combined $400.0 million non-revolving and revolving term facilities from October 1, 2024 to October 1, 2026, and to reduce the pricing of the $50.0 million non-revolving acquisition term facility to match the pricing on the main credit facility. The $0.6 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility. Previously, on January 22, 2021, the Corporation had utilized the $50.0 million non-revolving acquisition term facility to finance the acquisition of Tundra. The remaining cash portion of the purchase price was financed with the revolving term facility.

At December 31, 2021, Wajax had borrowed $100.0 million and issued $7.3 million of letters of credit for a total utilization of $107.3 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, 2021, borrowing capacity under the bank credit facility was equal to $450.0 million, of which $342.7 million was accessible to the Corporation.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2021. 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, 2021, the Corporation's senior secured leverage ratio was 0.82 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.

In addition, Wajax had $57.0 million of senior unsecured debentures outstanding at December 31, 2021, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025. 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 in either cash or freely tradable 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, 2021, Wajax had no utilization of the interest bearing equipment financing facilities.

In addition, the Corporation has an agreement with a financial institution to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under this facility, up to $20.0 million of accounts receivable is permitted to be sold to the financial institution and can remain outstanding at any point in time. After the sale, Wajax does not retain any interests in the accounts receivable, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at December 31, 2021, the Corporation continues to service and collect $10.2 million in accounts receivable on behalf of the financial institution.

As at December 31, 2021, $342.7 million was accessible under the bank facility and $25.0 million was unutilized under the non-bank facilities. As of March 7, 2022, 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, 2021, 100.0% of the Corporation's funded net debt was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2021 and December 31, 2020:

		2021		2020		$ Change
Net earnings	**$**	**53.2**	$	31.7	$	21.6
Items not affecting cash flow		**94.9**		85.4		9.5
Changes in non-cash operating working capital		**83.4**		30.8		52.7
Finance costs paid on debts		**(10.6)**		(11.2)		0.6
Finance costs paid on lease liabilities		**(7.9)**		(8.2)		0.3
Interest collected on lease receivables		**0.2**		0.1		0.1
Income taxes paid		**(18.2)**		(9.8)		(8.4)
Rental equipment additions		**(10.1)**		(16.5)		6.4
Rental equipment disposals		**5.9**		18.1		(12.2)
Other non-current liabilities		**(0.1)**		(0.2)		0.1
Cash paid on settlement of total return swaps		**(0.6)**		(1.4)		0.8
Cash generated from operating activities	**$**	**190.1**	$	118.8	$	71.3
Cash used in investing activities	**$**	**(62.6)**	$	(17.6)	$	(44.9)
Cash used in financing activities	**$**	**(124.2)**	$	(97.7)	$	(26.5)

Operating Activities

For the year ended December 31, 2021, cash flows generated from operating activities amounted to $190.1 million, compared to cash flows generated from operating activities of $118.8 million for the previous year. The increase in cash generated of $71.3 million was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of $52.7 million, and an increase in net earnings excluding items not affecting cash flow of $31.1 million, offset partially by an increase in income taxes paid of $8.4 million. The increase in cash generated from changes in non-cash operating working capital of $52.7 million was driven primarily by a decrease in cash used from changes in accounts payable and accrued liabilities of $108.5 million, and a decrease in cash used from changes in deposits on inventory of $43.8 million, offset partially by a decrease in cash generated from changes in inventory of $74.3 million, and a decrease in cash generated from changes in trade and other receivables of $23.4 million.

For the year ended December 31, 2021, rental equipment additions of $10.1 million (2020 – $16.5 million) related to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the years ended December 31, 2021 and December 31, 2020 include the following:

Changes in Non-cash Operating Working Capital (1)		2021		2020
Trade and other receivables	**$**	**8.5**	$	31.9
Contract assets		**(6.0)**		2.8
Inventory		**(15.6)**		58.6
Deposits on inventory		**37.1**		(6.7)
Prepaid expenses		**(2.0)**		0.8
Accounts payable and accrued liabilities		**50.3**		(58.1)
Provisions		**(1.2)**		1.7
Contract liabilities		**12.3**		(0.3)
Total Changes in Non-cash Operating Working Capital	**$**	**83.4**	$	30.8

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2021 compared to the year ended December 31, 2020 are as follows:

- Trade and other receivables decreased $8.5 million in 2021 when excluding the trade and other receivables acquired through business acquisitions of $17.5 million, compared to a decrease of $31.9 million in 2020. The decrease in 2021 resulted primarily from strong overall collections, including the collection of a prior year receivable balance for a large mining shovel. 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.
- Inventory increased $15.6 million in 2021 when excluding the inventory acquired through business acquisitions of $15.7 million compared to a decrease of $58.6 million in 2020. The increase in 2021 was due to higher work-in-process and parts inventory due to increased sales volumes, offset partially by lower equipment inventory. The decrease in 2020 was due to lower equipment, parts and work-in-process inventory as the Corporation managed its inventory levels in response to the impacts of the COVID-19 pandemic on customer demand and supply chains.
- Deposits on inventory decreased $37.1 million in 2021 compared to an increase of $6.7 million in 2020. The decrease in 2021 was due to the previously announced purchase by the Corporation of all construction-class excavator consignment inventory on hand. See the Annual and Fourth Quarter Highlights section, as well as the Corporation's press release dated November 1, 2021. The increase in 2020 was due primarily to increased deposits related to consignment inventory being held in excess of nine months.
- Accounts payable and accrued liabilities increased $50.3 million when excluding the accounts payable and accrued liabilities acquired through business acquisitions of $20.5 million in 2021 compared to a decrease of $58.1 million in 2020. The increase in 2021 resulted primarily from increased inventory purchasing activity and higher incentive accruals. The decrease in 2020 resulted primarily from reduced inventory purchasing activity as the Corporation managed the impacts of the COVID-19 pandemic on customer demand and supply chains.

Investing Activities

For the year ended December 31, 2021, the Corporation used $62.6 million of cash in investing activities compared to using $17.6 million in 2020. Wajax invested $5.9 million in property, plant and equipment additions, compared to $6.5 million in 2020. Proceeds on disposal of property, plant and equipment, consisting primarily of proceeds on disposal of properties, amounted to $17.6 million for the year ended December 31, 2021, compared to $9.9 million for the year ended December 31, 2020. For the year ended December 31, 2021, Wajax invested $75.4 million towards business acquisitions, compared to $17.9 million towards business acquisitions, in the same period of 2020.

Financing Activities

For the year ended December 31, 2021, the Corporation used $124.2 million of cash in financing activities compared to using $97.7 million in 2020. Financing activities for the year ended December 31, 2021 included a net bank credit facility repayment of $73.0 million (2020 – net repayment of $54.4 million), the payment of lease liabilities of $28.9 million (2020 – $22.9 million) and dividends paid to shareholders of $21.1 million (2020 – $20.0 million).

Dividends

Dividends to shareholders for the 2021 and 2020 years were declared and payable to shareholders of record as follows:

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

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
Year Ended December 31, 2020		**$ 1.00**	**$ 20.0**

On March 7, 2022, the Corporation declared a dividend of $0.25 per share for the first quarter of 2022 payable on April 5, 2022 to shareholders of record on March 15, 2022.

Fourth Quarter Consolidated Results

For the three months ended December 31	2021	2020	% change
Revenue	**$ 402.8**	$ 381.0	5.7%
Gross profit	**81.8**	69.1	18.4%
Selling and administrative expenses	**66.5**	50.3	32.2%
Earnings before finance costs and income taxes(1)	**15.3**	18.8	(18.5)%
Finance costs	**4.5**	4.1	10.8%
Earnings before income taxes(1)	**$ 10.8**	$ 14.8	(26.6)%
Income tax expense	**2.9**	4.0	(29.3)%
Net earnings	**$ 8.0**	$ 10.7	(25.6)%
Basic earnings per share(2)	**$ 0.37**	$ 0.53	(30.4)%
Diluted earnings per share(2)	**$ 0.36**	$ 0.52	(30.9)%
Adjusted net earnings(1)(3)	**$ 7.0**	$ 9.6	(27.2)%
Adjusted basic earnings per share(1)(2)(3)	**$ 0.33**	$ 0.48	(31.9)%
Adjusted diluted earnings per share(1)(2)(3)	**$ 0.32**	$ 0.47	(32.4)%
Adjusted EBITDA(1)	**$ 28.5**	$ 30.9	(8.0)%
Key ratios:			
Gross profit margin	**20.3%**	18.1%	
Selling and administrative expenses as a percentage of revenue	**16.5%**	13.2%	
EBIT margin(1)	**3.8%**	4.9%	
Adjusted EBITDA margin(1)	**7.1%**	8.1%	
Effective income tax rate	**26.4%**	27.4%	

(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, 2021 was 21,409,323 (2020 – 20,033,619) and 22,145,597 (2020 – 20,574,840), respectively.

(3) Net earnings excluding the following:

a. after-tax gain recorded on the sale of properties of $1.2 million (2020 – $1.0 million), or basic and diluted earnings per share of $0.06 and $0.05, respectively (2020 – $0.05 earnings per share) for the three months ended December 31, 2021.

b. after-tax non-cash losses on mark to market of derivative instruments of $0.2 million (2020 – $0.9 million gain), or basic and diluted loss per share of $0.01 (2020 – $0.04 earnings per share) for the three months ended December 31, 2021.

c. after-tax Tundra transaction costs of nil (2020 – $0.8 million), or basic and diluted earnings per share of nil (2020 – $0.04) for the three months ended December 31, 2021.

Revenue

For the three months ended December 31	2021	2020	$ change
Equipment sales	**$ 119.8**	$ 145.0	$ (25.2)
Product support	**102.8**	101.9	0.9
Industrial parts	**108.7**	85.5	23.2
ERS	**61.9**	40.5	21.4
Equipment rental	**9.6**	8.1	1.5
Total revenue	**$ 402.8**	$ 381.0	$ 21.8

Revenue in the fourth quarter of 2021 increased 5.7%, or $21.8 million, to $402.8 million from $381.0 million in the fourth quarter of 2020. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Industrial parts revenue has increased due primarily to the acquisition of Tundra in western Canada effective January 22, 2021, and organic strength in bearings sales in eastern Canada.
- ERS revenue has increased due primarily to the acquisition of Tundra in western Canada.
- Equipment sales have decreased due primarily to lower mining sales in western Canada and lower construction & forestry sales in all regions. These decreases were offset partially by higher power systems sales in eastern Canada.

Backlog

The Corporation's backlog at December 31, 2021 of $419.1 million increased $47.5 million, or 12.8%, compared to September 30, 2021 due primarily to higher construction and forestry orders and higher industrial parts orders. "Backlog" does not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.

Canada Emergency Wage Subsidy (CEWS)

During the fourth quarter, the Corporation did not recognize any reimbursement of compensation expense from the CEWS program. During the same quarter last year, 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.

Gross profit

Gross profit increased $12.7 million, or 18.4%, in the fourth quarter of 2021 compared to the same quarter last year due to higher volumes and margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales. These increases were offset partially by the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year.

Gross profit margin of 20.3% in the fourth quarter of 2021 increased 2.2% compared to gross profit margin of 18.1% in 2020. Excluding the CEWS recoveries in the fourth quarter of last year of $4.4 million, gross profit margin in the fourth quarter of 2021 increased 3.3% compared to the gross profit margin of 17.0% in 2020. The increase in margin was driven primarily by higher equipment and parts margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales.

Selling and administrative expenses

Selling and administrative expenses in the fourth quarter of 2021 increased $16.2 million compared to the fourth quarter of 2020 due mainly to additional selling and administrative expenses related to Tundra of $5.9 million, higher incentive compensation of $4.0 million due primarily to improved financial results in 2021, a prior year $1.3 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year, professional fees related to environmental remediation of $1.0 million in the quarter, and amortization expense of $0.7 million in the quarter relating to intangible assets recognized for the Tundra acquisition. Selling and administrative expenses as a percentage of revenue increased to 16.5% in the fourth quarter of 2021 from 13.2% in the fourth quarter of 2020. Excluding the CEWS recoveries in the fourth quarter of last year of $1.3 million, selling and administrative expenses as a percentage of revenue increased from 13.5% in the fourth quarter last year to 16.5% in the fourth quarter of 2021.

Finance costs

Finance costs of $4.5 million in the fourth quarter of 2021 increased $0.4 million compared to the same quarter last year due primarily to the capitalization of $0.9 million of borrowing costs in the fourth quarter of last year without a similar capitalization in the fourth quarter of 2021, offset partially by lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

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

Net earnings

In the fourth quarter of 2021, the Corporation had net earnings of $8.0 million, or $0.37 per share, compared to $10.7 million, or $0.53 per share, in the fourth quarter of 2020. The $2.7 million decrease in net earnings resulted primarily from higher selling and administrative expenses, partially offset by higher volumes and margins, and a higher proportion of industrial parts and ERS sales compared to equipment sales.

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

Adjusted net earnings for the three months ended December 31, 2021 excludes a gain recorded on the sale of properties of $1.2 million after-tax, or $0.06 per share (2020 – gain of $1.0 million after-tax, or $0.05 per share), and non-cash losses on mark to market of derivative instruments of $0.2 million after-tax, or $0.01 per share (2020 – gains of $0.9 million after-tax, or $0.04 per share). Adjusted net earnings in 2020 also excludes Tundra transaction costs of $0.8 million after-tax, or $0.04 per share.

As such, adjusted net earnings decreased $2.6 million to $7.0 million, or $0.33 per share, in the fourth quarter of 2021 from $9.6 million, or $0.48 per share, in 2020.

Comprehensive income

Total comprehensive income of $9.1 million in the fourth quarter of 2021 included net earnings of $8.0 million and an other comprehensive gain of $1.1 million. The other comprehensive gain of $1.1 million in the current period resulted primarily from $0.8 million of gains on derivative instruments outstanding at the end of the period designated as cash flow hedges.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow for the quarters ended December 31, 2021 and December 31, 2020:

For the three months ended December 31	2021	2020	$ Change
Net earnings	**$ 8.0**	$ 10.7	$ (2.7)
Items not affecting cash flow	**21.3**	20.2	1.1
Net change in non-cash operating working capital	**14.0**	25.1	(11.1)
Finance costs paid on debts	**(1.4)**	(1.8)	0.4
Finance costs paid on lease liabilities	**(2.0)**	(1.9)	(0.1)
Interest collected on lease receivables	**0.1**	—	—
Income taxes paid	**(4.5)**	(5.2)	0.7
Rental equipment additions	**(2.3)**	(1.6)	(0.6)
Rental equipment disposals	**1.2**	2.6	(1.4)
Other non-current liabilities	**1.7**	—	1.7
Cash generated from operating activities	**$ 36.0**	$ 48.1	$ (12.0)
Cash generated from (used in) investing activities	**$ 0.9**	$ (1.4)	$ 2.3
Cash used in financing activities	**$ (33.8)**	$ (38.4)	$ 4.5

Operating Activities

Cash flows generated from operating activities amounted to $36.0 million in the fourth quarter of 2021, compared to $48.1 million in the same quarter of the previous year. The decrease of $12.0 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $11.1 million. The decrease in cash generated from changes in non-cash operating working capital of $11.1 million was driven primarily by a decrease in cash generated from changes in inventory of $52.3 million, offset partially by a decrease in cash used in changes in accounts payable and accrued liabilities of $18.0 million, an increase in cash generated from changes in contract liabilities of $5.3 million, and a decrease in cash used in changes in provisions of $4.7 million, and an increase in cash generated from changes in contract assets of $8.9 million.

Rental equipment additions in the fourth quarter of 2021 of $2.3 million (2020 – $1.6 million) related to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the quarters ended December 31, 2021 and December 31, 2020 include the following:

Changes in Non-cash Operating Working Capital[1]	2021	2020
Trade and other receivables	**$ (1.9)**	$ (4.3)
Contract assets	**9.2**	0.3
Inventory	**(19.9)**	32.5
Deposits on inventory	**4.4**	1.8
Prepaid expenses	**0.7**	1.5
Accounts payable and accrued liabilities	**13.7**	(4.3)
Provisions	**0.8**	(4.0)
Contract liabilities	**7.0**	1.7
Total Changes in Non-cash Operating Working Capital	**$ 14.0**	$ 25.1

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the three months ended December 31, 2021 compared to the quarter ended December 31, 2020 are as follows:

- Contract assets decreased $9.2 million in the fourth quarter of 2021 compared to a decrease of $0.3 million in the same period of 2020. The decrease in the fourth quarter of 2021 resulted primarily from lower work-in-progress that had not yet been billed as compared to the previous quarter.
- Inventory increased $19.9 million in the fourth quarter of 2021 compared to a decrease of $32.5 million in 2020. The increase in the fourth quarter of 2021 was largely due to the previously announced purchase by the Corporation of all construction-class excavator consignment inventory on hand. See the Annual and Fourth Quarter Highlights section, as well as the Corporation's press release dated November 1, 2021. 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 managed its inventory levels in response to the impacts of the pandemic on customer demand and supply chains. These decreases were partially offset by higher mining equipment inventory.
- Accounts payable and accrued liabilities increased $13.7 million in the fourth quarter of 2021 compared to a decrease of $4.3 million in 2020. The increase in the fourth quarter of 2021 resulted primarily from higher supplier payables with extended terms due to larger forestry equipment purchases from a major supplier in the fourth quarter as compared to the previous quarter, and higher incentive accruals. The decrease in 2020 resulted primarily from lower trade payables.

Investing Activities

The Corporation generated $0.9 million of cash in investing activities in the fourth quarter of 2021 compared to cash used in investing activities of $1.4 million in the same quarter of 2020. Wajax invested $1.6 million in property, plant and equipment additions, compared to $2.4 million in the fourth quarter of 2020. Proceeds on disposal of property, plant and equipment, consisting primarily of proceeds on disposal of properties, amounted to $2.1 million in the fourth quarter of 2021, compared to $3.2 million in the same quarter of the previous year.

Financing Activities

The Corporation used $33.8 million of cash in financing activities in the fourth quarter of 2021 compared to cash used in financing activities of $38.4 million in the same quarter of 2020. Financing activities in the quarter included a net bank credit facility repayment of $20.1 million (2020 – net repayment of $27.1 million), the payment of lease liabilities of $7.8 million (2020 – $6.2 million), and dividends paid to shareholders of $5.4 million (2020 – $5.0 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 and public health authorities worldwide enacting emergency measures to combat the spread of the novel coronavirus and its variants, 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 $1.1 million allowance for credit losses at December 31, 2021 decreased $2.5 million from $3.6 million at December 31, 2020. 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, 2021 was a charge of $2.9 million (2020 – charge of $1.7 million) and for the year ended December 31, 2021 was a charge of $3.2 million (2020 – charge of $7.1 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Acquisition accounting, goodwill and intangible assets

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

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

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

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.

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 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 an effect on the Corporation, most significantly in 2020. 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 significant adverse effect on Wajax's results of operations or cash flow.

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

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

Economic conditions/Business cyclicality

Wajax's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing, industrial processing and utilities industries. These industries can be capital intensive and cyclical in nature, and as a result, customer demand for Wajax's products and services may be affected by economic conditions at both a global or local level. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence Wajax's customers' operating, maintenance and capital spending, and therefore Wajax's sales and results of operations. Although Wajax has attempted to address its exposure to business and industry cyclicality by diversifying its operations by geography, product 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 the One Wajax model and by relationships with its customers and vendors. Wajax's ability to develop its core capabilities and successfully grow its business 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 One Wajax structure and investments made in systems may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to successfully manage its growth strategy, including acquisitions, could have a material adverse impact on Wajax's business, results of operations or financial condition.

Key personnel

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

Leverage, credit availability and restrictive covenants

Wajax has a $450.0 million bank credit facility, of which $400.0 million matures October 1, 2026 and $50.0 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 to, for example, the upgrade or conversion thereof, or the failure of these systems or new systems to operate as expected could, depending on the magnitude of the problem, adversely affect Wajax's operating results by limiting the ability to effectively monitor and control Wajax's operations.

Credit risk

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

Labour relations

Wajax had approximately 2,800 employees as at December 31, 2021. At the outset of 2021, Wajax was party to thirteen collective agreements covering approximately 273 employees. During 2021, five collective agreements covering 145 employees were ratified and one collective agreement covering 25 employees with an expiration date in 2021 was extended upon mutual agreement between the Corporation and union for a one-year term to 2022. Four agreements covering 65 employees expire in 2022. Five agreements covering 122 employees expire in 2023. Three agreements covering 102 employees expire in 2024. One agreement covering 8 employees expires in 2025. As at December 31, 2021, Wajax was party to 13 collective agreements covering a total of 297 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 swap contracts to mitigate all or a portion of the interest rate risk on its variable rate debt. The inability of Wajax to mitigate interest rate risks to offset interest rate increases may have a material adverse effect on the results of operations or financial condition of Wajax.

Equity price risk

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

Competition

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

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

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

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

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

Litigation and product liability claims

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

Guaranteed residual value, recourse and buy-back contracts

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

Future warranty claims

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

Maintenance and repair contracts

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

Environmental factors

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

Cyber security

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

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

As at December 31, 2021, 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, 2021, 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, 2021.

The Corporation has excluded from its evaluation the ICFR of Tundra, which was acquired effective January 22, 2021, as discussed in Note 5 of the consolidated financial statements and accompanying notes for the period ended December 31, 2021. The total revenue subject to Tundra's ICFR represented 7.7% of the Corporation's consolidated total revenue for the year ended December 31, 2021. The total assets subject to Tundra's ICFR represented 6.0% of the Corporation's consolidated total assets as at December 31, 2021.

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;

(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; and

(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, 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, 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, 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 *Revenue from Contracts with Customers*.

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		Year ended December 31	
	2021	2020	**2021**	2020
Net earnings	**$ 8.0**	$ 10.7	**$ 53.2**	$ 31.7
Restructuring and other related costs, after-tax	**—**	—	**—**	5.7
Gain recorded on the sale of properties, after-tax	**(1.2)**	(1.0)	**(2.1)**	(2.1)
Non-cash losses (gains) on mark to market of derivative instruments, after-tax	**0.2**	(0.9)	**—**	(1.0)
NorthPoint transaction costs, after-tax	**—**	—	**—**	0.2
Tundra transaction costs, after-tax	**—**	0.8	**0.3**	0.8
Adjusted net earnings	**$ 7.0**	$ 9.6	**$ 51.5**	$ 35.1
Adjusted basic earnings per share(1)(2)	**$ 0.33**	$ 0.48	**$ 2.41**	$ 1.75
Adjusted diluted earnings per share(1)(2)	**$ 0.32**	$ 0.47	**$ 2.34**	$ 1.71

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

(2) 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 year 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		Year ended December 31	
	2021	2020	**2021**	2020
Net earnings	**$ 8.0**	$ 10.7	**$ 53.2**	$ 31.7
Income tax expense	**2.9**	4.0	**19.9**	11.9
EBT	**$ 10.8**	$ 14.8	**$ 73.2**	$ 43.6
Finance costs	**4.5**	4.1	**19.1**	21.0
EBIT	**$ 15.3**	$ 18.8	**$ 92.3**	$ 64.6
Depreciation and amortization	**14.3**	13.5	**55.4**	52.4
EBITDA	**$ 29.7**	$ 32.3	**$ 147.7**	$ 117.0
Restructuring and other related costs(1)	**—**	—	**—**	7.8
Gain recorded on the sale of properties	**(1.5)**	(1.2)	**(2.5)**	(2.7)
Non-cash losses (gains) on mark to market of derivative instruments(2)	**0.3**	(1.2)	**—**	(1.4)
NorthPoint transaction costs(3)	**—**	—	**—**	0.2
Tundra transaction costs(4)	**—**	1.0	**0.4**	1.0
Adjusted EBITDA	**$ 28.5**	$ 30.9	**$ 145.6**	$ 122.0
Payment of lease liabilities(5)	**(7.8)**	(6.2)	**(28.9)**	(22.9)
Pro-forma adjusted EBITDA	**$ 20.6**	$ 24.7	**$ 116.7**	$ 99.0

(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.

(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 both 2021 and 2020, the Corporation incurred transaction costs relating to the Tundra acquisition. These costs were primarily for advisory services.

(5) 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	
	2021	2020
Cash	**$ (10.0)**	$ (6.6)
Debentures	**55.2**	54.6
Long-term debt	**98.2**	171.6
Funded net debt	**$ 143.5**	$ 219.6
Letters of credit	**7.3**	6.4
Debt	**$ 150.7**	$ 226.0
Pro-forma adjusted EBITDA(1)	**$ 116.7**	$ 99.0
Leverage ratio(2)	**1.29**	2.28
Senior secured leverage ratio(3)	**0.82**	1.73

(1) For the year ended December 31, 2021 and December 31, 2020.

(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 key areas: (1) investments in our team and putting people first, (2) investments in our customers and creating a differentiated customer experience, (3) executing a clear organic growth strategy, (4) our accretive acquisition strategy, and (5) investments in our infrastructure; our plans to meet our long-term sustainability goals by continuing to focus on and develop our environmental, social and governance programs; the goals for our environmental programs, including our plans and targets for reducing our greenhouse gas emissions; our plans to increase our charitable giving; our belief that our rebound from the challenges we faced in 2020, combined with our strengthened balance sheet and expanded product and service offerings, positions us ideally to grow in 2022 and beyond; our belief that, as we move further into 2022, we are seeing sound fundamentals in many of our key markets, bolstered by improving commodity prices and increased capital spending, and that this positive view of the market will be counterbalanced by the unpredictable COVID-19 pandemic and related supply chain issues; our expectation that supply chain issues will be a factor throughout 2022, particularly in our heavy equipment business, and our plans to manage these challenges through frequent dialogue with key suppliers and customers, pre-ordering new equipment, and utilizing repairs and rebuilds to extend the service life of equipment; our belief that our improved balance sheet and record start-of-year backlog shows momentum in our business; our plans to maintain such momentum and increase shareholder value by focusing on the following priorities: investing in our people and their safety, delivering exceptional customer experiences, organically growing our business, building our acquisition pipeline, supporting our closer relationship with Hitachi, prudently managing our balance sheet, deploying our ERP and remote diagnostic systems, and building sustainability into our business; our belief that our strong balance sheet, ability to generate cash flow and abundant growth opportunities will allow our business to grow meaningfully over the long-term; the planned expansion of our Canadian direct distribution relationship with Hitachi effective March 1, 2022, as well as the expected benefits of such expanded relationship, including enhanced access to product development, increased market responsiveness, improved reliability of equipment supply and increased market share; our work with Hitachi on transition planning for our expanded direct distribution relationship, and our continued mutual expectation of significant long-term benefits from such relationship; our continued expectation that our existing credit facilities will be sufficient to support total normal course working capital requirements, including new payment terms for construction-class excavators which took effect March 1, 2022; our expectation that Tundra will continue to provide meaningful growth in our ERS and industrial parts categories; our objective of managing our working capital and normal course capital investment programs within a leverage range of 1.5 – 2.0 times, and to fund such programs through operating cash flow and our bank credit facilities as required; the potential that we may maintain a leverage ratio outside our target range due to changes in economic cycles and investments in acquisitions, and that we may fund acquisitions using bank credit facilities and other debt instruments; our expectation that none of the impact of (1) changes in interest rates (in particular, related to unhedged variable rate debt), (2) a change in foreign currency value, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures, or (3) a change in Wajax's share price on cash settled MTIP rights, would have a material impact on our results of operations or financial condition over the longer term; our believe that there is no significant risk of non-performance by counterparties to our foreign exchange forward contracts; our belief in the adequacy of our debt capacity and sufficiency of our debt facilities, and 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; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our belief that we have a robust strategy and our confidence in our growth prospects; our belief that our labour relations are satisfactory, and that we will be able to renew our collective agreements; and our belief that our environmental compliance and monitoring programs are appropriate for our operations. 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; the ability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship announced on August 19, 2021; general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions, such as Tundra, and to successfully implement new information technology platforms, systems and software, such as our new ERP system; 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 and severity 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 and customers in relation to the COVID-19 pandemic, including slowing, reducing or halting operations; the inability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to their expanded direct distribution relationship; 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, 2021 (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 this 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.

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

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

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

Ignacy (Iggy) Domagalski
President and
Chief Executive Officer

Stuart Auld

Stuart Auld
Chief Financial Officer

Mississauga, Canada, March 7, 2022

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, 2021 and December 31, 2020
- 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, 2021 and December 31, 2020, 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, 2021. 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, 2021, the Entity had an equipment inventory balance of $208 million and a total inventory obsolescence provision of $30 million, a portion of which related to equipment inventory. The value of the Entity's new and used equipment is evaluated by the Entity throughout the year, on a unit-by-unit basis considering projected customer demand, future market conditions, and other considerations evaluated by management. When required, provisions are recorded to adjust the value of equipment to the lower of cost and estimated net realizable value.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Evaluation of acquisition-date fair value of intangible assets

Description of the matter

We draw attention to Notes 2 and 5 to the financial statements. The Entity acquired intangible assets through a business combination. The acquisition-date fair value of the intangible assets, consisting of customer relationships, vendor relationships and brand, was $42 million. The fair values of customer relationships, vendor relationships and brand acquired in the business acquisition were determined using an income approach. The customer relationships and vendor relationships were fair valued using the multi-period excess earnings and with-and-without methods, respectively. To estimate the fair value of the brand acquired, the relief from royalty method was applied to forecast revenue using an appropriate notional royalty rate. The Entity's significant assumptions in determining the acquisition-date fair value of the intangible assets include cash flow forecasts, estimated annual attrition rates, discount rates, royalty rate and estimated useful lives.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of the intangible assets as a key audit matter. This matter created a significant risk of a material misstatement given the high degree of estimation uncertainty in determining the fair value of the intangible assets. In addition, significant auditor judgment and the involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value to possible changes in significant assumptions used in the models.

How the matter was addressed in the audit

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

- We compared the Entity's cash flow forecasts to historical results. We took into account changes in conditions and events to assess the Entity's cash flow forecasts,
- We compared the estimated annual customer attrition rates to historical attrition rates, and
- We compared the estimated useful lives to those of similar intangible assets acquired by the Entity in the past.

In addition, we involved valuation professionals with specialized skills and knowledge, who assisted with the:

- Assessment of the valuation approaches used by the Entity to estimate the fair value of the intangible assets,
- Evaluation of the discount rates by comparing to a discount rate range that was independently developed using the capital asset pricing model and weighted average cost of capital, and

- Evaluation of the royalty rate by comparing it against publicly available market data for comparable entities.

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 2021 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 2021 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

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

Vaughan, Canada, March 7, 2022

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Note	December 31 2021	2020
Assets			
Current			
Cash		**$ 9,988**	$ 6,625
Trade and other receivables	6	**223,512**	214,507
Contract assets	7	**36,975**	23,003
Inventory	8	**388,702**	357,421
Deposits on inventory	8	**7,064**	44,197
Lease receivables - current	14	**3,187**	2,039
Income taxes receivable		**1,292**	—
Prepaid expenses		**7,887**	5,639
Derivative financial assets – current	18	**2,757**	1,597
		681,364	655,028
Non-Current			
Rental equipment	9	**45,750**	56,901
Property, plant and equipment	9	**39,568**	41,371
Right-of-use assets	10	**134,503**	131,733
Lease receivables	14	**6,091**	5,120
Goodwill and intangible assets	11	**171,375**	90,726
Derivative financial assets	18	**2,196**	511
		399,483	326,362
Total assets		**$1,080,847**	$981,390
Liabilities And Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	12	**$ 305,840**	$ 231,726
Provisions – current	13	**5,567**	6,744
Contract liabilities	7	**19,545**	7,064
Dividends payable	19	**5,352**	5,008
Income taxes payable		**—**	1,085
Lease liabilities – current	14	**30,541**	23,852
Derivative financial liabilities – current	18	**1,042**	3,387
		367,887	278,866
Non-Current			
Provisions	13	**216**	216
Deferred tax liabilities	24	**16,689**	1,388
Employee benefits	15	**7,977**	9,223
Derivative financial liabilities	18	**3,482**	8,285
Other liabilities		**3,645**	2,365
Lease liabilities	14	**137,597**	129,181
Debentures	16	**55,223**	54,638
Long-term debt	17	**98,218**	171,580
		323,047	376,876
Total liabilities		**690,934**	655,742
Shareholders' Equity			
Share capital	19	**206,705**	181,274
Contributed surplus		**8,417**	7,698
Retained earnings		**176,174**	143,271
Accumulated other comprehensive loss		**(1,383)**	(6,595)
Total shareholders' equity		**389,913**	325,648
Total liabilities and shareholders' equity		**$1,080,847**	$ 981,390

Subsequent events (Note 31).

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	2021	2020
Revenue	21	**$1,637,281**	$1,422,648
Cost of sales		**1,305,427**	1,160,688
Gross profit		**331,854**	261,960
Selling and administrative expenses		**239,553**	189,593
Restructuring and other related costs		**—**	7,799
Earnings before finance costs and income taxes		**92,301**	64,568
Finance costs	23	**19,133**	20,975
Earnings before income taxes		**73,168**	43,593
Income tax expense	24	**19,920**	11,940
Net earnings		**$ 53,248**	$ 31,653
Basic earnings per share	19	**$ 2.50**	$ 1.58
Diluted earnings per share	19	**2.42**	1.55

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	Note	2021	2020
Net earnings		**$ 53,248**	$ 31,653
Items that will not be reclassified to earnings			
Actuarial gains (losses) on pension plans, net of tax expense of $164 (2020 – recovery of $12)	15	**445**	(32)
Items that may be subsequently reclassified to earnings			
Losses (gains) on derivative instruments designated as cash flow hedges in prior years reclassified to net earnings during the year, net of tax recovery of $705 (2020 – expense of $5)		**1,916**	(13)
Gains (losses) on derivative instruments outstanding at the end of the year designated as cash flow hedges, net of tax expense of $1,213 (2020 – recovery of $1,544)		**3,296**	(4,196)
Other comprehensive income (loss), net of tax		**5,657**	(4,241)
Total comprehensive income		**$ 58,905**	$ 27,412

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

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

See accompanying notes to consolidated financial statements.

For the year ended December 31, 2020 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss Cash flow hedges	Total
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.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	Note	**2021**	2020
Operating Activities			
Net earnings		**$ 53,248**	$ 31,653
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	9	**15,228**	18,526
Property, plant and equipment	9	**7,493**	7,527
Right-of-use assets	10	**27,190**	23,953
Intangible assets	11	**5,483**	2,404
Gain on disposal of property, plant and equipment		**(2,967)**	(2,998)
Share-based compensation expense	20	**6,863**	4,482
Non-cash income from finance leases		**(508)**	(491)
Employee benefits (recovery) expense, net of employer contributions		**(781)**	248
Gain on derivative financial instruments	18	**(2,154)**	(1,129)
Finance costs	23	**19,133**	20,975
Income tax expense	24	**19,920**	11,940
		148,148	117,090
Changes in non-cash operating working capital	25	**83,426**	30,752
Rental equipment additions	9	**(10,133)**	(16,489)
Rental equipment disposals	9	**5,909**	18,082
Other non-current liabilities		**(117)**	(246)
Cash paid on settlement of total return swaps	18	**(613)**	(1,396)
Finance costs paid on debts		**(10,618)**	(11,207)
Finance costs paid on lease liabilities	14, 23	**(7,869)**	(8,152)
Interest collected on lease receivables	23	**229**	147
Income taxes paid		**(18,217)**	(9,774)
Cash generated from operating activities		**190,145**	118,807
Investing Activities			
Property, plant and equipment additions	9	**(5,939)**	(6,510)
Proceeds on disposal of property, plant and equipment		**17,576**	9,895
Intangible assets additions	11	**(1,400)**	(4,181)
Collection of lease receivables		**2,590**	1,085
Acquisition of business, net of cash acquired	5	**(75,411)**	(17,931)
Cash used in investing activities		**(62,584)**	(17,642)
Financing Activities			
Net decrease in bank debt	17	**(72,991)**	(54,371)
Transaction costs on debts	17	**(966)**	(37)
Payment of lease liabilities	14	**(28,896)**	(22,940)
Payment of tax withholding for share-based compensation		**(281)**	(345)
Dividends paid		**(21,064)**	(20,027)
Cash used in financing activities		**(124,198)**	(97,720)
Change in cash		**3,363**	3,445
Cash – beginning of year		**6,625**	3,180
Cash – end of year		**$ 9,988**	$ 6,625

See accompanying notes to consolidated financial statements.

1. Company Profile

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

2. Basis of Preparation

Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2022.

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. Since then, 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.

Acquisition accounting, goodwill and intangible assets

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

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

Lease term of contracts with renewal options

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

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

3. Significant Accounting Policies

Principles of consolidation

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

Revenue recognition

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

Revenue type	Nature and timing of satisfaction of performance obligations
Equipment sales	
Retail sales	Retail sales include the sale of new and used equipment. The Corporation recognizes revenue when control of the equipment passes to the customer based on shipment terms.
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 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 equipment rental 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 issuance of debt or equity, are recognized in earnings as incurred.

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

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

Trade and other receivables

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

Contract assets and contract liabilities

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

Inventory

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

Rental equipment

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

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

Property, plant and equipment

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

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

Leases

As a lessee

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

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

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

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

As a lessor

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

Operating leases

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

Finance leases

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

Goodwill and intangible assets

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill and indefinite life intangible assets are subsequently measured at cost less accumulated impairment losses. Goodwill and indefinite life intangible assets are 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 and brands represent the fair value attributed to these rights and brands at the time of acquisition and are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights and brands with minimal cost of renewal.

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

Impairment

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

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

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

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

Cash and bank indebtedness

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

Borrowing costs

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

Finance costs

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

Government grants

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

Derivative financial instruments and hedge accounting

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

Share-based compensation plans

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

Employee benefits

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

The Corporation also has defined benefit plans 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.

5. Acquisition of Business

Tundra Process Solutions Ltd. ("Tundra")

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

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

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

Consideration transferred:		
Cash consideration	$	74,137
Fair value of common share consideration		25,256
	$	99,393
Fair value of assets and liabilities recognized:		
Cash	$	597
Trade and other receivables		16,632
Contract assets		7,951
Inventory		15,307
Prepaid expenses		241
Property, plant and equipment		4,329
Right-of-use assets		6,138
Accounts payable and accrued liabilities		(20,196)
Contract liabilities		(220)
Lease liabilities		(6,076)
Deferred tax liabilities		(9,218)
Tangible net assets acquired	$	15,485
Intangible assets		42,000
Goodwill		41,908
	$	99,393

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

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

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

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

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

QT Valve & Supply Limited ("QT Valve")

On September 1, 2021, the Corporation acquired all of the issued and outstanding shares of Fort St. John, British Columbia-based QT Valve, a supplier of valves and valve services to the western oil and gas market. QT Valve was acquired for total consideration of $1,950, subject to post-closing adjustments. Tangible net assets acquired and goodwill recognized upon acquisition were $1,126 and $824, respectively. Final valuations of certain items are not yet complete. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process.

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 **2021**	2020
Trade accounts receivable	**$ 196,762**	$ 191,482
Less: allowance for credit losses	**(1,080)**	(3,626)
Net trade accounts receivable	**$ 195,682**	$ 187,856
Other receivables	**27,830**	26,651
Total trade and other receivables	**$ 223,512**	$ 214,507

The Corporation has an agreement with a financial institution to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under the agreement, up to $20,000 of accounts receivable may be sold to the financial institution and can remain outstanding at any point in time. After the sale, the Corporation does not retain any interests in the accounts receivable and removes them from its consolidated statement of financial position, however the Corporation continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at December 31, 2021, the Corporation continues to service and collect $10,169 in accounts receivable on behalf of this financial institution (December 31, 2020 – $11,696). Net proceeds from this program are classified in operating activities in the consolidated statements of cash flows.

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

7. Contract Assets and Liabilities

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

	December 31 **2021**	2020
Contract assets	**$ 36,975**	$ 23,003
Contract liabilities	**19,545**	7,064

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

Revenue recognized in 2021 that was included in the contract liability balance at the beginning of the year was $6,599 (2020 – $6,535).

8. Inventory

The Corporation's inventory balance consists of the following:

	December 31 **2021**	2020
Equipment	**$ 208,377**	$ 218,740
Parts	**148,587**	125,252
Work-in-process	**31,738**	13,429
Total inventory	**$ 388,702**	$ 357,421

All amounts shown are net of obsolescence provisions of $29,825 (December 31, 2020 – $28,144). For the year ended December 31, 2021, $3,172 (2020 – $7,111) was recorded in cost of sales for the write-down of inventory to estimated net realizable value.

For the year ended December 31, 2021, the Corporation recognized $1,052,042 (2020 – $929,646) of inventory as an expense which is included in cost of sales.

As at December 31, 2021, the Corporation has included $56,452 (December 31, 2020 – $41,815) in equipment inventory related to short-term rental contracts that are expected to convert to equipment sales within a six to twelve month period.

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

Deposits on inventory in the consolidated statements of financial position amounted to $7,064 as at December 31, 2021 (December 31, 2020 – $44,197). The deposits on inventory as at December 31, 2021 relates entirely to ordered inventory, as the consignment program relating to construction-class excavators ended October 31, 2021 and the Corporation purchased all the remaining consignment inventory on hand during the fourth quarter of 2021.

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, 2020	$ 28,747	$ 64,326	$ 5,004	$ 10,617	$ 12,362	**$ 121,056**	**$ 111,804**
Additions	56	4,839	212	357	475	**5,939**	**10,133**
Transfer from leased to owned at end of lease	—	3,014	—	—	—	**3,014**	**—**
Other transfers	—	652	(339)	—	—	**313**	**(313)**
Disposals	(6,150)	(7,525)	(182)	(653)	(816)	**(15,326)**	**(21,402)**
Acquisition of business (Note 5)	—	2,650	494	362	878	**4,384**	**—**
December 31, 2021	**$ 22,653**	**$ 67,956**	**$ 5,189**	**$ 10,683**	**$ 12,899**	**$ 119,380**	**$ 100,222**
Accumulated depreciation							
December 31, 2020	$ 13,699	$ 46,125	$ 3,465	$ 7,768	$ 8,628	**$ 79,685**	**$ 54,903**
Charge for the year	366	4,662	889	612	964	**7,493**	**15,228**
Transfer from leased to owned at end of lease	—	2,501	—	—	—	**2,501**	**—**
Other transfers	—	166	—	—	—	**166**	**(166)**
Disposals	(1,925)	(6,539)	(174)	(579)	(816)	**(10,033)**	**(15,493)**
December 31, 2021	**$ 12,140**	**$ 46,915**	**$ 4,180**	**$ 7,801**	**$ 8,776**	**$ 79,812**	**$ 54,472**
Carrying amount							
December 31, 2021	**$ 10,513**	**$ 21,041**	**$ 1,009**	**$ 2,882**	**$ 4,123**	**$ 39,568**	**$ 45,750**
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	—	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

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

10. Right-of-Use Assets

	Properties	Vehicles	Computer hardware	Equipment	Total
Cost					
December 31, 2020	$ 149,828	$ 27,155	$ 2,449	$ —	**$ 179,432**
Additions	17,823	6,053	1,838	4,085	**29,799**
Disposals	(2,542)	(1,280)	(569)	—	**(4,391)**
Disposal to lease receivables upon sublease	—	—	—	(4,085)	**(4,085)**
Transfer from leased to owned at end of lease	—	(3,014)	—	—	**(3,014)**
Acquisition of businesses (Note 5)	4,936	1,169	—	33	**6,138**
December 31, 2021	**$ 170,045**	**$ 30,083**	**$ 3,718**	**$ 33**	**$ 203,879**
Accumulated depreciation					
December 31, 2020	$ 33,941	$ 13,116	$ 642	$ —	**$ 47,699**
Charge for the year	21,332	5,190	658	10	**27,190**
Disposals	(2,014)	(664)	(334)	—	**(3,012)**
Transfer from leased to owned at end of lease	—	(2,501)	—	—	**(2,501)**
December 31, 2021	**$ 53,259**	**$ 15,141**	**$ 966**	**$ 10**	**$ 69,376**
Carrying amount					
December 31, 2021	**$ 116,786**	**$ 14,942**	**$ 2,752**	**$ 23**	**$ 134,503**
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	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

During the year ended December 31, 2021, the Corporation entered into sale and leaseback transactions for three of its owned properties (2020 – two of its owned properties). The proceeds net of transaction costs on the sale of the properties were $13,819 (2020 – $6,351) and the carrying amount was $3,623 (2020 – $1,779), resulting in a total gain on the sale of the properties of $10,196 (2020 – $4,572), of which $880 (2020 – $1,470) was recognized in the consolidated statements of earnings at the time of transaction and the remaining $9,316 (2020 – $3,102) deferred as a reduction of the right-of-use assets. The Corporation also recorded lease liabilities of $10,534 (2020 – $4,429) and right-of-use assets of $1,218 (2020 – $1,327) related to these sale and leaseback transactions. The terms of the three leases are 10, 10 and 15 years (2020 – both leases had a term of 10 years).

11. Goodwill and Intangible Assets

The Corporation performed its annual impairment test of its goodwill and indefinite life intangibles as at December 31, 2021. 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 2022 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% (2020 – 2%). The Corporation assumed a discount rate of approximately 9.0% (2020 – 9.9%) which is based on the Corporation's pre-tax weighted average cost of capital.

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

The Corporation concluded as at December 31, 2021 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, 2021 and December 31, 2020.

	Goodwill	Product distribution rights/Brands	Customer relationships/ Vendor relationships	Software	**Total**
Cost					
December 31, 2020	$ 56,114	$ 3,236	$ 27,902	$ 16,130	**$ 103,382**
Additions	—	—	—	1,400	**1,400**
Disposals	—	—	(7,402)	(30)	**(7,432)**
Acquisition of businesses (Note 5)	42,732	15,000	27,000	—	**84,732**
December 31, 2021	**$ 98,846**	**$ 18,236**	**$ 47,500**	**$ 17,500**	**$ 182,082**
Accumulated amortization					
December 31, 2020	$ —	$ —	$ 11,398	$ 1,258	**$ 12,656**
Charge for the year	—	—	4,697	786	**5,483**
Disposals	—	—	(7,402)	(30)	**(7,432)**
December 31, 2021	**$ —**	**$ —**	**$ 8,693**	**$ 2,014**	**$ 10,707**
Carrying amount					
December 31, 2021	**$ 98,846**	**$ 18,236**	**$ 38,807**	**$ 15,486**	**$ 171,375**
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	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

During the year, $153 (2020 – $857) 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 3.0% (2020 – 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 **2021**	2020
Trade payables	**$ 178,522**	$ 137,016
Deferred rental income	**1,012**	854
Supplier payables with extended terms	**30,762**	23,493
Payroll, bonuses and incentives	**44,501**	26,204
Accrued liabilities	**51,043**	44,159
Accounts payable and accrued liabilities	**$ 305,840**	$ 231,726

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, 2020	$ 3,752	$ 1,074	$ 2,134	**$ 6,960**
Charge for the year	—	10,205	2,713	**12,918**
Utilized in the year	(2,881)	(9,652)	(1,562)	**(14,095)**
Provisions, December 31, 2021	$ 871	$ 1,627	$ 3,285	**$ 5,783**
Current portion	$ 871	$ 1,627	$ 3,069	**$ 5,567**
Non-current portion	—	—	216	**216**
Total	$ 871	$ 1,627	$ 3,285	**$ 5,783**

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	**2021**	2020
Balance at beginning of year		**$ 153,033**	$ 127,130
Changes from operating cash flows			
Finance costs paid on lease liabilities		**(7,869)**	(8,152)
Changes from financing cash flows			
Payment of lease liabilities		**(28,896)**	(22,940)
Other changes			
Acquisition of business	5	**6,076**	13,250
Interest expense	23	**7,869**	8,152
New leases, net of disposals		**37,925**	35,593
Balance at end of year		**$ 168,138**	$ 153,033
Current portion		**$ 30,541**	$ 23,852
Non-current portion		**$ 137,597**	$ 129,181

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	**2021**	2020
Expense related to short-term leases		**$ 225**	$ 396
Expense related to low value assets, excluding short-term leases of low value assets		**34**	10
Expense related to variable lease payments not included in the measurement of lease liabilities		**2,582**	1,867
Payment of lease liabilities		**28,896**	22,940
Interest paid on lease liabilities	23	**7,869**	8,152
Total outflow for leases		**$ 39,606**	$ 33,365

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

	December 31 **2021**	2020
Within one year	**$ 48,768**	$ 37,008
Between one and three years	**73,977**	64,811
Between three and five years	**47,485**	43,997
More than five years	**80,721**	81,109
Total undiscounted lease obligations	**$ 250,951**	$ 226,925

As lessor

Operating leases

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

	December 31 **2021**	2020
Less than one year	**$ 6,791**	$ 6,074
Between one and five years	**8,567**	5,855
Future minimum lease payments receivable	**$ 15,358**	$ 11,929

Finance leases

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

	December 31 **2021**	2020
Less than one year	**$ 3,382**	$ 2,223
Between one and five years	**6,303**	5,255
Total undiscounted lease payments receivable	**9,685**	7,478
Unearned finance income	**(407)**	(319)
Lease receivables	**$ 9,278**	$ 7,159
Current portion	**$ 3,187**	$ 2,039
Non-current portion	**$ 6,091**	$ 5,120

15. Employee Benefits

Prior to December 31, 2019, the Corporation sponsored three pension plans: the Wajax Limited Pension Plan (the "**Employees' Plan**") which, except for a small group of employees in a defined benefit plan, was 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. 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**"). During the year, the Corporation established and sponsored a Simplified Pension Plan (the "**SP Plan**"), designed as a defined contribution plan for employees in the province of Quebec.

During the year, the Corporation settled benefit obligations and plan assets as part of the wind-up of the Employees' Plan. The settlement was completed by entering into an agreement with a third-party insurance company to purchase an annuity for participants who selected that an annuity be purchased on their behalf, and by paying commuted values to participants who selected a lump sum payout. The cost of the annuity purchase totaled $4,396 and was funded with existing plan assets. For those participants who selected a lump sum settlement, the total lump sum paid was $2,610, which was also paid from existing plan assets. As a result of the settlement, the Employees' Plan assets and benefit obligations declined by $7,006 and $7,123, respectively, resulting in a gain on settlement of $117 that the Corporation recorded in the consolidated statements of earnings during the year.

In addition, the settlement triggered a re-measurement of the Employees' Plan for any pre-settlement changes in assumptions, plan asset return experience and other experience adjustments, resulting in a re-measurement loss of $142, net of tax, recognized in other comprehensive income during the year in the consolidated statements of comprehensive income.

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 and final 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, 2021, and the next valuation is as at January 1, 2024.

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

	December 31 **2021**	2020
Discount rate – at beginning of year (to determine plan expenses)	**2.5%**	3.0%
Discount rate – at end of year (to determine defined benefit obligation)	**3.1%**	2.5%
Increases in pensionable earnings	**—%**	—%
Rate of inflation	**2.0%**	2.0%

Assumptions regarding future mortality rates were based on 100% of the rates of the 2014 Canadian Pensioner's Mortality Table for the Employees' Plan, and 87% of the rates of the 2014 Public Sector Canadian Pensioner's Mortality Table for the Executive Plan and SERP.

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

	Executive Plan December 31, 2021	Employees' Plan December 31, 2020	Executive Plan December 31, 2020
Fixed Income	**40.4%**	100.0%	39.9%
Foreign Equities	**59.6%**	—%	60.1%
	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:

	2021	2020
Actuarial loss (gain) on defined benefit obligation arising from:		
Experience adjustments	**$ 236**	$ (35)
Demographic assumption changes	**—**	(157)
Financial assumption changes	**(1,337)**	958
	$ (1,101)	$ 766
Actuarial loss (gain) on asset return	**492**	(722)
Total remeasurement (gain) loss recognized in OCI, pre-tax	**$ (609)**	$ 44

Total cash payments

Total cash payments for employee future benefits for 2021, 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 $9,698 (2020 – $8,610).

The Corporation expects to contribute $511 to the defined benefit pension plans in the year ended December 31, 2022.

The plan expenses recognized in earnings are as follows:

	2021	2020
Defined contribution plans		
Current service cost	**$ 8,294**	$ 8,015
Defined benefit plans		
Current service cost	**276**	288
Gain on settlements	**(117)**	—
Administration expenses	**227**	275
SERP line of credit fees	**221**	318
Interest cost on defined benefit obligation	**466**	648
Interest income on plan assets	**(229)**	(368)
	$ 844	$ 1,161
Total plan expense recognized in earnings	**$ 9,138**	$ 9,176

Of the amounts recognized in earnings, $3,702 (2020 – $3,644) is included in cost of sales and $5,436 (2020 – $5,532) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

		2021		2020
Actuarial (gains) losses	**$**	**(609)**	$	44
Deferred tax expense (recovery)		**164**		(12)
Amount recognized in other comprehensive income	**$**	**(445)**	$	32
Cumulative actuarial losses, net of tax	**$**	**2,744**	$	3,189

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

Present value of benefit obligation		**2021**		2020
Present value of benefit obligation, beginning of year	**$**	**22,821**	$	22,185
Current service cost		**276**		288
Gain on settlements		**(117)**		—
Participant contributions		**20**		19
Interest cost on defined benefit obligation		**466**		648
Actuarial (gains) losses		**(1,101)**		766
Benefits paid		**(1,176)**		(1,085)
Settlement payments from plan assets		**(7,006)**		—
Present value of benefit obligation, end of year	**$**	**14,183**	$	22,821

Fair value of plan assets		**2021**		2020
Fair value of plan assets, beginning of year	**$**	**13,013**	$	12,669
Return on plan assets		**(299)**		1,335
Participant contributions		**20**		19
Employer contributions		**1,404**		595
Benefits paid		**(1,176)**		(1,085)
Settlement payments from plan assets		**(7,006)**		—
Administration expenses		**(191)**		(520)
Fair value of plan assets, end of year	**$**	**5,765**	$	13,013

Funded Status		**2021**		2020
Fair value of plan assets, end of year	**$**	**5,765**	$	13,013
Present value of benefit obligation, end of year		**(14,183)**		(22,821)
Plan deficit	**$**	**(8,418)**	$	(9,808)

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

		2021		2020
Accounts payable and accrued liabilities	**$**	**(441)**	$	(585)
Employee benefits		**(7,977)**		(9,223)
Plan deficit	**$**	**(8,418)**	$	(9,808)

Present value of benefit obligation includes a benefit obligation of $6,113 (2020 – $6,335) related to the SERP that is not funded. This obligation is secured by a letter of credit of $6,735 (2020 – $6,349).

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 $1,563 (2020 – $2,070) decrease to the defined benefit obligation as at December 31, 2021. A 1% decrease in discount rate would result in a $1,614 (2020 – $2,485) 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			
		2021		2020
Debentures issued	**$**	**57,000**	$	57,000
Deferred financing costs, net of accumulated amortization		**(1,777)**		(2,362)
Total debentures	**$**	**55,223**	$	54,638

Movements in the debentures balance are as follows:

For the year ended December 31		**2021**		2020
Balance at beginning of year	**$**	**54,638**	$	54,115
Changes from financing cash flows				
Transaction costs related to issuance		**—**		(37)
Other changes				
Amortization of deferred financing costs		**585**		560
Balance at end of year	**$**	**55,223**	$	54,638

Finance costs on the debentures for the year ended December 31, 2021 were $3,999 (2020 – $3,999).

17. Long-Term Debt

On January 22, 2021, the Corporation utilized the $50,000 non-revolving acquisition term facility to finance the acquisition of Tundra. The remaining cash portion of the purchase price was financed with the revolving term facility.

On October 1, 2021, the Corporation amended its senior secured credit facility, by extending the maturity date from October 1, 2024 to October 1, 2026 for the non-revolving and revolving term facilities. While the December 30, 2022 maturity date for the non-revolving acquisition term facility remains unchanged, the interest margins for this facility were reduced to match those of the main credit facility. The $573 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar 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. Previous to the October 1, 2021 bank credit facility amendment, margins on the non-revolving acquisition term facility ranged 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. The bank credit facility amendment allowed the Corporation to align the non-revolving acquisition term facility rates to the main credit facility rates.

Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventory on hand and the outstanding trade accounts receivable. As at December 31, 2021, borrowing capacity under the bank credit facility was $450,000 (December 31, 2020 – $438,710), of which $342,729 (December 31, 2020 – $209,296) was accessible to the Corporation. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2021.

The following balances were outstanding:

	December 31 **2021**	2020
Bank credit facility		
Non-revolving term portion	**$ 50,000**	$ 50,000
Non-revolving acquisition term portion	**50,000**	—
Revolving term portion	**—**	122,991
	$ 100,000	$ 172,991
Deferred financing costs, net of accumulated amortization	**(1,782)**	(1,411)
Total long-term debt	**$ 98,218**	$ 171,580

The Corporation had $7,271 (December 31, 2020 – $6,423) letters of credit outstanding at the end of the year. Finance costs on long-term debt amounted to $7,494 (2020 – $8,971). Movements in the long-term debt balance are as follows:

For the year ended December 31	**2021**	2020
Balance at beginning of year	**$ 171,580**	$ 225,573
Changes from financing cash flows		
Net repayments of borrowings	**(72,991)**	(54,371)
Transaction costs related to borrowings	**(966)**	—
Other changes		
Amortization of deferred financing costs	**595**	378
Balance at end of year	**$ 98,218**	$ 171,580

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 **2021**	2020
Financial assets measured at amortized cost:		
Cash	**$ 9,988**	$ 6,625
Trade and other receivables	**223,512**	214,507
Contract assets	**36,975**	23,003
Lease receivables	**9,278**	7,159
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	**305,840**	231,726
Provisions	**5,783**	6,960
Contract liabilities	**19,545**	7,064
Dividends payable	**5,352**	5,008
Other liabilities	**3,645**	2,365
Lease liabilities	**168,138**	153,033
Debentures	**55,223**	54,638
Long-term debt	**98,218**	171,580
Net derivative financial assets (liabilities) measured at fair value:		
Foreign exchange forwards	**714**	(710)
Total return swaps	**2,836**	(578)
Interest rate swaps	**(3,121)**	(8,276)

The Corporation measures non-derivative financial assets and financial liabilities at amortized cost. Derivative financial assets/liabilities are recorded on the consolidated statements of financial position at fair value. Changes in fair value are recognized in the consolidated statements of earnings except for changes in fair value related to derivative financial assets/liabilities which are effectively designated as hedging instruments which are recognized in other comprehensive income. The Corporation's derivative financial assets/liabilities are held with major Canadian chartered banks and are deemed to be Level 2 financial instruments. The fair value of long-term debt approximates its recorded value due to its floating interest rate. The fair value of lease receivables approximates its carrying value. The fair value of the debentures can be estimated based on the trading price of the debentures, which takes into account the Corporation's own credit risk. At December 31, 2021, the Corporation has estimated the fair value of its debentures to be $58,972. 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, 2021 and 2020:

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 2021	2020
Current	**$ 108,645**	$ 86,525
Less than 60 days overdue	**78,880**	89,097
More than 60 days overdue	**9,237**	15,860
Total trade accounts receivable	**$ 196,762**	$ 191,482

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	2021	2020
Opening balance	**$ 3,626**	$ 2,371
Charge (reversals), net	**(1,013)**	2,808
Utilization	**(1,533)**	(1,553)
Closing balance	**$ 1,080**	$ 3,626

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

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. At December 31, 2021, the Corporation had borrowed $100,000 (2020 – $172,991) from the bank credit facility, of which $50,000 matures on December 30, 2022 and $50,000 matures on October 1, 2026. The Corporation issued $7,271 (2020 – $6,423) of letters of credit for a total utilization of $107,271 (2020 – $179,414) of its $450,000 (2020 – $450,000) bank credit facility and had not utilized any (2020 – nil) of its $25,000 (2020 – $25,000) interest bearing equipment financing facilities.

In December 2019, the Corporation issued $57,000 in unsecured subordinated debentures with a term of five years due January 15, 2025. These debentures bear a fixed interest rate of 6.00% per annum, payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2020. On redemption or at maturity on January 15, 2025, the Corporation has the option to repay the debentures in either cash or freely tradable voting shares of the Corporation.

The Corporation's $450,000 bank credit facility, of which $342,729 was unutilized at the end of the year, along with the additional $25,000 of equipment financing available under the bank credit facility, is deemed to be sufficient to meet the Corporation's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, the Corporation may be required to access the equity or debt markets to fund significant acquisitions.

Contractual obligations are as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	**$ 305,840**	$ 305,840	$ —	$ —	$ —
Undiscounted lease obligations	**250,951**	48,768	73,977	47,485	80,721
Long-term debt	**100,000**	50,000	—	50,000	—
Debentures	**57,000**	—	—	57,000	—
Total	**$ 713,791**	$ 404,608	$ 73,977	$ 154,485	$ 80,721

Market risk

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

a) Currency risk

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

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

b) Interest rate risk

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

A 1.00 percentage point change in interest rates on the average amount outstanding under the bank credit facility for 2021 would result in a change to earnings before income taxes of approximately $1,824 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 $390 relating to the total return swaps. An increase of $1.00 per share would result in an equal and opposite effect on earnings before income taxes.

Derivative financial instruments and hedges

The Corporation enters into interest rate swaps to hedge the risk associated with interest rate fluctuations on its variable rate debt. Interest rate swaps are initially recognized on the date the derivative contracts are entered into, and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss. For the year ended December 31, 2021, the Corporation recognized a loss of $502 in the consolidated statements of earnings associated with its interest rate swaps and a gain of $4,135 (2020 – loss of $4,131), net of tax in other comprehensive income.

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

	Notional Amount	Weighted Average Interest Rate	Maturity
As at December 31, 2021:	$ 150,000	2.21%	October 2026
As at December 31, 2020:	$ 150,000	2.12%	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, 2021, the Corporation recognized a loss of $145 (2020 – gain of $151) associated with its foreign exchange forwards in the consolidated statements of earnings, and a gain of $1,147 (2020 – gain of $51), net of tax in other comprehensive income.

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

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

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

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, 2021, the Corporation's total return swaps cover 390,000 of the Corporation's underlying common shares (December 31, 2020 – 387,000), and expire between March 2022 and March 2024. During the year, the Corporation settled a total return swap contract for 114,000 shares (2020 – 121,000 shares), resulting in a cash payout of $613 (2020 – $1,396). For the year ended December 31, 2021, the Corporation recognized a gain of $2,801 (2020 – gain of $978) associated with its total return swaps.

Derivative financial assets consist of:

	December 31 **2021**	2020
Interest rate swaps	**$ 283**	$ —
Foreign exchange forwards	**1,834**	1,652
Total return swaps	**2,836**	456
Total derivative financial assets	**$ 4,953**	$ 2,108
Current portion	**$ 2,757**	$ 1,597
Non-current portion	**$ 2,196**	$ 511

Derivative financial liabilities consist of:

	December 31 **2021**	2020
Interest rate swaps	**$ 3,404**	$ 8,276
Foreign exchange forwards	**1,120**	2,362
Total return swaps	**—**	1,034
Total derivative financial liabilities	**$ 4,524**	$ 11,672
Current portion	**$ 1,042**	$ 3,387
Non-current portion	**$ 3,482**	$ 8,285

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

For the year ended December 31	**2021**	2020
Opening net derivative financial liabilities	**$ 9,564**	$ 6,507
Gain recognized in net earnings	**(2,154)**	(1,129)
(Gain) loss recognized in other comprehensive income – before tax	**(7,226)**	5,582
Cash paid on settlement of total return swaps	**(613)**	(1,396)
Ending net derivative financial (assets) liabilities	**$ (429)**	$ 9,564

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, 2021 (December 31, 2020 – 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, 2020	20,167,703	$ 182,482
Common shares issued for acquisition of business	1,357,142	25,256
Common shares issued to settle share-based compensation plans	6,583	67
Issued and outstanding, December 31, 2021	21,531,428	$ 207,805
Shares held in trust, December 31, 2020	(134,084)	(1,208)
Released for settlement of certain share-based compensation plans	11,979	108
Shares held in trust, December 31, 2021	(122,105)	$ (1,100)
Issued and outstanding, net of shares held in trust, December 31, 2021	**21,409,323**	**$ 206,705**

	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**

Dividends declared

During the year, the Corporation declared cash dividends of $1.00 per share or $21,408 (2020 – dividends of $1.00 per share or $20,032). As at December 31, 2021, the Corporation had $5,352 (December 31, 2020 – $5,008) dividends outstanding which were paid on January 5, 2022.

Earnings per share

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

For the year ended December 31		2021		2020
Numerator for basic and diluted earnings per share: – net earnings	**$**	**53,248**	$	31,653
Denominator for basic earnings per share: – weighted average shares, net of shares held in trust		**21,328,093**		20,029,345
Denominator for diluted earnings per share: – weighted average shares, net of shares held in trust		**21,328,093**		20,029,345
– effect of dilutive share rights		**698,782**		457,423
Denominator for diluted earnings per share		**22,026,875**		20,486,768
Basic earnings per share	**$**	**2.50**	$	1.58
Diluted earnings per share	**$**	**2.42**	$	1.55

5,408 anti-dilutive share rights were excluded from the above calculation (2020 – 20,768).

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		2021		2020
Treasury share rights plans				
SOP equity-settled	**$**	**94**	$	88
DDSUP equity-settled		**691**		564
Total treasury share rights plans expense	**$**	**785**	$	652
Market-purchased share rights plans				
MTIP equity-settled	**$**	**980**	$	1,094
DSUP equity-settled		**28**		51
Total market-purchased share rights plans expense	**$**	**1,008**	$	1,145
Cash-settled rights plans				
MTIP cash-settled	**$**	**4,989**	$	2,645
DSUP cash-settled		**81**		40
Total cash-settled rights plans expense	**$**	**5,070**	$	2,685
Total share-based compensation expense	**$**	**6,863**	$	4,482

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, 2020	482,224	$	6,626
Grants – new grants	31,038		691
– dividend equivalents	23,919		—
Settlements	(6,583)		(67)
Outstanding at December 31, 2021	530,598	$	7,250

At December 31, 2021, 500,405 share rights were vested (December 31, 2020 – 453,466 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	(359,394)
Rights outstanding	(530,598)
Available for future grants at December 31, 2021	410,008

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, 2020	289,570	$ 5,434
Grants – new grants	74,959	1,874
– dividend equivalents	14,489	—
Forfeitures	(52,497)	(1,043)
Settlements	(25,539)	(771)
Outstanding at December 31, 2021	300,982	$ 5,494

At December 31, 2021, 26,092 outstanding rights were vested (December 31, 2020 – 21,004 rights were vested). All vested rights are DSUs.

c) Cash-settled rights plans

Cash-settled rights plans consist of MTIP RSUs and cash-settled DSUs. Compensation expense varies with the price of the Corporation's shares and is recognized over the three year vesting period. RSUs are settled at the end of the vesting period, whereas DSUs are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. Whenever dividends are paid on the Corporation's shares, additional rights with a value equal to the dividends are credited to the participants' accounts with the same vesting conditions as the original rights. The value of the payout is equal to the number of rights awarded including earned dividend equivalents, multiplied by the volume weighted average share price at the time of vesting. At December 31, 2021, the carrying amount of the liabilities for these plans was $6,605 (December 31, 2020 – $3,863).

The following rights under these plans are outstanding:

	Number of Rights
Outstanding at December 31, 2020	465,452
Grants – new grants	186,130
– dividend equivalents	24,378
Forfeitures	(38,654)
Settlements	(112,096)
Outstanding at December 31, 2021	525,210

At December 31, 2021, 10,689 outstanding rights were vested (December 31, 2020 – 10,182 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	**2021**	2020
Equipment sales	**$ 484,247**	$ 471,447
Product support	**437,647**	411,767
Industrial parts	**438,106**	342,576
ERS	**241,732**	164,246
Revenue from contracts with customers	**$1,601,732**	$1,390,036
Equipment rental	**35,549**	32,612
Total	**$1,637,281**	$1,422,648

As at December 31, 2021, the Corporation has included $19,884 (2020 – $18,193) 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:

	2022	2023	2024	Total
Equipment sales	$ 56,769	$ 10,423	$ 1,430	$ 68,622
ERS	7,006	356	—	7,362
Total	$ 63,775	$ 10,779	$ 1,430	$ 75,984

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	**2021**	2020
Wages and salaries, including bonuses		**$ 258,348**	$ 197,006
Other benefits		**36,153**	34,882
Pension costs – defined contribution plans	15	**8,294**	8,015
Pension costs – defined benefit plans	15	**844**	1,161
Share-based compensation expense	20	**6,863**	4,482
		$ 310,502	$ 245,546

23. Finance Costs

Finance costs are comprised of the following:

For the year ended December 31	Note	**2021**	2020
Finance costs on long-term debt	17	**$ 7,494**	$ 8,971
Finance costs on debentures	16	**3,999**	3,999
Interest expense on lease liabilities	14	**7,869**	8,152
Interest income on lease receivables		**(229)**	(147)
Finance costs		**$ 19,133**	$ 20,975

During the year, $153 (2020 – $857) of borrowing costs directly attributable to the construction of qualifying assets were capitalized.

24. Income Tax Expense

Income tax expense comprises current and deferred tax as follows:

For the year ended December 31	**2021**	2020
Current income tax expense	**$ 15,840**	$ 13,957
Deferred income tax expense (recovery)	**4,080**	(2,017)
Income tax expense	**$ 19,920**	$ 11,940

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.2% (2020 – 26.5%). 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 26.2% 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		**2021**		2020
Combined statutory income tax rate		**26.2%**		26.5%
Expected income tax expense at statutory rates	**$**	**19,170**	$	11,552
Non-deductible expenses		**533**		522
Non-taxable portion of gain on real estate disposal		**(1,322)**		(410)
Other		**1,539**		276
Income tax expense	**$**	**19,920**	$	11,940

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

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

	December 31, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on acquisition of business	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)

25. Changes in Non-Cash Operating Working Capital

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

For the year ended December 31		**2021**		2020
Trade and other receivables	**$**	**8,502**	$	31,900
Contract assets		**(6,021)**		2,786
Inventory		**(15,616)**		58,636
Deposits on inventory		**37,133**		(6,684)
Prepaid expenses		**(2,005)**		808
Accounts payable and accrued liabilities		**50,349**		(58,111)
Provisions		**(1,177)**		1,699
Contract liabilities		**12,261**		(282)
Total	**$**	**83,426**	$	30,752

26. Capital Management

Objective

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

Management of capital

As part of the Corporation's renewed long-term strategy, its capital structure will continue to be managed such that it maintains a prudent leverage ratio, defined below, in order to provide funds available to invest in strategic growth initiatives, provide liquidity in times of economic uncertainty and to allow for the payment of dividends. In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/ decreases. The Corporation's objective is to manage its working capital and normal-course capital investment programs within a leverage range of 1.5 to 2.0 times and to fund those programs through operating cash flow and its bank credit facilities as required. There may be instances whereby the Corporation is willing to maintain a leverage ratio outside of this range during changes in economic cycles. The Corporation may also maintain a leverage ratio above the stated range as a result of investment in significant acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors.

The leverage ratio at the end of a particular quarter is defined as debt divided by trailing 12-month pro-forma adjusted EBITDA. Debt includes bank indebtedness, debentures, total long-term debt, and letters of credit, net of cash. Pro-forma adjusted EBITDA used in calculating the leverage ratio under the bank credit agreement is calculated as earnings before restructuring and other related costs (recoveries), gain recorded on sales of properties, non-cash losses (gains) on mark to market of derivative instruments, 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, 2026 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**").
- 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, 2021, 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, 2021, the Corporation had not utilized any of its interest bearing equipment financing facilities.

27. Related Party Transactions

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

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

		2021		2020
Salaries, bonus and other short-term employee benefits	**$**	**3,683**	$	2,779
Pension costs – defined contribution plans		**101**		87
Pension costs – defined benefit plans		**276**		288
Share-based compensation expense		**3,493**		2,775
Total compensation	**$**	**7,553**	$	5,929

28. Operating Segments

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

29. Government Assistance

Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada passed the Canada Emergency Wage Subsidy ("**CEWS**") to support employers facing financial hardship as measured by certain revenue declines as a result of the COVID-19 pandemic. The CEWS currently provides eligible businesses with a reimbursement of compensation expense for the period from March 15, 2020 to October 23, 2021 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 June 5, 2021 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 $8,448 (2020 – $26,592) as a reimbursement of compensation expense, with $3,723 (2020 – $14,132) and $4,725 (2020 – $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, 2021, the entire $8,448 current year subsidy has been received from the Government of Canada. The Corporation will not be filing further CEWS claims.

30. Comparative Information

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

31. Subsequent Events

On March 7, 2022, the Corporation declared a first quarter 2022 dividend of $0.25 per share or $5,352.

On January 31, 2022, the Corporation acquired the net operating assets of Thunder Bay, Ontario-based Process Flow Systems Ltd. ("**Process Flow**"). The assets of Process Flow were acquired in exchange for cash consideration of approximately $3,960, subject to final working capital adjustments, plus a three-year performance-based earnout of up to $650 in the aggregate, payable in cash.

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Revenue	**$ 387.1**	**$ 446.1**	**$ 401.3**	**$ 402.8**	$ 344.1	$ 356.9	$ 340.6	$ 381.0
Net earnings	**12.5**	**18.1**	**14.7**	**8.0**	4.1	10.2	6.7	10.7
Earnings per share – Basic	**$ 0.59**	**$ 0.85**	**$ 0.68**	**$ 0.37**	$ 0.20	$ 0.51	$ 0.33	$ 0.53
Earnings per share – Diluted	**0.58**	**0.82**	**0.66**	**0.36**	0.20	0.50	0.33	0.52

Eleven Year Summary – Unaudited

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Results											
Revenue	**$1,637.3**	$ 1,422.6	$ 1,553.0	$ 1,481.6	$ 1,318.7	$ 1,221.9	$ 1,273.3	$ 1,451.3	$ 1,428.5	$ 1,466.0	$ 1,377.1
Net earnings (loss)	**53.2**	31.7	39.5	35.9	27.4	11.0	(11.0)	41.2	47.7	65.9	63.8
Finance costs	**19.1**	21.0	19.7	8.8	15.2	11.2	12.2	13.0	9.0	4.4	4.6
Property, plant and equipment expenditures – net	**0.6**	2.7	2.5	4.2	1.7	6.5	4.1	5.4	3.9	5.6	5.3
Rental equipment expenditures	**10.1**	16.5	37.5	43.6	19.3	13.5	23.0	23.1	20.0	25.1	20.2
Depreciation and amortization	**55.4**	52.4	52.8	27.0	23.2	24.7	24.5	22.5	21.6	17.8	13.5
Per Share											
Net (loss) earnings – Basic	**$ 2.50**	$ 1.58	$ 1.98	$ 1.82	$ 1.40	$ 0.55	$ (0.59)	$ 2.46	$ 2.85	$ 3.95	$ 3.84
Dividends declared	**1.00**	1.00	1.00	1.00	1.00	1.00	1.23	2.40	2.68	3.10	2.14
Distributions declared	**—**	—	—	—	—	—	—	—	—	—	—
Equity	**18.21**	16.26	15.83	14.88	14.08	14.07	14.44	14.82	14.77	14.45	13.69
Financial Position											
Working capital	**$ 313.5**	$ 376.2	$ 404.1	$ 334.7	$ 289.7	$ 268.8	$ 302.7	$ 258.2	$ 272.7	$ 230.1	$ 167.0
Rental equipment	**45.8**	56.9	77.0	73.7	60.4	58.1	64.1	59.4	52.3	43.7	28.1
Property, plant and equipment	**39.6**	41.4	42.1	59.0	43.6	45.7	46.2	48.7	49.7	50.7	47.9
Right-of-use assets	**134.5**	131.7	117.1	—	—	—	—	—	—	—	—
Lease liabilities excluding current portion	**137.6**	129.2	106.4	—	—	—	—	—	—	—	—
Debentures	**55.2**	54.6	54.1	—	—	—	—	—	—	—	—
Long-term debt excluding current portion	**98.2**	171.6	225.6	218.1	143.7	122.0	151.6	180.9	195.9	151.7	59.0
Shareholders' equity	**389.9**	325.6	316.8	297.0	274.7	278.9	288.5	248.5	247.2	241.9	227.6
Total assets	**1,080.8**	981.4	1,045.1	831.2	694.4	667.3	677.5	718.2	682.1	671.9	589.9
Other Information											
Number of employees	**2,824**	2,461	2,700	2,800	2,418	2,318	2,609	2,725	2,766	2,833	2,738
Shares outstanding (000s)	**21,409**	20,034	20,012	19,957	19,504	19,826	19,986	16,779	16,744	16,736	16,629
Price range of shares											
High	**$ 29.67**	$ 19.60	$ 19.95	$ 28.17	$ 25.74	$ 25.76	$ 30.93	$ 39.56	$ 46.24	$ 53.43	$ 44.94
Low	**16.24**	4.90	13.98	15.43	18.49	13.34	14.81	28.75	29.38	38.59	27.80

Corporate Information

Directors

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

Leslie Abi-karam [1, 3]
Corporate Director

Thomas M. Alford [1, 2]
President, Well Services of
Precision Drilling Corporation

Edward M. Barrett [2, 3]
Chairman and Co-Chief Executive Officer,
Barrett Corporation

Douglas A. Carty [1, 2]
Corporate Director

Sylvia D. Chrominska [1, 3]
Corporate Director

A. Jane Craighead [1, 3]
Corporate Director

Ignacy P. Domagalski
President and Chief Executive Officer,
Wajax Corporation

John C. Eby [2, 3]
Corporate Director

Alexander S. Taylor [2, 3]
President, Nuclear, SNC-Lavalin Group Inc.

Susan Uthayakumar [1, 2]
Chief Sustainability and
Energy Officer, Prologis, Inc.

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

Officers

Ignacy P. Domagalski
President and Chief Executive Officer

Stuart H. Auld
Chief Financial Officer

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

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

Greg Abtosway
Vice President, Corporate Development

Tania Casadinho
Vice President, Corporate Controller

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

Irene Stretton
Vice President, Human Resources

Andrew W. H. Tam
General Counsel and Corporate Secretary

Shareholder Information

Transfer Agent and Registrar

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

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

Auditors
KPMG LLP

Home Office

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

Exchange Listing
Toronto Stock Exchange

Symbol
WJX

Wajax Corporation
Share Trading Information
(January 1 – December 31, 2021)

Open	High	Low	Close	Volume of Shares Traded
$17.11	$29.67	$16.24	$24.27	17,802,954

Quarterly Earnings Reports
Quarterly earnings for 2022 are anticipated to be announced after market close on May 2, August 4 and November 7, 2022 and March 6, 2023.

2022 Dividend Dates
Quarterly dividends are payable to shareholders of record on or about the 15th day of the last month in each quarter and will generally be paid in the first week of the following month.

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

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

Annual Meeting
Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel located at the Toronto International Airport, Ontario in the Sheraton Gateway Ballroom, on Tuesday, May 3, 2022, at 11:00 a.m. EDT.

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

Locations

Western Canada

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

Calgary, AB (4)
Clairmont, AB
Edmonton, AB (4)
Edmonton (Acheson), AB
Fort McMurray, AB (2)
Grande Prairie, AB (3)
Medicine Hat, AB
Nisku, AB
Red Deer, AB
Rock View County, AB

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

Flin Flon, MB
Winnipeg, MB (3)

Yellowknife, NT

Ontario

Belleville, ON (2)
Espanola, ON
Guelph, ON
Kapuskasing, ON
Kirkland Lake, ON
Kitchener, ON
London, ON
Mississauga, ON (4)
Ottawa, ON
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 (5)
Timmins, ON (2)
Toronto, ON
Vaughan, ON
Windsor, ON

Eastern Canada

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