WAJAX 2023 ANNUAL REPORT

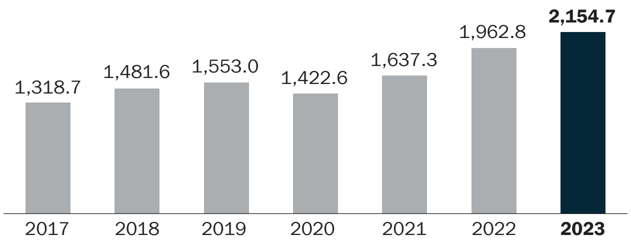
\\ Together We Get More Done.™

2023 Financial Highlights

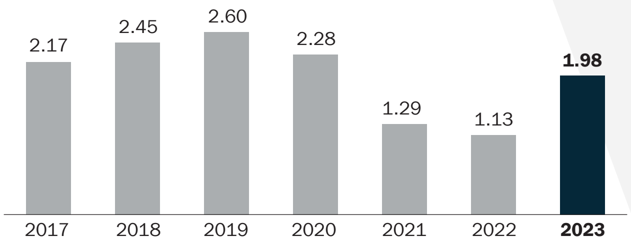
In 2023, Wajax generated record revenue and earnings, driven by strong growth across all business lines and operating regions, underpinned by sound fundamentals across many of the sectors we serve. This exceptional financial performance was supported by solid growth in heavy equipment sales and continued robust improvement in Engineered Repair Services ("**ERS**") and Industrial Parts ("**IP**") revenue. A clear focus on driving improved margin accounted for the excellent bottom line results. Wajax exited 2023 with a robust backlog[1] and strong balance sheet, allowing us to pursue both organic and acquisitive growth again in 2024.

	2023	2022
Revenue (millions)	**$2,154.7**	$1,962.8
Adjusted EBITDA[2] (millions)	**$197.4**	$165.9
Adjusted Basic Earnings Per Share[2]	**$3.88**	$3.26

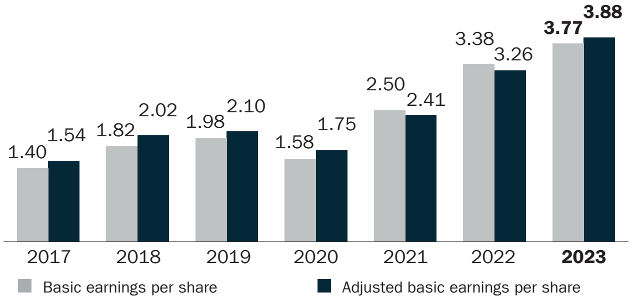
Revenue ($ millions)



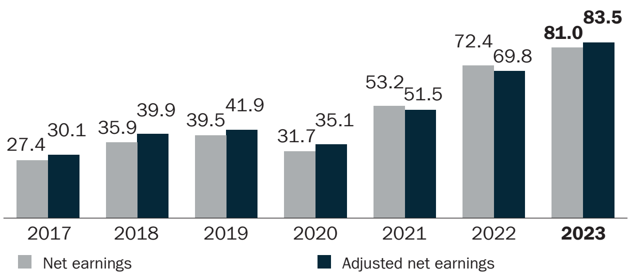
Leverage Ratio[2] (%)



Earnings and Adjusted Basic Earnings Per Share[2] ($ millions)



Net Earnings and Adjusted Net Earnings[2] ($ millions)



(1) "Backlog" does not have a standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 21.

(2) "Leverage ratio", "Adjusted EBITDA", "Adjusted basic earnings per share" and "Adjusted net earnings" do not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**"). See Management's Discussion and Analysis, page 21.

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

With 119 branches and over 165 years of experience offering world-class brands, unwavering customer support and advanced technical expertise to diverse industries, Wajax is able to provide solutions that help customers nationwide get more done – efficiently and effectively.

BUILDING THE BUSINESS TOGETHER

In 2023, Wajax:

- Grew its team to more than 3,200, while delivering strong safety results.
- Continued to benefit from the enhanced direct distribution relationship with Hitachi and Hitachi's renewed commitment to the North American market.
- Completed two tuck-in IP/ERS acquisitions, adding an Alberta-based custom electrical and instrumentation business and a Northern Ontario-based supplier of hydraulic and pneumatic equipment, and offering full maintenance, repair and replacement services.
- Exited the year with a backlog of $554 million(1).
- Announced a 32% increase in its quarterly dividend.

Contents

(1) "Backlog" does not have a standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 21.

Message to Shareholders

During its 165th year in business, Wajax delivered record revenue and adjusted earnings, up 10% and 19%, respectively, and finished the year with a robust backlog that was up 18% over last year. As a result, we generated strong value for shareholders, which included a 32% increase in the quarterly dividend announced early in the year, followed by a further 6% increase in early 2024.

Our strong financial performance this past year, coupled with a $100 million increase in our credit facility, leaves us feeling optimistic about our future as we look to build and evolve for the next century and beyond, guided by our Purpose – "Empowering People to Build a Better Tomorrow", and our core values:

- We commit to safety and well-being;
- We develop potential and expertise;
- We deliver an exceptional experience together;
- We build lasting relationships; and
- We strive to continuously improve.

Ignacy (Iggy) Domagalski, President and Chief Executive Officer

Continuing to Build a "People-First" Company

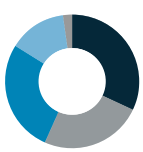
The safety, well-being and engagement of our 3,287 teammates is the foundation of our business that ensures that both our people and business can thrive together. Our growing success in terms of putting people first was reflected in an employee Net Promoter Score® of +35 for 2023, building on a steadily improving trend recorded in prior years (+25 in 2022, +21 in 2021 and 2020, +10 in 2019). In 2023 we successfully piloted multiple tools to modernize our health and safety programs and through our long-running focus in this area achieved an excellent TRIF score of 1.01.

As an organization, we understand that attracting and retaining great people – and helping them thrive in their careers – can be challenging, especially in the tight labour market that industry is seeing nationwide. In 2023, we made further significant improvements in candidate selection processes, on-boarding activities, benefit programs, including a revised healthcare spending account, and flexible working, which resulted in improved retention. We also updated our training programs available for all teammates as part of our approach to safety and well-being. At Wajax, we have taken significant strides forward in terms of promoting diversity and inclusion in our workforce. In 2023, we established our first Employee Resource Group, Women of Wajax, and we continue to partner with groups like Catalyst and Jill of All Trades, as well as Indspire, to support women and indigenous people in the workforce, respectively.

Earlier in the year we created a Chief People Officer role which is now occupied by industry veteran Mark Edgar. More recently, we continued to strengthen our senior leadership team. With Steve Deck, our long-time Chief Operating Officer and SVP, Heavy Equipment announcing his retirement, we subsequently appointed André Dubé as SVP, Sales and Operations and Brian Deacon as SVP, Category Management as part of the planned transition. Both have an extensive and exceptional track record at Wajax and have held progressively senior roles with us over many years. During the year we also promoted three regional vice presidents spanning our three operating regions (East, Central and West) to support a focus on maximizing existing customer relationships and accessing new opportunities, particularly in the Central region, which experienced strong growth in 2023. More broadly, we rolled out Personal Development Plans to leaders across the organization, actively encouraging them to apply for internal opportunities, which we view as critical to developing their potential and harnessing their expertise more effectively.

Revenue Sources

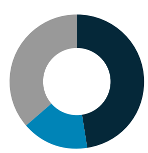
($ millions)



For the year ended December 31	2023	2022	% change
Equipment Sales	**$ 607.1**	$ 628.6	(3)%
Product Support	**543.3**	483.9	12%
Industrial Parts	**605.1**	535.8	13%
ERS	**354.3**	275.5	29%
Equipment Rental	**45.0**	39.1	15%
	$ 2,154.7	$ 1,962.8	10%

Revenue by Geographic Region

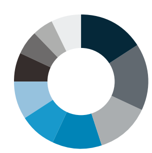
($ millions)



For the year ended December 31	2023	2022	% change
Western Canada	**$ 975.8**	$ 935.9	4%
Central Canada (Ontario)	**387.9**	317.9	22%
Eastern Canada*	**791.0**	709.0	12%
	$ 2,154.7	$ 1,962.8	10%

*Includes Quebec and the Atlantic provinces.

Revenue by End Market



For the year ended December 31	2023	2022
Construction	**16%**	16%
Mining	**15%**	16%
Industrial/ Commercial	**13%**	13%
Forestry	**11%**	12%
Oil and Gas	**10%**	9%
Oil Sands	**9%**	9%
Transportation	**7%**	7%
Government and Utilities	**6%**	5%
Metal Processing	**5%**	6%
Other	**8%**	7%

(1) "Backlog" does not have a standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 21.

Growing the Existing Business with a Focus on Parts, Service and Margin Improvement

Creating a differentiated and exceptional customer experience is an important driver of success for Wajax. The strong growth we delivered over the last year was the result of a combination of organic and acquisitive initiatives, improved product mix, and offering more value-added services to our customers, which resulted in a gross profit margin improvement of 100 basis points. In 2023, we again delivered exceptional customer experiences, which resulted in a customer Net Promoter Score™ of +70. We are very proud of this excellent result, which is consistent with the +71 we delivered last year. We were also recognized by a number of key customers and suppliers for the excellence of our service, receiving numerous awards.

Unlocking the Potential of Our Enhanced Direct Relationship with Hitachi

In 2023, we shipped a near-record number of excavators and saw solid bookings, including a multi-unit order for four large EX8000 excavators for delivery in 2024 and 2025. In 2024 Wajax will also begin to source Hitachi parts directly from Japan, in an effort to improve customer service and ensure we are the provider of choice in servicing an evolving and increasingly differentiated Hitachi product offering, which will drive improved Product Support revenue over the mid- and longer-term. As part of their commitment to growing the North American market, Hitachi also established a joint venture finance company, Zaxis Finance, to provide dealers and customers with a “rapid and competitive” financing option when purchasing equipment. We continue to believe our strong, evolving and increasingly comprehensive partnership with Hitachi will yield benefits for years to come.

Acquiring Industrial Parts (“IP”) and Engineered Repair Services (“ERS”) Businesses

Wajax’s IP and ERS businesses have continued to flourish, generating a combined 18% revenue increase over 2022. These strong results have come through a combination of both organic and acquisitive growth. During the year we completed two acquisitions. Polyphase is a leading specialty producer of custom electrical and instrumentation equipment with facilities in Calgary and Edmonton, AB, while Beta Fluid Power and Beta Industrial are long-time suppliers of hydraulic and pneumatic equipment as well as maintenance, repair and replacement services, located in Sault Ste. Marie, ON. In combination, these acquisitions expanded Wajax’s suite of offerings, added regional strength in key markets and brought nearly 90 new teammates to Wajax, including significant skilled, technical labour.

Since 2018, Wajax has deployed more than $200 million on acquisitions in the IP/ERS space, with the goal of growing these less cyclical and less capital-intensive businesses, to better balance the still growing contribution from the Heavy Equipment side of the business. Looking ahead, we continue to review a robust pipeline of acquisition targets with a focus on adding multiple acquisitions each year to further build and integrate our product and service offering and better serve key geographies.

Improving Cost Structure and Processes

Investing in infrastructure and continuous improvement initiatives has allowed Wajax to enhance customer service and to improve operating efficiency and leverage in the business. As market conditions have increasingly normalized post-COVID, we have generated improved gross profit margins, delivering a greater contribution to the bottom line. In 2023, we improved customer fill rates to nearly 90% on the strength of continued improvements in our supply chain, better utilization of our Distribution Centres and a thoughtful, disciplined investment in inventory to support steady incoming order flow and a favourable forecast for increased demand in the future.

ERP Rollout and Technology Improvements

A core component of our business and cost optimization process is our ongoing ERP rollout. During the year, Tundra went live on the system, and Wajax is now transacting more than 50% of its business on the platform. This also included the integration of a Mobile Field Service offering, delivering reduced downtime and greater convenience for customers. Wajax has also begun offering digital solutions to allow customers to better monitor and understand their operations, permitting increasingly proactive responses to operational and maintenance issues before significant problems arise.

Ongoing Commitment to Sustainability

Wajax remains committed to being good stewards of the environment, supporting both internal stakeholders and the broader communities we operate in, and upholding sound and ethical business practices. Key highlights from our latest sustainability report include a 15% reduction in our carbon intensity in 2023, and a 31% improvement since 2020 through energy efficiency projects. In 2023, we also invested in our surrounding communities, raising $285,000 through partnerships with Foodbanks Canada, Canadian Cancer Society, Kids Cancer Care and the Red Cross. Our commitment to sustainability doesn’t end with our own operations – we proactively work with our customers to help them achieve their own sustainability goals. We continue to offer a growing line of more environmentally friendly products and solutions including lithium battery and hydrogen-powered lift trucks, electrification of existing internal combustion units, electrical vehicle chargers and diesel generators that meet increasingly stringent environmental standards.

Looking Ahead to a Bright Future

In closing, I want to thank all of our team members for their collective contributions to safety and well-being, the satisfaction of our customers, and our broader success this year. I also want to thank our board members for their numerous contributions as we enhanced our long-term strategic plan, designed to capture the many opportunities that are ahead of us. I also want to thank our suppliers for their continued hard work restoring supply chains as business and industry around the world continue to recover from COVID. Finally, on behalf of the entire organization I want to recognize our customers – together, we look forward to serving your growing and evolving needs for many years to come. I’m proud to say it was an incredible year for Wajax. As an organization, we are looking to the future with a strong sense of purpose, anticipation and excitement, and I look forward to updating you on our progress again next year.

Ignacy (Iggy) Domagalski
President and Chief Executive Officer

OUR PURPOSE

Empowering People to Build a Better Tomorrow

OUR VALUES

- We commit to safety and well-being.
- We develop potential and expertise.
- We deliver an exceptional experience together.
- We build lasting relationships.
- We strive to continuously improve.

Wajax's journey to our **Purpose and Values** started with a process of discovery, when a group of 29 teammates gathered their stories about Wajax on its best day. During a two-day session, an initial draft of our Purpose and Values statements was developed. Thereafter, 100 listening sessions with more than 1,100 Wajax teammates from all branches provided input about our Purpose and Values and what we could do to ensure we are living them every day. Our Purpose and Values were launched with actions and initiatives to ensure they become a part of who we are.

"Being aware of what is around us all the time, and it being front of mind, so that every time we walk into the shop you look to see that we are following our values."

Doug Balser, Parts and Service Manager, New Brunswick

"We pride ourselves on what we know, so then we are able to teach each other, and learn from each other, it gives us a better sense of confidence."

Leisa Guenther, Inside Sales Representative, British Columbia

"When you have a great relationship with your team, you're excited to go to work every morning, because you have great teammates. The efficiency that comes from that great teamwork translates into a great customer service experience."

Raj Athwal, Branch Manager, Ontario

"Downtime is a huge cost for any kind of company; whether its trucking, oil, or farming. So, when you can provide a service that gets them back up and running in a timely fashion, they'll keep coming back."

Evan McGonigle, Foreman, Saskatchewan

"For me, 'continually improving' means always doing better quality work – better costs and prices."

Pierre-Olivier Gaudet, Contremaitre d'atelier, Shop Foreman, Quebec

Wajax Strategy

OUR STRATEGIC PRIORITIES

- Continue to build a people-first company.
- Grow our existing business with a focus on parts, service, and margin improvement.
- Unlock the potential of our enhanced direct relationship with Hitachi.
- Acquire IP and ERS businesses.
- Improve our cost structure and processes.
- Continue ERP roll-out and technology improvements.

"Wajax continues to target operational efficiencies through the integration of advanced technologies and systems right across our operations. In combination with solid growth in many of the sectors we serve, this focus has driven even better customer experiences, enhanced profitability and delivered improved shareholder value."

Stuart Auld, Chief Financial Officer

"Carefully managing global supply chains and inventory levels has recently proved a major challenge for many organizations. Wajax prides itself on working closely with key OEMs and industry-leading product suppliers to ensure we have the right mix of SKUs available to our customers, all sold and supported by dedicated teams focused on providing comprehensive solutions that meet and exceed customer requirements."

Brian Deacon, Senior Vice President, Category Management

"Through a combination of both organic and acquisition initiatives, Wajax has continued to build an increasingly comprehensive suite of products and services to support Canadian industry. Our engineered repair services team offers customers unparalleled expertise, access to industry-leading technology and solutions, and both mobile and on-site service, ensuring they get the help they need, when and where they need it."

André Dubé, Senior Vice President, Sales and Operations

"Building a people-first company is about us working together to realize our purpose and live our values every day so that both our people and our business thrive. Wajax offers a growing array of initiatives that begin with onboarding and support diversity and inclusion, include comprehensive, learning and development programs, allowing us to attract and retain the best people."

Mark Edgar, Chief People Officer

SCALE AND OPPORTUNITY

Wajax offers a full range of equipment from leading OEMs, as well as parts and product support, keeping Canadian industry working.

In 2023, Wajax achieved significant milestones in its Heavy Equipment business, reflecting robust market demand and consistent execution against strategic initiatives that further bolstered our position in the industry. Near-record Hitachi excavator sales underscore the strong and sustained demand for our core Heavy Equipment solutions.

Instrumental to our growing success is our enhanced direct relationship with Hitachi Construction Machinery, a renowned global leader in Heavy Equipment. Their renewed commitment to the North American market and a more streamlined sales and fulfillment channel brings tangible benefits to our customers. In 2024, we are set to source parts directly from Japan, enhancing our supply chain efficiency and ensuring that our customers receive genuine Hitachi parts, further solidifying their trust in Wajax.

4% increase

in combined Heavy Equipment and product support sales in 2023.

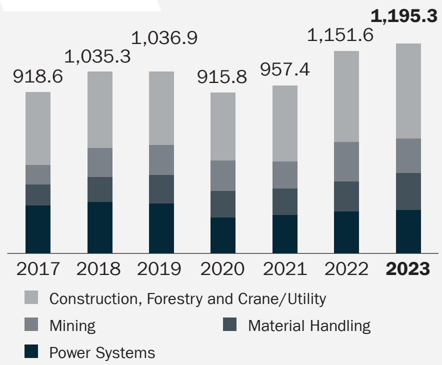
Wajax's commitment to excellence is supported by our strong relationships with key vendors across a variety of equipment categories including construction, mining, material handling and forestry.

Our partnerships with industry leaders such as Hyster-Yale Group, Tigercat, Hitachi Construction Machinery Americas, Bell Equipment, Rolls-Royce Power Systems, and Allison Transmission continue to be a cornerstone for our success. These partnerships not only set us apart from the competition, but also position us strategically to capitalize on a diverse array of emerging opportunities in the heavy equipment market.

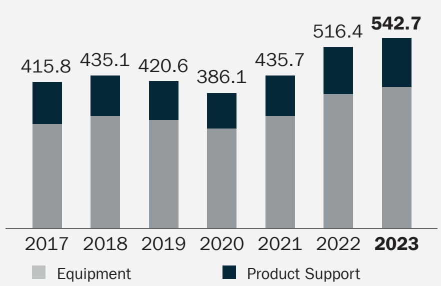
A key component of Wajax's heavy equipment business is our end-to-end support, which extends well beyond the initial sale. Our comprehensive support infrastructure is designed to benefit our customers throughout the entire lifecycle of their heavy equipment, ensuring it operates efficiently and with minimal downtime.

This commitment to customer success is a key differentiator and ensures that our customers not only acquire top-tier heavy machinery, but also receive unparalleled ongoing support across geographies and verticals.

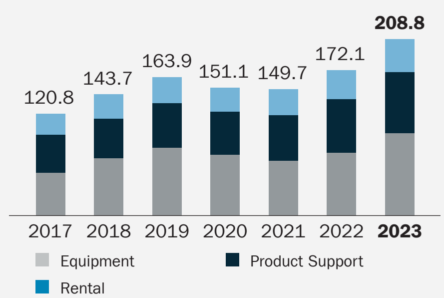
Heavy Equipment Revenue ($ millions)



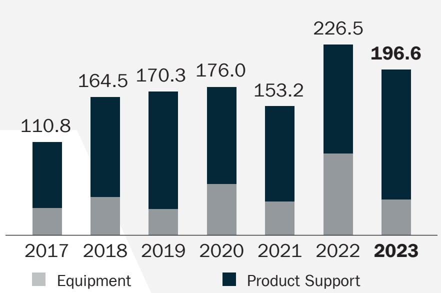
Construction, Forestry, Crane and Utility Revenue ($ millions)



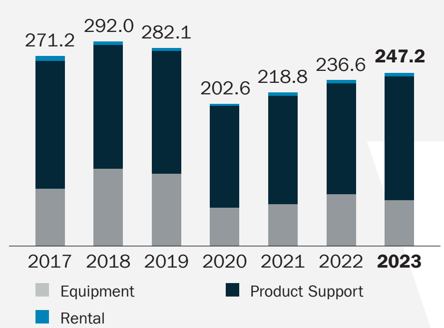
Material Handling Revenue ($ millions)



Mining Revenue ($ millions)



Power Systems Revenue ($ millions)



MULTIPLE PATHS FOR GROWTH

Wajax carefully manages its inventory nationwide to support high fill rates for customers.

Wajax's skilled technical teams offer in-shop, on-site and mobile maintenance, repair and overhaul services.

Our technicians utilize the latest diagnostic and condition monitoring technology to assess asset performance.

In industrial parts distribution, Wajax proudly stands as one of Canada's leaders, boasting an extensive inventory of more than four million SKUs. Our national footprint extends coast-to-coast, and branches are strategically positioned in close proximity to our valued customers. This network ensures rapid access to our parts inventory, helping to fulfill our commitment to delivering unparalleled service.

Integral to our operational efficiency is our ERP system, which we continue to implement nationwide. The new system empowers our teams to manage orders more effectively and streamlines the overall customer experience, reflecting our dedication to technological innovation and continuous improvement.

Wajax's diverse parts portfolio includes multiple brands within each category, ensuring a comprehensive array of options for customers. From trusted global brands, to an extensive range of OEMs and warranty-approved aftermarket components, our inventory includes bearings, power transmission, hydraulics, pneumatics, bulk material handling, fluid handling, filtration, instrumentation, safety and mill supplies.

Wajax's ERS offering continues to expand in key markets such as energy, renewables, food and beverage, manufacturing, and more.

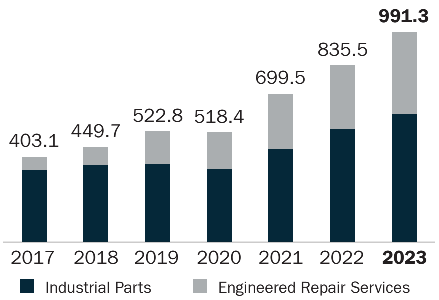
Beyond parts distribution, Wajax takes pride in offering on-site, in-house and in-the-field maintenance, repair and overhaul services. Our team of ERS engineers and technicians help to ensure peak performance for customer operations. With a focus on preventative maintenance and emergency services, we minimize wear and tear, keeping critical equipment running efficiently, with minimal downtime.

Through a strategic blend of acquisitions and organic growth, we have positioned ourselves as a leader in the Canadian industrial products and services market. Addressing customers' unique challenges by driving operational efficiencies, ensuring high safety standards and supporting improved sustainability is at the core of our mission. This commitment is unwavering, especially against a backdrop of higher costs and ongoing shortages in labour.

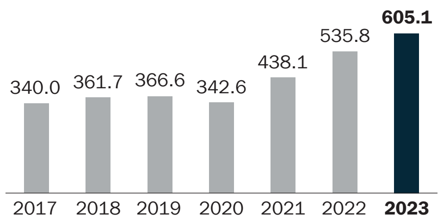
18% increase

in IP and ERS sales in 2023.

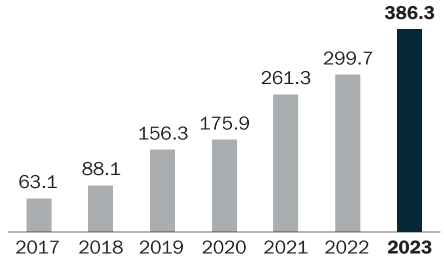
Total IP and ERS Revenue[(1)] ($ millions)



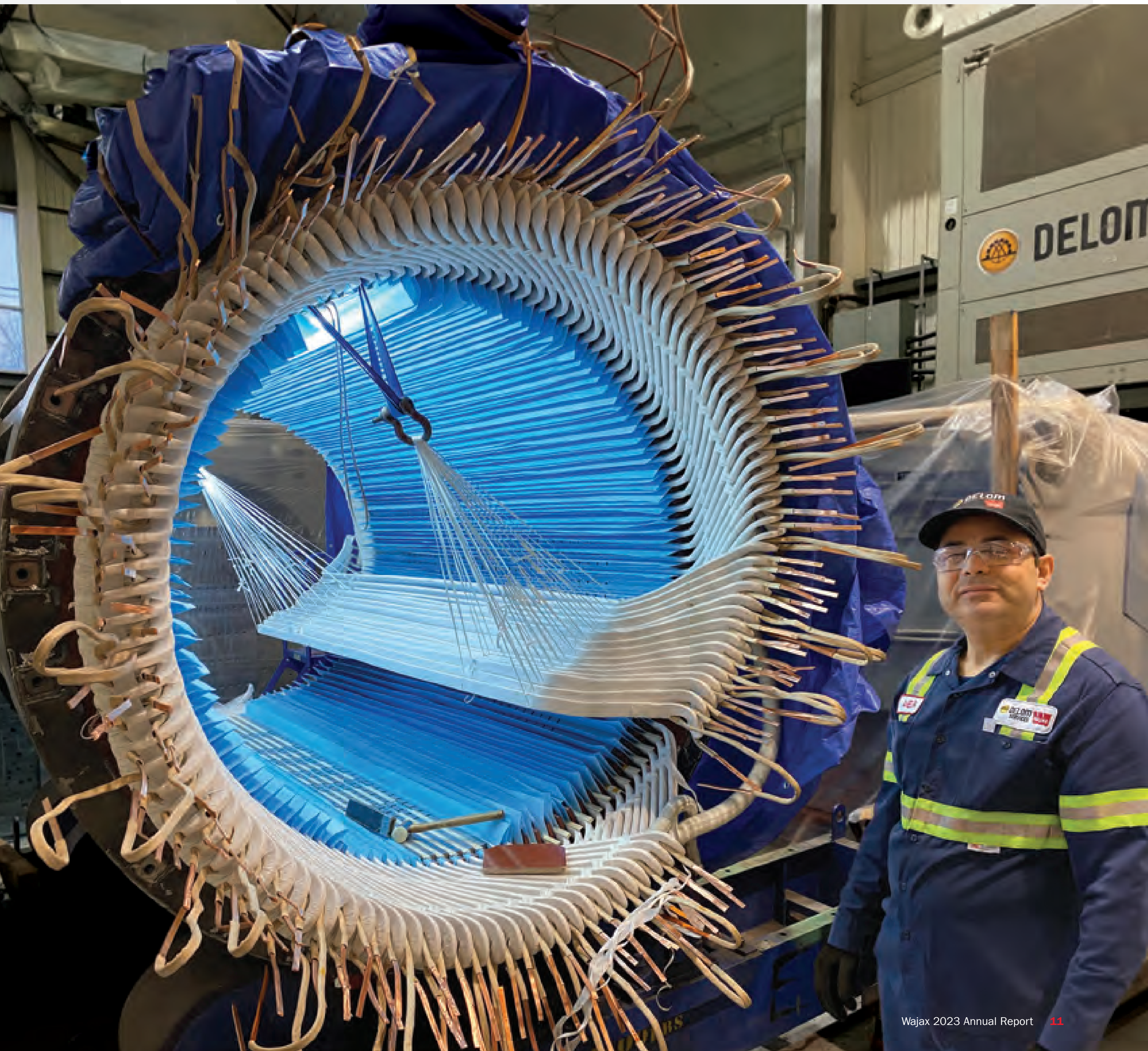
IP Revenue ($ millions)



ERS Revenue[(1)] ($ millions)



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



Sustainability at Wajax

At Wajax, we are committed to building a people-first, environmentally and socially responsible company, as we live our purpose of empowering people to build a better tomorrow. This all goes hand-in-hand with an unyielding commitment to ethical business practices and sound corporate governance.

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

Ongoing Commitment to Sustainability

In 2023, Wajax rolled out our new Purpose and Values and we are working to embed them in our culture. Being "people-first" is about caring for our employees every day, and giving them the tools they need to thrive, so they can support our customers and the communities they live in. In 2023, this included new health and wellness initiatives and an expanded commitment to learning and development, all designed to retain employees and help them succeed in their careers.

Our continued focus in these areas translated into strong employee and customer Net Promoter Scores®, highlighting our commitment to service and strong relationships across stakeholder groups. We also recognize that we have a role to play in delivering sustainable products and solutions to our customers, reducing our overall environmental footprint, and giving back to the communities around us. We succeeded on all fronts in 2023. The Wajax Sustainability Roadmap is based on our materiality assessment conducted in 2020 and aligns with the United Nations Sustainable Development Goals.

Sustainability Roadmap

Area	Priorities	Progress
Environment	▪ Reduce our carbon footprint from owned or controlled sources. ▪ Offer increasingly sustainable products, support renewable industries, and provide solutions that help customers meet their own environmental goals.	▪ Reduced our carbon intensity by 15.0% in 2023, and 30.7% since 2020. ▪ Re-used/recycled 4,995 tonnes of e-waste. ▪ Provided customers with emission-free electric-, hydrogen- and fuel cell-powered units. ▪ Supported an estimated 47,700 tCO_2e reduction in GHG emissions by customers through the use of variable frequency drives – equivalent to 13 wind turbines running for a year.
Social	▪ Focus on employee health, safety, and well-being as part of our core values. ▪ Give back to the community. ▪ Support diversity and equal opportunity.	▪ Posted a strong 1.01 TRIF rate and successfully piloted multiple tools to modernize our employee health and safety programs. ▪ Introduced an incentive bonus plan for ~1,100 frontline employees; nearly all Wajax employees now participate in some form of commission, bonus or profit-sharing program. ▪ Updated mental and financial health resources available to all employees. ▪ Furthered diversity and inclusion efforts by launching our first employee resource group, "Women of Wajax" ("**WoW**") / « Les Elles de Wajax » ("**EdW**"). ▪ Invested ~$285,000 in our communities through partnerships with Foodbanks Canada, Canadian Cancer Society, Kids Cancer Care Alberta and Red Cross.
Governance	▪ Enhance sustainability ESG governance for future disclosures and regulated reporting. ▪ Uphold high ethical standards in the conduct of our business.	▪ Delivered exceptional customer experiences, resulting in a customer Net Promoter Score of +70, and awards from customers including Danfoss, ITT Goulds, Rio Tinto, and many others. ▪ Rolled out anti-forced and child labour training and employee acknowledgements to our supply chain and procurement groups, prepared a vendor code of conduct, and produced Wajax's first report under the *Fighting Against Forced Labour and Child Labour in Supply Chain Act* (Canada). ▪ Implemented sustainability software to enhance data collection, analysis and reporting readiness.

Environment

Wajax has established GHG reduction targets that align with The Science Based Targets Initiative's ("SBTi's") Well-Below-2C scenario. Our near-term goal is a 10% reduction in GHG's by 2025, and 25% reduction by 2030, from our established 2022 baseline.

Our ambition is to be net-zero by 2050 through a combination of energy efficiency measures and other emission reduction programs.

As Wajax's business continues to grow, our carbon intensity has consistently declined since 2020, demonstrating our commitment to meeting our environmental targets.

Carbon Intensity	2020	2021	2022	2023
Revenue ($ in millions) from Scope 1 + 2 emissions (tCO_2e)	12.21	11.51	9.95	**8.46**

30.7% decrease

in Wajax carbon intensity since 2020

Reducing GHG Emissions

Facility and Infrastructure Upgrades

In 2023 we successfully reduced GHG emissions by 253 tCO_2e through LED upgrades and other initiatives such as installing thermostat controls.

GHG Reduction Summary	2021	2022	2023
Reduction (tCO_2e)	57	201	**253**
Cumulative totals (tCO_2e)	57	258	**511**

Managing Environmental Risks

The efficient management of oil, fuel and other hazardous materials to prevent spills remains a top priority and is our largest environmental risk. We provide ongoing education for our employees for the prevention and control of spill incidents through awareness communications, training programs, and stringent enforcement of our spill prevention and management procedures. As a proactive measure to prevent potential liabilities and impact on the environment, Wajax continued its storage tank replacement initiative, with 10 tanks replaced in 2023.

We returned to in-person environmental audits in 2023 with a more comprehensive audit scope. Audits help manage operational and environmental compliance risk, and support employee engagement and education. Our Environmental Management System catalogues environmental incidents, enables root cause analysis, and tracks audits and other key environmental indicators as part of our continuous improvement focus.

Managing our Resources

We drove a 2,983 tCO_2e GHG reduction through waste recycling and landfill diversion in collaboration with our waste management partners. We also participate in recycling and reuse programs for our electronic waste, helping make technology accessible to those who cannot otherwise afford it.

Wajax consumes only modest volumes of water, but has been collecting data at key usage points, such as vehicle wash bays.

Fleet and Logistics

Wajax manages a fleet of 965 vehicles to support its operations. We use telematics to optimize our fleet maintenance and logistics. Tracking vehicle maintenance ensures they are in good repair and operating efficiently. We closely monitor fuel consumption and the environmental footprint of our fleet, as well as driver habits, and providing National Safety Council driver training. Transportation is scheduled with an optimized route to ensure efficient and safe travel.

2,983 tCO_2e

in GHG reduction through waste recycling and landfill diversion.

Wajax tested, stabilized, and provided training on the operations of this fully electric bucket truck.

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

Offering Sustainable Products

To help our customers meet their environmental goals, Wajax continues to deliver increasingly sustainable and reliable products. We offer emission-free electric, hydrogen and fuel cell-powered units from our manufacturing partners such as Columbia Vehicle Group, Hyster-Yale Group, Powerboss, MAFI, Terex and Allison. Emerging technologies that Wajax supports include:

- Hydrogen powered container handlers
- Fully integrated lithium-ion forklifts
- Robotic forklifts and scrubbers
- Zero emission sweepers
- Electric yard and terminal trucks
- Electric utility bucket trucks
- Hybrid transmissions

Wajax also remanufactures hydraulic cylinders and rebuilds engines and engine parts to ensure the components are returned to OEM specifications, supporting cost effectiveness and minimizing waste. In addition, Wajax sells hybrid transmissions for commercial vehicles, which maximizes their fuel efficiency.

Hyster hydrogen powered container handler.

Using electric motors to drive rotating equipment cuts emissions versus internal combustion engines. Further emission reductions are achieved when electric equipment is controlled using a variable frequency drive ("**VFD**"). A VFD allows electric motors to operate at a slower speed with reduced energy consumption. Tundra Process Solutions delivered a cumulative total of ~165,000 HP in VFDs to our customers in 2023, resulting in an estimated carbon emission reduction of 47,700 tCO_2e.

Wajax continues to support the Canada's multi-decade investment in wind power.

Supporting Renewable Industry

Wind power is on the rise globally. This clean, renewable energy is abundant in Canada, and Wajax's ERS business continues to support the customer investment in wind power. Delom Services carries out repairs and overhaul for all types of wind power technology, including preventive or predictive maintenance, end-of-warranty inspection, reverse engineering and generator rewinding. Delom Services also offers refurbishment of hydroelectric generators.

Tundra Process Solutions helped clients reduce an estimated

47,700 tCO_2e

in carbon emissions.

Key Environmental Metrics					
Metric	**What it Measures**	**Data 2021**	**Data 2022**	**Data 2023**	**Discussion and Progress**
Gasoline fuel consumed megawatt hours (MWh)	Energy consumption within the organization – fleet unleaded and premium gasoline consumption.	9,911	9,907	**11,075**	Fleet fuel consumption increased due to increased work activity and the size of the fleet.
Diesel Fuel consumed megawatt hours (MWh)	Energy consumption within the organization – fleet diesel fuel consumption.	7,757	7,551	**8,547**	
Electricity consumed megawatt hours (MWh)	Energy consumption within the organization – building electricity consumption i.e. lighting and equipment operation.	26,251	26,176	**24,929**	LED lighting upgrades were completed at multiple branches with a GHG Reduction of 228 tCO_2e
Natural gas consumed megawatt hours (MWh)	Energy consumption within the organization – building natural gas consumption i.e. boilers for heating.	53,854	58,578	**50,863**	Industrial thermostats installed at several branches with GHG reduction of 25.35 tCO_2e. A Heat Economizer will be piloted in January 2024 with a GHG reduction of 24.81 tCO_2e.
Tonnes of CO_2 equivalent (tCO_2e)	Direct (Scope 1) GHG emissions from owned or controlled sources – natural gas, fleet fuel gasoline, fleet fuel diesel.	13,644	14,587	**13,858**	6.8% reduction in total Scope 1 + 2 from prior year due to successful implementation of energy reduction initiatives and changes to emission factor.
	Indirect (Scope 2) GHG emissions from the generation of purchased energy – electricity.	5,209	4,939	**4,337**	
Non-hazardous waste recycled: percent of total waste stream/ tonnes recycled (t)	Non-hazardous waste recycled and landfilled.	776	825	**994**	Total waste volumes increased due to increased work activity and acquisitions, but we continue to see small positive increases in diversion from landfill.
Hazardous waste recycled: percent of total waste stream/ tonnes recycled (t)	Hazardous waste recycled and landfilled.	566	547	**630**	Percent hazardous waste recycled remained relatively flat while total tonnes increased. Total waste volumes, including recyclable streams, significantly increased due to increased work activity and acquisitions.
E-waste reused and/or recycled kilograms (kg)	E-waste reused and/or recycled after equipment is taken out of service through obsolescence or breakdown.(4)	4,608	2,803	**4,995**	Our e-waste significantly increased in 2023 due to the cyclical nature of equipment obsolescence.
Tonnes of CO_2 equivalent (tCO_2e)	tCO_2e avoided from non-hazardous waste diversion from landfill (recycling cardboard, paper, plastics, wood, metal).	1,859	1,937	**2,740**	Waste and recycling volumes increased over 2023 due to increased work activity and acquisitions resulting in higher tCO_2e diverted.
	tCO_2e avoided from hazardous waste diversion from landfill (oil and solvent recycling).	686	521	**243**	tCO_2e avoided significantly down as our hazardous waste recycling vendor has adopted a new, more conservative, calculation methodology in 2023.

(1) Scope 1, 2 GHG emissions are calculated in accordance with the Greenhouse Gas Protocol Accounting and Reporting principles.
(2) GHG Scope 1, 2 emissions: GHG emissions variance due to real estate mix, acquisitions, and changes in emission factors. The government of Canada publishes every year provincial emission factors for GHG calculations. The emission factors change slightly from year to year as the electrical grid becomes greener and thus favorable impacting our own calculations.
(3) Energy consumption: 2022 established as baseline.
(4) E-waste: equipment reused or recycled through Electronics Recycling Association.

Social

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

Employees enjoying a wellness challenge outdoors.

Commitment to Safety and Well-being

Our commitment to safety and well-being is part of our Purpose and Values and integral to our safety management program and culture. During 2023 we undertook a modernization of our safety and project management programs by leveraging technology, piloting a new hazard assessment app, and introducing compliance software for certification of equipment, and third-party contractor management. The use of online applications empowers greater engagement and ease of access for our frontline employees. Standardized guidance for customer-facing project safety planning was also developed and our electrical safety program was revamped to align with changes in electrical standards.

Health and Wellness

Priority	2022	2023	Industry Average	National Norm
EAP Utilization %	13.29%	12.50%	5.96%	9.37%

Wajax remains committed to employee well-being. The Health and Wellness Team, along with 13 Committee Members and 102 Wellness Champions across the country promote various programs, services, and resources to support employees and their family members with managing their mental, physical, financial, and social health. In February 2023, Wajax ran a comprehensive Health Risk Assessment. 30% of employees completed the survey (up 4% compared with 2021). Survey findings will inform the 2023-2024 Health and Wellness Plan. Wajax encourages employees to use the group benefits plan and the Employee Assistance Program ("**EAP**") proactively. In 2023, we added a new Health Spending Account, and our EAP utilization is higher than both the industry average and the national norm. This is typically indicative of a healthy workplace culture.

Our second annual Summer Wellness Challenge was offered to help employees form healthy habits. Employees were encouraged to increase their physical, mental, and social well-being in a holistic way through nutrition. Financial health training was developed in-house and rolled out to employees. This voluntary training has been well received. Health screening clinics and flu clinics were offered at select branches to help employees address lifestyle health challenges. Wajax was presented Gold Level certification from Excellence Canada in both the Mental Health and Healthy Workplace categories in 2022.

Managing EHS Risk

The enhancement of our risk assessment program in 2023 led to the creation of 192 task-specific Job Hazard Assessments for safety-sensitive work. 420 employees completed hazard identification training in 2023. Enhancements to our hearing conservation and respiratory protection programs were implemented and 92% of service branches received a respiratory risk assessment; 11 comprehensive noise surveys were also conducted. A Crisis Management Team and a new emergency alert system is now in place with a three-tier escalation process for emergency response based on severity and potential impact to the health and safety of employees, IT infrastructure and business continuity.

Safety Training

Each Wajax employee receives comprehensive safety orientation and training specifically tailored to their respective roles within the company.

- 1,491 employees have been trained on situational awareness, including 399 in 2023.
- 428 managers and supervisors have completed the Wajax Safety Leadership training, 76 in 2023.
- 115 employees completed Joint Health and Safety Committee training in 2023.
- 84 were trained on incident investigation.

Wajax employees work together to ensure everyone goes home safe and well at the end of each shift.

Key Indicators of Safety Performance

Metric	What it Measures	Data	Discussion and Progress
Fatalities	Number of workplace fatalities, the goal is always zero.	2020: 0; 2021: 0; 2022: 0; **2023: 0**	There were no workplace fatalities at Wajax in 2023.
Recordable Injuries	Recordable Injuries includes the total of medical aids, modified duty, lost time incidents.	2020: 28; 2021: 29; 2022: 26; **2023: 33**	There were 33 recordable injuries in 2023. All were low consequence injuries.
Total Recordable Injury Frequency (“**TRIF**”)	Safety performance is measured by number of recordable injuries for every 200,000 exposure hours. A TRIF of <1.00 is considered exceptional for companies performing high-risk activities.	2020: 1.08; 2021: 1.02; 2022: 0.84; **2023: 1.01**	Business growth brought an influx of new employees in 2023 which resulted in a slightly higher TRIF over last year.
Potential Serious Injury and Fatality	Incidents with high potential for serious injury or fatality for every 200,000 hours worked.	2020: N/A; 2021: N/A; 2022: N/A; **2023: 0.18**	Wajax began tracking high potential incidents in Q2 of 2023.
Total Injury Frequency	Total number of recordable and first aid injuries for every 200,000 hours worked.	2020: 4.82; 2021: 3.70; 2022: 4.13; **2023: 3.36**	Wajax encourages the reporting of all injuries regardless of severity. The Total Injury Frequency rate decreased 19% in 2023.
Lost Time Incident Frequency (“**LTIF**”)	The number of lost time injuries for every 200,000 hours worked. An LTIF of <0.10 is considered exceptional for companies performing high-risk activities.	2020: 0.31; 2021: 0.46; 2022: 0.16; **2023: 0.18**	LTIF in 2023 was similar to the previous year as severity and consequence of injuries remain low.
Near Misses	A leading indicator that helps prevent injuries and improve our safety program.	2020: 133; 2021: 132; 2022: 139; **2023: 151**	Near miss reporting in 2023 increased 9% over last year. An increase in near miss reporting is a positive leading indicator of a proactive safety culture.
Corrective Actions Closed on Time	Items requiring follow-up identified through inspections, audits, observations, and incident investigations are each assigned a due date and responsible party.	2020: 95%; 2021: 95%; 2022: 92%; **2023: 92%**	92% of corrective actions were closed on time. The EHS team monitors and provides support to ensure corrective actions are completed and implemented.
Branch Health and Safety Evaluations (%)	Internal audit program measures compliance with Wajax standards and OHS legislation.	2020: 86%; 2021: 86%; 2022: 88%; **2023: 90%**	A more comprehensive audit scope was implemented in 2023. Branch compliance resulted in an average grade of 90%.
Successful re-certification of all COR certified branches	Certificate of Recognition (“**COR**”) scores (%) measures adherence to industry-best safety practices. External audit every three years and a maintenance audit in subsequent years.	2020: 100%; 2021: 98%; 2022: 86%; **2023: 96%**	2023 was a self-assessment year for the 30 branches in the COR program as we prepare for the 2024 external audit for re-certification.
Motor Vehicle Accident (“**MVA**”) Rate(1)	Safety performance of a vehicle fleet. The MVA rate is an industry accepted metric to evaluate fleet safety performance. An MVA rate <1.00 is considered best in class.	2020: 2.66; 2021: 2.23; 2022: 0.71; **2023: 0.16**	Wajax drivers accumulated 12,844,586 km and two accidents in 2023 resulting in an exceptional MVA rate of 0.16.

(1) MVA Rate = Total number of motor vehicle traffic collisions x 1,000,000 kilometers / number of kilometers driven.

Developing Potential and Expertise

Over the past year, our organization has taken broad strides to enhance learning and development, ensuring alignment with our core value of developing potential and expertise. At the heart of this evolution is our dedicated learning platform, WajaxU, which has become a dynamic hub for fostering growth and honing expertise within our workforce. A key highlight for 2023 was the integration of a new third-party e-learning content provider.

In the last year, we also rolled out various talent management tools for our employees such as personal development plans. Our commitment to comprehensive learning was evident in the diverse array of courses conducted throughout the year. From technical skill-building to soft skills training, these courses catered to the multifaceted needs of our employees, contributing to a well-rounded and adept workforce that embodies our Purpose and Values.

Learning and Development

Priority		2022	2023
Total Employee Training Hours Total		61,120	**45,404**
Total Environment, Health and Safety Training Hours		27,303	**16,619**
Hours by category	Technician and warehouse	–	**31,620**
	Non-technician	–	**13,784**

A Diverse Team is a Strong Team at Wajax

One of Wajax's strategic priorities is to build a people-first company where we continue to make diversity, inclusion and equal opportunity a part of our everyday conversations. Our current priority is gender diversity, supporting women at Wajax.

In 2023, Wajax officially launched its first employee resource group – Women of Wajax/ Les Elles de Wajax. Our mission is to empower women by creating a safe and inclusive work environment that offers opportunities for networking, mentorship and development. In addition, Wajax continued to observe Black History Month, International Women's Day, Pride initiatives and the Day of Truth and Reconciliation. We also expanded our partnerships with Jill of All Trades, Catalyst, Women Building Futures, and Indspire. As part of our commitment to employee health and well-being we offered additional benefits coverage, flexible working arrangements, including a "retire to rehire" program, the option to add preferred pronouns to email signatures, updated policies, and a gender wage gap review (with no gaps reported).

Diversity Goals

Priority	What it Measures	2022	2023
Diversity and Equal Opportunity – Continuous Improvement(2)	Percentage of Women on Wajax Board of Directors	44.4%	**45.5%**
	Percentage of Women in Senior Management(1)	12.5%	**11.1%**
	Percentage of Women Direct Reports to Senior Management	48.0%	**43.0%**
	Percentage of Women at Wajax	21.0%	**21.2%**
	Percentage of Women in Operational Roles (Technician, Warehouse)	10.0%	**9.4%**

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

(2) Data is based on employee self-disclosure.

Diversity Breakdown

	2022	2023
Women in Workforce	21.0%	**21.2%**
Visible Minorities	5.9%	**5.2%**
Indigenous Persons	1.9%	**1.7%**
Persons with Disabilities	1.1%	**1.0%**
LGBTQ2S+	1.0%	**0.9%**

Communities

Supporting the communities in which we live and work is extremely important to Wajax. Organizations we continued to support in 2023 included: Food Banks Canada, Canadian Cancer Society, Indspire, and Kids Cancer Care Foundation of Alberta.

For the second year in a row, our employees and their family and friends participated in CIBC's Run for the Cure in support of the Canadian Cancer Society. Team Wajax surpassed the $10,000 goal, raising an impressive $22,100 in support of cancer research.

Increased Charitable Giving

Communities

Priority	What it Measures	2022	2023
Community Service	Charitable contributions to strengthen our organizational culture and our communities	$260,000	**$285,000**

Employees raising funds for the Canadian Cancer Society.

Employee Satisfaction Scores Reflect Commitment to Excellence

Embracing a holistic approach to employee well-being, we've made it a priority to create a workplace culture that values and prioritizes the needs of our team members. Through our recent Voice of the Employee survey, with an 88% completion rate, we achieved our highest-ever Employee Net Promoter Score ("**eNPS**"). This remarkable score is a testament to our employees' belief in our dedication to creating a workplace that genuinely cares about their experiences and contributions. The eNPS highlights our focus on continuous improvement, one of our core values, where we utilize employee feedback to create action plans, focused on making Wajax an even better place to work.

Voice of the Employee

Priority	What it Measures	2022	2023
Employee Survey Feedback	Participation rate	90%	**88%**
	Employee Net Promoter Score℠ (eNPS)	+25	**+35**

Governance

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

Setting a Highly Ethical Standard

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

Clear Expectations of Our Team Members

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

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

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

Committed to Sound Corporate Governance Practices

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

Committed to Sustainability

Wajax's board is committed to sustainability, viewing it as essential to being a good corporate citizen and the long-term success of the Corporation. In 2022, we enshrined ESG oversight in our Board Mandate and the Charters of the Governance, Audit and Human Resources and Compensation committees of the board. In 2023 Wajax rolled out anti-forced and child labour training and employee acknowledgements to our supply chain and procurement groups, prepared a vendor code of conduct, and produced Wajax's first report under the *Fighting Against Forced Labour and Child Labour in Supply Chain Act* (Canada). The board and its committees oversee and monitor the Corporation's approach, policies and practices related to ESG matters, and environmental, health and safety issues.

Cybersecurity

In an increasingly digitized business environment, cybersecurity remains a top priority to safeguard assets, protect customer data and ensure operational integrity.

Our board recognizes the critical importance of cybersecurity and oversees our strategy. Senior management regularly reviews and updates our cybersecurity framework, ensuring alignment with industry best practices and regulatory requirements.

Wajax conducts regular risk assessments to identify potential cybersecurity threats and vulnerabilities. We employ a comprehensive risk management framework to address identified risks and have business continuity plans to help mitigate any potential impacts on our operations and customers. Our incident response plan is regularly tested and updated to ensure a swift and effective response in the event of a cybersecurity incident.

Human error remains a significant factor in cybersecurity incidents. Wajax conducts regular security awareness training for all employees, emphasizing best practices and cultivating a culture of awareness company wide.

We work closely with our vendors and partners to ensure that they maintain a level of cybersecurity that aligns with our Third-Party Risk Management program. We regularly assess and audit third-party security practices to mitigate potential risks arising from external connections.

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 Chair and CEO positions and an independent Chair of the board
Majority voting for directors – the directors are elected in a majority vote
Strong risk oversight – the board and its committees oversee risk management and strategic financial and operating risks
Formal board evaluation process – the directors evaluate the board, committees, chairs and individual director performance every year
Board renewal – the board has adopted age and term limits for directors
Board diversity – the board has adopted a diversity policy, including a target of 30% for the number of women on board, and 45% of directors are women(1)
Independent advice – each board committee has full authority to retain independent advisors to assist them in carrying out their duties and responsibilities
Code of conduct – directors, officers and employees must comply with the Corporation's Code of Business Conduct and confirm their compliance every year
Say-on-pay – an advisory vote on our approach to executive compensation has been held every year since 2013
No overboarding of directors – no director sits on more than two other public company boards
No stock options – no stock option awards for directors and officers

(1) As of the date of this report.

Message from the Chair

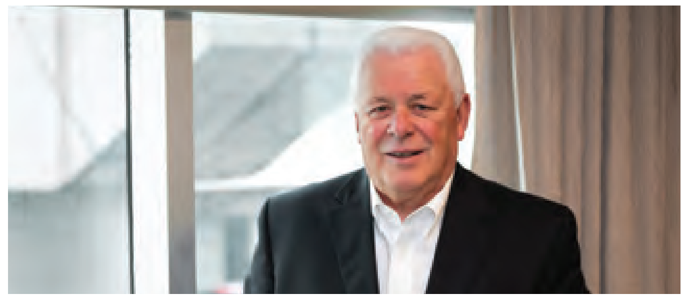
2023 was another excellent year for Wajax. The Corporation achieved a third year of record revenue, record earnings, and created strong shareholder value – while launching its company-wide Purpose and Values initiative, continuing to build a "people-first" culture and maintaining a strong safety record. Exceptional financial results were driven by the Corporation's expanded direct relationship with Hitachi, and strong growth from its IP and ERS businesses, which continued to thrive through a combination of organic initiatives and acquisitions. An enhanced strategic plan approved by the board during the year continues focus on these core contributors to Wajax's success – and incorporates additional elements critical to the Corporation's success in years to come.

In his second year as President and CEO, Iggy dove more deeply into the role, and the board continues to be very pleased with his fresh perspective and approach – particularly with respect to building Wajax's culture with an eye to the future. Management's excellent work in this regard is detailed in Iggy's Message to Shareholders, and the board has seen first-hand the early benefits of a team more positively engaged by Wajax's Purpose and Values. Mark Edgar joined the senior executive team early in 2023 as Chief People Officer and will play an instrumental role in leading Wajax's transformation into a "people-first" organization.

More broadly and again, with an eye to the future, Iggy and his team undertook a comprehensive strategic planning exercise during the year, carefully evaluating the opportunities and challenges facing the business.

The board participated in this process by offering constructive feedback and challenge, where appropriate, to management's plans and assumptions. The resulting plan continues Wajax's strong focus on organic growth, unlocking the potential of the Corporation's enhanced direct relationship with Hitachi and acquiring complementary industrial parts and ERS businesses – while also incorporating its "people-first" vision, improvements to cost structure and processes, and technology enhancements. The board is fully aligned with this enhanced strategic plan, and the recent addition to the senior executive team of two well-seasoned Wajax leaders – André Dubé as Senior Vice President, Sales and Operations, and Brian Deacon as Senior Vice President, Category Management – will help to support its achievement.

Very notably, Steve Deck, Wajax's Chief Operating Officer and Senior Vice President, Heavy Equipment elected to retire at the outset of 2024. In his near decade of service with Wajax, Steve played key roles in launching the Corporation's "One Wajax" initiative, developing its Industrial Parts and ERS strategy, and strengthening its relationship with Hitachi. On behalf of the board and shareholders, I thank Steve for his many contributions and wish him all the best in his retirement.



Edward M. Barrett, Chair of the Board

On the important topic of sustainability, Wajax continues to advance an array of initiatives as it works to improve its already award-winning employee health and wellness programs, reduce emissions and support the communities it serves.

I would invite readers to review Wajax's fourth annual sustainability update elsewhere in this report to see the Corporation's progress in these areas. As part of the board's own renewal process, Sylvia Chrominska and Douglas Carty will be retiring as directors at the close of the Corporation's upcoming 2024 annual meeting. Both Sylvia and Doug have made outstanding contributions over their tenure, including as long-serving committee chairs, and I sincerely thank them for their dedication, commitment and wisdom. In anticipation of these retirements, we welcomed Elizabeth Summers and David Smith to the board at the 2023 annual meeting; both Elizabeth and David have extensive experience as senior executives in the Canadian energy industry, and we look forward to their contributions.

In closing, and on behalf of the board, I want to thank Iggy and his management team for again delivering record results in the face of unsettled economic conditions, challenging labour markets and high interest rates. I also want to thank our employees for their incredible efforts and dedication to excellence and safety, our suppliers for their continued support, and our customers for their loyalty. Last, but certainly not least, I thank my fellow directors, for their ongoing support and wise counsel over the past year.

Edward M. Barrett
Chair of the Board

Management's Discussion and Analysis

The following management's discussion and analysis ("**MD&A**") discusses the consolidated financial condition and results of operations of Wajax Corporation ("**Wajax**" or the "**Corporation**") for the year ended December 31, 2023. 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, 2023. Information contained in this MD&A is based on information available to management as of March 4, 2024.

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

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

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

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

Wajax's corporate purpose statement is, "Empowering People to Build a Better Tomorrow", which we strive to achieve by living our values and delivering an exceptional experience for our people, customers, suppliers and the communities we serve. In 2024, we plan to focus on six strategic priorities:

Continuing to Build a "People First" Company

The safety, well-being and engagement of our 3,200+ teammates is the foundation that ensures that both our people and business can thrive together. We take a comprehensive approach to employee health and wellness – including physical, mental and financial well-being – in addition to providing extensive learning and development opportunities and support for internal career development. A key pillar of building a "people first" company is living our values every day:

- We commit to safety and well-being;
- We develop potential and expertise;
- We deliver an exceptional experience together;
- We build lasting relationships; and
- We strive to continuously improve.

Growing Our Existing Business with a Focus on Parts, Service and Margin Improvement

Creating a differentiated and exceptional customer experience is an important driver of success for Wajax. We will continue to focus on expanding our product support business, which will improve our mix and margin profile over time and expand the value-added services we offer to our customers.

People are the cornerstone of our brand and value proposition, and we will also continue to invest in the best tools, training and support to deliver the technical expertise and experience that is highly valued by our customers.

Unlocking the Potential of Our Enhanced Direct Relationship with Hitachi

Continuing to leverage and expand our enhanced direct distribution relationship with Hitachi will also be a key driver of our success. Our ability to source world-class Hitachi equipment and parts directly from Japan, coupled with Hitachi's technological innovation and dedicated financing programs, will continue to allow us to better serve our customers.

Acquiring Industrial Parts and Engineered Repair Services Businesses

Acquiring companies that add to the range of industrial parts and engineered repair services ("**ERS**") capabilities we offer across the country. Our national infrastructure and extensive customer relationships position us as an aggregator in the highly fragmented ERS and related industrial parts market – and adding sought-after technical capabilities and expanding the services we offer will allow us to better serve our customers and drive improved product mix and margin profile.

Improving Cost Structure and Processes

Investing in infrastructure and continuous improvement initiatives to enhance customer service and to improve operating efficiency and leverage in our business. Our current programs include the ongoing optimization of our branch network, reviewing operating processes for efficiency and effectiveness, and prudently managing our balance sheet.

Continuing ERP Roll-out and Technology Improvements

Investing in information technology platforms to improve operating efficiencies, and to improve customer and employee experience. Our enterprise resource planning ("**ERP**") roll-out continues to be an area of focus and will be followed by additional technology improvements.

In addition to the forgoing, Wajax continues to develop its environmental, social and governance programs (as outlined below and further discussed in our 2023 Annual Report) and remains committed to being a good steward of the environment, supporting both internal stakeholders and the broader communities it operates in, while upholding sound and ethical business practices.

Sustainability Roadmap

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

Outlook

In 2023, Wajax celebrated its 165th anniversary, delivered record revenue of $2,154.7 million, up 9.8% from 2022, and saw adjusted basic earnings per share grow 19.1% to $3.88 over the previous year.(1) Gross profit margin was 20.9% in 2023 versus 19.9% in 2022 due to improved product mix and margin improvement initiatives, resulting in an adjusted EBITDA margin of 9.2% in 2023 versus 8.5% in 2022.(1) During the year, Wajax delivered significant value to shareholders including a 32% increase in the quarterly dividend.

Moving into 2024, Wajax continues to see solid fundamentals in many of the markets it serves – particularly mining, energy and construction – supported by relatively elevated key commodity prices and sustained customer budgeting for capital projects. Wajax began 2024 with strong backlog of $554.0 million, up 18.2% from the end of 2022, which supports management's confidence in the near-term future.(1) In addition to expected growth in its heavy equipment business over the long-term, Wajax continues to anticipate further demand in its less cyclical industrial parts and ERS businesses, which saw top-line growth of 12.9% and 28.6%, respectively, in 2023. The 6% dividend increase announced today reflects the board's and management's collective belief in its strategic vision.

Challenges associated with higher interest rates, wage and price inflation, and a tight labour market, are expected to persist, and management continues to monitor market dynamics and customer sentiment for signs of possible weakness.

Management believes that the Corporation's strong financial results and solid balance sheet, coupled with the recently completed $100.0 million increase in credit limit under its senior secured credit facility, give it the flexibility to continue to invest in future organic growth and acquisitions.

Management will be focused on six strategic priorities for 2024: continuing to build a "people first" company; growing Wajax's existing business with a focus on parts, service and margin improvement; unlocking the potential of Wajax's enhanced direct relationship with Hitachi; acquiring industrial parts and ERS businesses; improving cost structure and processes; and continuing Wajax's enterprise resource planning system rollout and additional technology improvements.

See the Cautionary Statement Regarding Forward-Looking Information section.

Annual and Fourth Quarter Highlights

2023 Full Year Highlights

- Revenue increased $191.9 million, or 9.8%, to a record $2,154.7 million in 2023 from $1,962.8 million in 2022. The increase in 2023 was driven primarily by higher industrial parts, ERS and product support revenue across all regions, offset partially by a decrease in mining equipment sales in western Canada. From a regional perspective:
  - Revenue in western Canada of $975.8 million increased 4.3% from the prior year due primarily to strong industrial parts and ERS sales, and robust product support revenue in the mining category. These increases were offset partially by lower equipment sales, primarily in the mining category.
  - Revenue in central Canada of $387.9 million increased 22.0% from the prior year on higher sales across all revenue types, including strong industrial parts and ERS sales, higher equipment sales in the construction and forestry, and material handling categories, and higher product support revenue across all categories.
  - Revenue in eastern Canada of $791.0 million increased 11.6% from the prior year due primarily to higher industrial parts and ERS sales, as well as higher product support revenue across all categories, and higher equipment sales in the construction and forestry, and material handling categories.
- Gross profit margin of 20.9% in 2023 increased 100 basis points ("**bps**") compared to 2022. The increase in margin was driven by higher margins across all revenue types, and a higher proportion of ERS and industrial parts sales.(1)
- Selling and administrative expenses as a percentage of revenue increased to 14.6% in 2023 from 14.1% in 2022. For the year ended December 31, 2023, selling and administrative expenses increased $38.7 million compared to last year. This increase was due primarily to: higher personnel costs as the volume of

(1) "Backlog", "Gross profit margin", "Adjusted basic earnings per share", and "Adjusted EBITDA margin" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

business increased over the prior year; an unrealized loss on interest rate swaps of $1.2 million in the year, compared to a gain of $5.3 million in the prior year; and facility closure, restructuring, and other related costs of $1.9 million without a comparable cost in the prior year. Excluding the $1.2 million loss on interest rate swaps (2022 – gain of $5.3 million), and the $1.9 million facility closure, restructuring, and other related costs (2022 – nil), selling and administrative expenses as a percentage of revenue was 14.5% in 2023, versus 14.4% in 2022. The unrealized loss/gain on interest rate swaps and the facility closure, restructuring, and other related costs have been excluded in calculating the following metrics: adjusted net earnings, adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin, adjusted basic earnings per share, and adjusted diluted earnings per share.(1)

- EBIT increased $21.7 million, or 19.0%, to $135.5 million in 2023 versus $113.9 million in 2022. The year-over-year increase resulted primarily from higher sales volumes, improved margins across all revenue types, and a higher proportion of ERS and industrial parts sales. This increase was partially offset by higher selling and administrative expenses. Adjusted EBIT increased $28.5 million, or 25.8%, to $138.9 million in 2023 from $110.4 million in 2022, and adjusted EBIT margin increased to 6.4% in 2023 from 5.6% in 2022.(1)
- The Corporation generated net earnings of $81.0 million, or $3.77 per share in 2023, versus $72.4 million, or $3.38 per share in 2022. The Corporation generated adjusted net earnings of $83.5 million, or $3.88 per share in 2023, versus $69.8 million, or $3.26 per share in 2022. Adjusted net earnings for the year ended December 31, 2023 excludes facility closure, restructuring, and other related costs of $1.4 million after tax, or $0.07 per share (2022 – nil), non-cash losses on mark to market of derivative instruments of $0.9 million after tax, or $0.04 per share (2022 – gains of $2.6 million, or $0.12 per share), losses on the change in fair value of contingent consideration of $0.2 million after tax, or $0.01 per share (2022 – nil), and a gain recorded on the sale of properties of $0.1 million after tax, or less than $0.01 per share (2022 – nil).(1)
- Adjusted EBITDA margin increased to 9.2% in 2023 from 8.5% in 2022.(1)
- Cash flows used in operating activities amounted to $89.0 million in 2023, compared to cash generated of $69.1 million in 2022. The decrease in cash generated of $158.1 million was mainly attributable to a decrease in accounts payable and accrued liabilities of $29.9 million compared to an increase of $115.9 million in the prior year, an increase in inventory of $166.0 million compared to an increase of $72.9 million in the prior year, as well as income taxes paid of $49.2 million compared to $10.6 million in the prior year. This decrease in cash generated was offset partially by an increase in net earnings excluding items not affecting cash flow of $30.2 million, and a decrease in trade and other receivables of $3.7 million compared to an increase of $80.0 million in the prior year.
- The Corporation's backlog at December 31, 2023 of $554.0 million increased $85.2 million, or 18.2%, compared to December 31, 2022 due to higher mining, material handling and ERS orders, offset partially by lower construction and forestry orders.(1)
- Working capital at December 31, 2023 increased $214.2 million from December 31, 2022 due primarily to higher inventory levels, lower accounts payable and accrued liabilities, and lower income taxes payable. Working capital efficiency was 23.9% versus 16.8% in 2022, due to the higher trailing four quarter average working capital, largely resulting from higher average inventory levels.(1)
- The Corporation's leverage ratio increased to 1.98 times at December 31, 2023 compared to 1.13 times at December 31, 2022 due to the higher debt level in the current year, driven largely by the Corporation's investment in inventory, timing on repayment of accounts payable and accrued liabilities, and cash paid for business acquisitions in the year. The Corporation's senior secured leverage ratio was 1.64 times at December 31, 2023, compared to 0.71 times at December 31, 2022.(1)
- Effective January 23, 2023, Mark Edgar was appointed to the role of Chief People Officer. Prior to joining Wajax, Mr. Edgar's career included extensive human resources experience gained as Senior Vice President, Human Resources for Royal Sun Alliance Canada, Head of Human Resources – Corporate, for Centrica plc, the parent company of British Gas, and Head of Human Resources – Customer Group, for British Sky Broadcasting plc (now Sky plc).
- On March 6, 2023, Wajax announced a 32% increase in its quarterly dividend.
- During the second quarter of 2023, Justin Warren, Senior Vice President, Industrial Parts and ERS, left the Corporation to pursue another opportunity. Effective June 23, 2023, André Dubé was appointed to the role of Senior Vice President, Industrial Parts and ERS. Mr. Dubé has over 24 years of experience at Wajax, first joining in 1999 as a strategic sourcing specialist. Since then, he has held increasingly senior roles, including Vice President, Key Accounts, and Vice President, End Market Mining. Most recently, he served as Regional Vice President, Ontario and Québec.
- On July 4, 2023, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Polyphase Engineered Controls (1977) Ltd. ("**Polyphase**") for an estimated aggregate purchase price of approximately $23.2 million, subject to the results of a three-year performance-based earnout. Specialized in producing custom electrical and instrumentation equipment, Polyphase employed approximately 44 people, including a team of skilled wiring and panel assemblers, and operated facilities in Calgary and Edmonton, Alberta. Polyphase added revenues of $11.8 million and net earnings of $1.8 million from the date of acquisition to December 31, 2023. Polyphase's trailing twelve-month revenue at the time of acquisition was approximately $25.8 million.
- On September 1, 2023, the Corporation acquired all of the issued and outstanding shares of Sault Ste. Marie, Ontario-based Beta Fluid Power Ltd., a supplier of hydraulic and pneumatic equipment for use in the industrial, mining and construction sectors ("**Beta Fluid**"), and Beta Industrial Ltd., a provider of related maintenance, repair and replacement services ("**Beta Industrial**"). The estimated aggregate purchase price for Beta Fluid and Beta Industrial (together, "**Beta**") was approximately $8.5 million, subject to normal post-closing adjustments and the results of a three-year performance-based earnout. The impact of Beta on the Corporation's revenues and net earnings from the date of acquisition to December 31, 2023 was not significant. Beta's combined trailing twelve-month revenue at the time of acquisition was approximately $16.7 million.
- On November 6, 2023, Wajax announced the retirement of Steve Deck, Chief Operating Officer, and Senior Vice President, Heavy Equipment, effective January 1, 2024. After joining the Corporation in 2014 to lead its industrial components business, Mr. Deck held a number of senior executive roles and played a significant role in executing the "One Wajax" strategy, building the vision for Wajax's industrial parts and ERS business, and developing Wajax's relationship with Hitachi.

- Subsequent to year-end and effective January 2, 2024, Wajax completed adjustments to its senior management structure following the retirement of Mr. Deck. Brian Deacon has been appointed to the role of Senior Vice President, Category Management, and André Dubé to the role of Senior Vice President, Sales and Operations. Mr. Deacon first joined Wajax in 2011 after 14 years in the equipment industry, and has held increasingly senior roles at the Corporation, including Regional Branch Manager – Equipment, and Vice President, Service Operations. Most recently, he was serving as Regional Vice President, Western Canada. As noted above, Mr. Dubé first joined Wajax in 1999 as a strategic sourcing specialist, and most recently, was serving as Senior Vice President, Industrial Part and ERS.
- Subsequent to year-end, on January 11, 2024, Wajax amended its senior secured credit facility to increase the facility limit from $400.0 million to $500.0 million. Such facility is now composed of a $50.0 million non-revolving term facility and a $450.0 million revolving term facility. There was no change to the maturity date of the senior secured facility.
- On March 4, 2024, the Corporation announced a 6% increase in its quarterly dividend. A dividend of $0.35 per share was declared for the first quarter of 2024, payable on April 2, 2024, to shareholders of record on March 15, 2024.

Fourth Quarter Highlights

- Revenue in the fourth quarter of 2023 increased $1.3 million, to $542.6 million, from $541.3 million in the fourth quarter of 2022. From a regional perspective:
  - Revenue in western Canada of $235.6 million decreased 15.5% from the prior year due primarily to the timing of mining equipment sales, as well as lower equipment sales in the construction and forestry category, offset partially by strong ERS sales.
  - Revenue in central Canada of $105.4 million increased 21.3% from the prior year mainly due to strong ERS sales, higher equipment sales in the construction and forestry category, and higher product support revenue across all categories.
  - Revenue in eastern Canada of $201.7 million increased 14.8% from the prior year due primarily to higher equipment and product support sales in the construction and forestry category, and strong industrial parts and ERS sales.
- Gross profit margin of 21.2% in the fourth quarter of 2023 increased 310 bps compared to the same period of 2022. The increase in margin was driven primarily by higher margins across all revenue types, and a higher proportion of ERS and product support sales as compared to equipment sales.(1)
- Selling and administrative expenses as a percentage of revenue increased to 17.1% in the fourth quarter of 2023 from 13.2% in the fourth quarter of 2022. Selling and administrative expenses in the fourth quarter of 2023 increased $21.2 million, or 29.6%, compared to the fourth quarter of 2022 due primarily to: higher personnel costs as the volume of ERS and product support business increased over the prior year; an unrealized loss on interest rate swaps of $5.5 million in the quarter, compared to a loss of less than $0.1 million in the same quarter of the prior year; and facility closure, restructuring, and other related costs of $1.9 million in the quarter without a comparable cost in the same quarter of the prior year. Excluding the $5.5 million loss on interest rate swaps, and the $1.9 million facility closure, restructuring, and other related costs, selling and administrative expenses as a percentage of revenue was 15.7% in the fourth quarter of 2023. The unrealized loss/gain on interest rate swaps and the facility closure, restructuring, and other related costs have been excluded in calculating the following metrics: adjusted net earnings, adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin, adjusted basic earnings per share, and adjusted diluted earnings per share.(1)
- EBIT decreased $4.1 million, or 15.5%, to $22.6 million in the fourth quarter of 2023 versus $26.7 million in 2022. The year-over-year decrease in EBIT resulted from higher selling and administrative expenses, offset partially by higher margins, and a higher proportion of ERS and product support sales. Adjusted EBIT increased $3.4 million, or 12.1%, to $31.7 million in the fourth quarter of 2023 from $28.2 million in the fourth quarter of 2022, and adjusted EBIT margin increased to 5.8% in the fourth quarter of 2023 from 5.2% in the same quarter of 2022.(1)
- The Corporation generated net earnings of $11.1 million, or $0.52 per share, in the fourth quarter of 2023 versus $16.6 million, or $0.78 per share, in 2022. The Corporation generated adjusted net earnings of $17.8 million, or $0.83 per share, in both the fourth quarter of 2023 and the fourth quarter of 2022. Adjusted net earnings for the quarter excludes facility closure, restructuring, and other related costs of $1.4 million after tax, or $0.07 per share (2022 – nil), non-cash losses on mark to market of derivative instruments of $5.0 million after tax, or $0.23 per share (2022 – losses of $1.1 million after tax, or $0.05 per share), and losses on the change in fair value of contingent consideration of $0.2 million after tax, or $0.01 per share (2022 – nil).(1)
- Adjusted EBITDA margin increased to 8.7% in the fourth quarter of 2023 from 7.8% in 2022.(1)
- Cash flows generated from operating activities amounted to $48.5 million in the fourth quarter of 2023, compared to $19.1 million in the same quarter of the previous year. The increase of $29.4 million was mainly attributable to a decrease in accounts receivable of $3.9 million in the fourth quarter of 2023 compared to an increase of $33.0 million in the same quarter of the previous year, and a decrease in inventory of $28.1 million compared to an increase of $15.5 million in the same quarter of the prior year. This increase in cash generated was offset partially by a decrease in accounts payable and accrued liabilities of $20.3 million compared to an increase of $38.1 million in the same quarter of the prior year.
- The Corporation's backlog at December 31, 2023 of $554.0 million decreased $45.3 million, or 7.6%, compared to September 30, 2023 due primarily to lower construction and forestry orders.(1)
- Working capital of $560.2 million at December 31, 2023 decreased $31.2 million from September 30, 2023, due primarily to lower inventory levels. Working capital efficiency was 23.9%, an increase of 250 bps from September 30, 2023, due to the higher trailing four-quarter average working capital.(1)
- The Corporation's leverage ratio decreased to 1.98 times at December 31, 2023, compared to 2.16 times at September 30, 2023. The decrease in the leverage ratio was due to the lower debt level in the current period, driven largely by cash generated from operating activities during the quarter. The Corporation's senior secured leverage ratio was 1.64 times at December 31, 2023, compared to 1.82 times at September 30, 2023.(1)

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

Summary of Operating Results

Statement of earnings highlights

		2023		2022	% change
Revenue	$	**2,154.7**	$	1,962.8	9.8%
Gross profit	$	**450.6**	$	390.3	15.5%
Selling and administrative expenses		**315.1**		276.5	14.0%
Earnings before finance costs and income taxes	$	**135.5**	$	113.9	19.0%
Finance costs		**25.9**		17.3	49.1%
Earnings before income taxes	$	**109.6**	$	96.5	13.6%
Income tax expense		**28.7**		24.1	18.9%
Net earnings	$	**81.0**	$	72.4	11.9%
– Basic earnings per share(2)	$	**3.77**	$	3.38	11.4%
– Diluted earnings per share(2)	$	**3.64**	$	3.26	11.5%
Adjusted net earnings(1)(3)	$	**83.5**	$	69.8	19.5%
– Adjusted basic earnings per share(1)(2)(3)	$	**3.88**	$	3.26	19.1%
– Adjusted diluted earnings per share(1)(2)(3)	$	**3.75**	$	3.15	19.1%
Adjusted EBIT(1)	$	**138.9**	$	110.4	25.8%
Adjusted EBITDA(1)	$	**197.4**	$	165.9	19.0%
Key ratios:					
Gross profit margin(1)		**20.9%**		19.9%	
Selling and administrative expenses as a percentage of revenue(1)		**14.6%**		14.1%	
EBIT margin(1)		**6.3%**		5.8%	
Adjusted EBIT margin(1)		**6.4%**		5.6%	
Adjusted EBITDA margin(1)		**9.2%**		8.5%	
Effective income tax rate		**26.1%**		25.0%	

Statement of financial position highlights

As at December 31		2023		2022
Trade and other receivables	$	**309.1**	$	307.1
Inventory		**630.9**		462.2
Accounts payable and accrued liabilities		**(407.1)**		(423.8)
Other working capital amounts(1)		**27.3**		0.7
Working capital(1)	$	**560.2**	$	346.0
Rental equipment	$	**42.5**	$	39.4
Property, plant and equipment	$	**44.8**	$	44.1
Funded net debt(1)	$	**325.5**	$	144.6
Key ratios:				
Leverage ratio(1)		**1.98**		1.13
Senior secured leverage ratio(1)		**1.64**		0.71

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

(2) Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the year ended December 31, 2023 was 21,509,250 (2022 – 21,423,140) and 22,271,628 (2022 – 22,196,918), respectively.

(3) Net earnings excluding the following:

a. after-tax facility closure, restructuring, and other related costs of $1.4 million (2022 – nil), or basic and diluted loss per share of $0.07 and $0.06, respectively (2022 – nil) for the year ended December 31, 2023.

b. after-tax gain recorded on the sale of properties of $0.1 million (2022 – nil), or basic and diluted earnings per share of less than $0.01 (2022 – nil) for the year ended December 31, 2023.

c. after-tax non-cash losses on mark to market of derivative instruments of $0.9 million (2022 – gains of $2.6 million), or basic and diluted loss per share of $0.04 (2022 – earnings per share of $0.12) for the year ended December 31, 2023.

d. after-tax losses on the change in fair value of contingent consideration of $0.2 million (2022 – nil), or basic and diluted loss per share of $0.01 (2022 – nil) for the year ended December 31, 2023.

Results of Operations

Revenue

For the year ended December 31, 2023, revenue increased 9.8%, or $191.9 million, to $2,154.7 million, from $1,962.8 million in 2022. The following factors contributed to the increase in revenue:

- ERS sales increased 28.6% due to higher sales in all regions, particularly in western and eastern Canada.
- Industrial parts sales increased 12.9% due to higher sales in all regions, particularly in eastern Canada.
- Product support sales increased 12.3% due to higher mining revenue in all regions, particularly in western Canada, and higher power systems, construction and forestry, and material handling sales in all regions.

Revenue by Geographic Region ($ millions)

For the year ended December 31	2023	$ change	% change
Western Canada	**$ 975.8**	$ 39.9	4.3 %
Central Canada	**387.9**	70.1	22.0 %
Eastern Canada(1)	**791.0**	81.9	11.6 %
Total	**$ 2,154.7**	$ 191.9	9.8 %

(1) Includes Quebec and the Atlantic provinces.

For the year ended December 31	2022
Western Canada	$ 935.9
Central Canada	317.9
Eastern Canada(1)	709.0
Total	$ 1,962.8

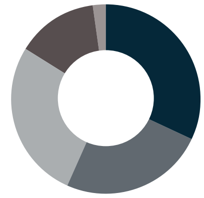
Revenue by End Market

For the year ended December 31	2023
Construction	**16%**
Mining	**15%**
Industrial/Commercial	**13%**
Forestry	**11%**
Oil and Gas	**10%**
Oil Sands	**9%**
Transportation	**7%**
Government and Utilities	**6%**
Metal Processing	**5%**
Other	**8%**

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

Revenue Sources ($ millions)

For the year ended December 31	2023	$ change	% change
Equipment sales	**$ 607.1**	$ (21.5)	(3.4)%
Product support	**543.3**	59.4	12.3 %
Industrial parts	**605.1**	69.3	12.9 %
Engineered repair services (ERS)	**354.3**	78.8	28.6 %
Equipment rental	**45.0**	5.8	14.9 %
Total	**$ 2,154.7**	$ 191.9	9.8 %



For the year ended December 31	2022
Equipment sales	$ 628.6
Product support	483.9
Industrial parts	535.8
Engineered repair services (ERS)	275.5
Equipment rental	39.1
Total	$ 1,962.8

- Equipment sales decreased 3.4% due primarily to lower mining sales in western Canada and lower power systems sales in eastern Canada, offset partially by higher construction and forestry sales in central and eastern Canada, and higher material handling sales in all regions.

Backlog

The Corporation's backlog at December 31, 2023 of $554.0 million increased $85.2 million, or 18.2%, compared to December 31, 2022 due to higher mining, material handling and ERS orders, offset partially by lower construction and forestry orders.(1)

Gross profit

For the year ended December 31, 2023, gross profit increased $60.3 million, or 15.5%, compared with the same period last year, primarily due to higher sales volumes, higher margins, and a higher proportion of ERS and industrial parts sales.

For the year ended December 31, 2023, gross profit margin of 20.9% increased 100 bps compared with the same period of 2022. This increase in margin was driven by higher margins across all revenue types, and a higher proportion of ERS and industrial parts sales.(1)

Selling and administrative expenses

For the year ended December 31, 2023, selling and administrative expenses increased $38.7 million compared with the same period last year. This increase was due primarily to higher personnel costs as the volume of business increased over the prior year, an unrealized loss on interest rate swaps of $1.2 million in the year compared to a gain of $5.3 million in the prior year, and facility closure, restructuring, and other related costs of $1.9 million without a comparable cost in the prior year.

Selling and administrative expenses as a percentage of revenue increased to 14.6% in 2023 from 14.1% in 2022. Excluding the $1.2 million loss on interest rate swaps (2022 – gain of $5.3 million) and the $1.9 million facility closure, restructuring, and other related costs (2022 – nil), selling and administrative expenses as a percentage of revenue was 14.5% in 2023, versus 14.4% in 2022.(1) The unrealized loss/gain on interest rate swaps and the facility closure, restructuring, and other related costs have been excluded in calculating the following metrics: adjusted net earnings, adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin, adjusted basic earnings per share, and adjusted diluted earnings per share.(1)

Finance costs

For the year ended December 31, 2023, finance costs of $25.9 million increased $8.5 million compared with the same period in 2022 due primarily to higher interest rates and higher average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

At December 31, 2023, 63.4% of the Corporation's funded net debt was at a fixed interest rate.(1)

Income tax expense

The Corporation's effective income tax rate of 26.1% for the year ended December 31, 2023, was higher compared with the statutory rate of 26.0% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 25.0% for the same period in 2022 was lower compared with the statutory rate of 26.0% due mainly to the impact of changes in estimates related to prior years as a result of the settlement of an uncertain tax position.

Net earnings

For the year ended December 31, 2023, the Corporation generated net earnings of $81.0 million, or $3.77 per share, compared with $72.4 million, or $3.38 per share, in 2022. The $8.6 million increase in net earnings resulted primarily from higher sales volumes, improved margins, and a higher proportion of ERS and industrial parts sales, offset partially by higher selling and administrative expenses and higher finance costs.

Adjusted net earnings(1)

Adjusted net earnings for the year ended December 31, 2023 excludes facility closure, restructuring, and other related costs of $1.4 million after tax, or $0.07 per share (2022 – nil), non-cash losses on mark to market of derivative instruments of $0.9 million after tax, or $0.04 per share (2022 – gains of $2.6 million, or $0.12 per share), losses on the change in fair value of contingent consideration of $0.2 million after tax, or $0.01 per share (2022 – nil), and a gain recorded on the sale of properties of $0.1 million after tax, or less than $0.01 per share (2022 – nil).(1)

As such, adjusted net earnings increased $13.6 million to $83.5 million, or $3.88 per share, for the year ended December 31, 2023 from $69.8 million, or $3.26 per share, in 2022.(1)

Comprehensive income

For the year ended December 31, 2023, the total comprehensive income of $76.1 million included net earnings of $81.0 million and an other comprehensive loss of $4.9 million. The other comprehensive loss of $4.9 million in the current year resulted from $2.2 million of realized after-tax gains on derivatives designated as cash flow hedges, reclassified to net earnings during the period, and $2.3 million of unrealized after-tax losses on derivatives designated as cash flow hedges.

(1) "Funded net debt", "Backlog", "Gross profit margin", "Selling and administrative expenses as a percentage of revenue", "Adjusted net earnings", "Adjusted EBIT", "Adjusted EBIT margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted basic earnings per share", and "Adjusted diluted earnings per share" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Selected Annual Information

The following selected annual information has been prepared on the same basis as the 2023 annual audited consolidated financial statements.

For the year ended December 31	**2023**	2022	2021
Revenue	**$ 2,154.7**	$ 1,962.8	$ 1,637.3
Net earnings	**$ 81.0**	$ 72.4	$ 53.2
Basic earnings per share	**$ 3.77**	$ 3.38	$ 2.50
Diluted earnings per share	**$ 3.64**	$ 3.26	$ 2.42
Total assets	**$ 1,473.3**	$ 1,249.9	$ 1,080.8
Non-current liabilities	**$ 493.7**	$ 286.0	$ 323.0
Dividends declared per share	**$ 1.32**	$ 1.00	$ 1.00

Starting in 2020 and continuing into 2021, the COVID-19 pandemic resulted in governments and public health authorities worldwide enacting emergency measures to combat the spread of the novel coronavirus and its variants, including the implementation of travel bans, physical distancing, self-isolation and quarantine periods. These measures impacted economies and financial markets worldwide, resulting in an economic slowdown that negatively affected the Corporation's end markets, supply chains, and financial results, most notably during 2020, with some lingering effects in 2021.

Revenue in 2023 of $2,154.7 million increased $191.9 million compared to 2022. The increase in 2023 was driven primarily by higher industrial parts, ERS, and product support revenue across all regions, offset partially by a decrease in mining equipment sales in western Canada. Revenue in 2022 of $1,962.8 million increased $325.5 million compared to 2021. While Wajax saw revenue increases across all categories in 2022, the favourable variance was notably driven by industrial parts strength in all regions, higher ERS revenue in western Canada, and robust western Canada equipment sales in the construction and forestry, and mining categories.

Net earnings in 2023 of $81.0 million increased $8.6 million, or 11.9%, from 2022. The increase in net earnings resulted primarily from higher sales volumes, improved margins, and a higher proportion of ERS and industrial parts sales, offset partially by increased selling and administrative expenses and higher finance costs. The Corporation generated adjusted net earnings of $83.5 million, or $3.88 per share in 2023, versus $69.8 million, or $3.26 per share in 2022. Net earnings in 2022 of $72.4 million increased $19.2 million, or 36.0%, from 2021. The increase in net earnings resulted primarily from higher sales volumes and higher equipment and industrial parts margins. These increases were offset partially by lower product support and ERS margins, a higher proportion of equipment sales, higher selling and administrative expenses, and the 2021 recovery of personnel expenses from the Canada Emergency Wage Subsidy program without a similar recovery in 2022.

The $392.5 million increase in total assets from December 31, 2021 to December 31, 2023 was mainly attributable to higher inventory of $242.2 million, increased trade and other receivables of $85.6 million, higher goodwill and intangible assets of $18.9 million, and increased contract assets of $32.5 million.

Non-current liabilities at December 31, 2023 of $493.7 million increased $170.7 million from December 31, 2021, primarily attributable to an increase in long-term debt of $169.5 million.

Selected Quarterly Information

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

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 542.6**	$ 509.7	$ 586.2	$ 516.1	$ 541.3	$ 470.8	$ 511.2	$ 439.5
Net earnings	**$ 11.1**	$ 23.4	$ 29.0	$ 17.5	$ 16.6	$ 18.0	$ 21.7	$ 16.1
Earnings per share								
– Basic	**$ 0.52**	$ 1.09	$ 1.35	$ 0.81	$ 0.78	$ 0.84	$ 1.01	$ 0.75
– Diluted	**$ 0.50**	$ 1.05	$ 1.31	$ 0.79	$ 0.75	$ 0.81	$ 0.98	$ 0.73
Adjusted net earnings(1)	**$ 17.8**	$ 20.7	$ 27.1	$ 17.8	$ 17.8	$ 16.7	$ 19.7	$ 15.7
Adjusted earnings per share(1)								
– Basic	**$ 0.83**	$ 0.96	$ 1.26	$ 0.83	$ 0.83	$ 0.78	$ 0.92	$ 0.73
– Diluted	**$ 0.80**	$ 0.93	$ 1.22	$ 0.80	$ 0.80	$ 0.75	$ 0.89	$ 0.71
Dividends declared per share	**$ 0.33**	$ 0.33	$ 0.33	$ 0.33	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Weighted average common shares outstanding – basic (in thousands)	**21,570**	21,490	21,487	21,489	21,453	21,400	21,424	21,415

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

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

Effective July 4, 2023, the Corporation acquired Polyphase, and effective September 1, 2023, the Corporation acquired Beta. The results of operations and financial position of these acquired businesses have been included in the above figures since the dates of acquisition. The acquisition of Polyphase facilitated year-over-year growth in the Corporation's revenue when comparing 2023 to 2022, adding $11.8 million in incremental revenue and $1.8 million in incremental net earnings in 2023. Beta's combined impact on the Corporation's revenues and net earnings from the date of acquisition to December 31, 2023 was not significant.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A available under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31 2023	2022
Shareholders' equity	$ **496.2**	$ 449.8
Funded net debt(1)	**325.5**	144.6
Total capital(1)	$ **821.7**	$ 594.4
Funded net debt to total capital(1)	**39.6%**	24.3%
Leverage ratio(1)	**1.98**	1.13
Senior secured leverage ratio(1)	**1.64**	0.71

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

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

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2023 of $496.2 million increased $46.5 million from December 31, 2022, due primarily to total comprehensive income of $76.1 million, offset partially by dividends declared of $28.4 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, 2022	21,602,836	$ 208.8
Common shares issued to settle share-based compensation plans	207,575	2.6
Issued and outstanding, December 31, 2023	21,810,411	$ 211.3
Shares held in trust, December 31, 2022	(131,734)	(1.2)
Released for settlement of certain share-based compensation plans	74,149	0.7
Purchased for future settlement of certain share-based compensation plans	(83,280)	(0.8)
Shares held in trust, December 31, 2023	(140,865)	$ (1.3)
Issued and outstanding, net of shares held in trust, December 31, 2023	**21,669,546**	**$ 210.0**

At the date of this MD&A, the Corporation had 21,669,546 common shares issued and outstanding, net of shares held in trust.

At December 31, 2023, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan (the "**SOP**"), the Directors' Deferred Share Unit Plan (the "**DDSUP**"), the Mid-Term Incentive Plan for Senior Executives (the "**MTIP**") (with MTIP awards being composed of performance share units ("**PSUs**") and restricted share units ("**RSUs**")) and the Deferred Share Unit Plan (the "**DSUP**").

Each fully vested right under the SOP and DDSUP is settled by the issuance of a common share from treasury. As of December 31, 2023, there were a total of 399,288 rights outstanding under the SOP and DDSUP, of which 386,584 were fully vested. Each fully vested MTIP PSU and certain fully vested deferred share units issued under the DSUP ("**equity settled DSUs**") are settled by the delivery of a market-purchased common share. As of December 31, 2023, a total of 256,622 MTIP PSUs and equity settled DSUs were outstanding, of which 33,796 were fully vested. Each fully vested MTIP RSU and non-equity settled DSUs ("**cash settled DSUs**") are settled in cash. As of December 31, 2023, a total of 479,146 MTIP RSUs and cash settled DSUs were outstanding, of which 11,816 were fully vested. Depending on the actual level of achievement of the performance targets associated with the outstanding MTIP PSUs, the number of market-purchased shares required to satisfy the Corporation's obligations thereunder could be higher or lower.

Wajax recorded compensation expense of $9.4 million for the year ended December 31, 2023 (2022 – expense of $5.4 million) in respect of these plans.

Funded Net Debt

	December 31 2023	2022
Bank indebtedness	$ **1.4**	$ 5.2
Debentures	**56.3**	55.8
Long-term debt	**267.8**	83.6
Funded net debt(1)	$ **325.5**	$ 144.6

Funded net debt of $325.5 million at December 31, 2023 increased $180.9 million compared to $144.6 million at December 31, 2022.(1) The increase during the year was due primarily to cash used in operating activities of $89.0 million driven largely by an investment in inventory and timing on repayment of accounts payable and accrued liabilities, the payment of lease liabilities of $35.5 million, dividends paid of $26.7 million, and the net cash paid of $21.0 million on business acquisitions.

The Corporation's ratio of funded net debt to total capital increased to 39.6% at December 31, 2023 from 24.3% at December 31, 2022 due to the higher funded net debt level in the current year.(1)

The Corporation's leverage ratio of 1.98 times at December 31, 2023 increased from the December 31, 2022 ratio of 1.13 times due to the higher debt level in the current year. However, the leverage ratio decreased compared to the September 30, 2023 leverage ratio of 2.16 times, due to the lower debt level at December 31, 2023, driven largely by cash generated from operating activities during the quarter.(1)

See the Liquidity and Capital Resources section.

(1) "Funded net debt", "Funded net debt to total capital", "Total capital", and "Leverage ratio" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures 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, 2023, Wajax had the following interest rate swap contracts outstanding:

- $150.0 million, expiring October 2026 to October 2027, with a weighted average interest rate of 2.32% (December 31, 2022 – $150.0 million, expiring October 2026 to October 2027, with a weighted average interest rate of 2.32%)

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, 2023, Wajax had the following contracts outstanding:

- to buy U.S. $195.2 million (December 31, 2022 – to buy U.S. $135.6 million),
- to buy Euro €7.3 million (December 31, 2022 – to buy Euro €0.4 million),
- to sell U.S. $77.9 million (December 31, 2022 – to sell U.S. $37.5 million), and
- to sell Euro €1.6 million (December 31, 2022 – to sell Euro €0.6 million).

The U.S. dollar contracts expire between January 2024 to December 2025, with an average U.S./Canadian dollar rate of 1.3485.

The Euro contracts expire between January 2024 to October 2024, with an average Euro/Canadian dollar rate of 1.4667.

Wajax has entered into total return swap contracts to hedge the exposure to share price market risk on a class of MTIP units that are cash-settled. All total return swap contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2023, Wajax had the following total return swap contracts outstanding:

- contracts totaling 399,000 shares at an initial share value of $9.1 million (December 31, 2022 – contracts totaling 402,000 shares at an initial share value of $7.8 million).

The total return swap contracts expire between March 2024 and March 2026.

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.

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 units 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	**$ 407.1**	$ 407.1	$ —	$ —	$ —
Undiscounted lease obligations	**238.5**	49.2	81.0	51.7	56.6
Long-term debt	**268.6**	—	—	268.6	—
Debentures	**57.0**	—	57.0	—	—
Total	**$ 971.2**	$ 456.3	$ 138.0	$ 320.3	$ 56.6

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

Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled $9.6 million in 2023 (2022 – $7.2 million).

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements as at December 31, 2023.

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

As at December 31, 2023, Wajax had a $400.0 million credit limit on its bank credit facility, composed of a $50.0 million non-revolving term facility and a $350.0 million revolving term facility, maturing on October 1, 2027.

At December 31, 2023, Wajax had borrowed $268.6 million and issued $4.8 million of letters of credit for a total utilization of $273.4 million of its $400.0 million bank credit facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2023, borrowing capacity under the bank credit facility was equal to $400.0 million, of which $126.6 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, 2023. 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, 2023, the Corporation's senior secured leverage ratio was 1.64 times.

As at December 31, 2023, borrowings under the bank credit facility were subject to floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar Secured Overnight Financing Rate ("**SOFR**") rates or prime. Margins on the facility depended on the Corporation's leverage ratio at the time of borrowing and ranged between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar SOFR borrowings, and 0.5% and 2.0% for prime rate borrowings.

In addition, Wajax had $57.0 million of senior unsecured debentures outstanding at December 31, 2023, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025. On and after January 15, 2023 and prior to January 15, 2024, the debentures are 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. As at December 31, 2023, the Corporation has not redeemed any of the debentures. The Corporation shall provide not more than 60 nor less than 30 days' prior notice of redemption of the debentures.

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

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $25.0 million. As such, Wajax has up to $25.0 million of demand inventory equipment financing capacity with two non-bank lenders. At December 31, 2023, 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, 2023, the Corporation continues to service and collect $6.1 million in accounts receivable on behalf of the financial institution.

On January 11, 2024, the Corporation amended its senior secured credit facility to increase the facility limit from $400.0 million to $500.0 million. Such facility is now composed of a $50.0 million non-revolving term facility and a $450.0 million revolving term facility. There was no change to the maturity date of the senior secured facility. As part of the bank credit facility amendment, the Canadian dollar bankers' acceptances were replaced with the term Canadian Overnight Repo Rate Average ("**CORRA**") loan. Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar term CORRA loan yields, U.S. dollar SOFR rates or prime. Margins on the facility continue to depend on the Corporation's leverage ratio at the time of borrowing. Effective January 11, 2024, the margins range between 1.8% and 3.3% for Canadian dollar term CORRA loans and U.S. dollar SOFR borrowings, and between 0.8% and 2.3% for prime rate borrowings.

As of March 4, 2024, Wajax continues to maintain its $500.0 million bank credit facility and an additional $25.0 million in credit facilities with non-bank lenders. Wajax maintains sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and fund certain strategic investments. However, Wajax may be required to access the equity or debt capital markets to fund significant acquisitions.

The Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2023, 63.4% 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, 2023 and December 31, 2022:

	2023	2022	$ Change
Net earnings	**$ 81.0**	$ 72.4	$ 8.6
Items not affecting cash flow	**120.3**	98.8	21.6
Changes in non-cash operating working capital	**(200.6)**	(65.0)	(135.6)
Finance costs paid on debts	**(16.2)**	(9.2)	(7.0)
Finance costs paid on lease liabilities	**(8.9)**	(7.9)	(1.0)
Income taxes paid	**(49.2)**	(10.6)	(38.6)
Rental equipment additions	**(20.9)**	(10.9)	(10.0)
Rental equipment disposals	**3.5**	2.6	1.0
Other	**1.8**	(1.1)	2.9
Cash (used in) generated from operating activities	**$ (89.0)**	$ 69.1	$ (158.1)
Cash used in investing activities	**$ (24.6)**	$ (14.3)	$ (10.3)
Cash generated from (used in) financing activities	**$ 117.5**	$ (70.0)	$ 187.5

Operating Activities

For the year ended December 31, 2023, cash flows used in operating activities amounted to $89.0 million, compared to cash flows generated from operating activities of $69.1 million for the previous year. The decrease in cash generated of $158.1 million was mainly attributable to a decrease in accounts payable and accrued liabilities of $29.9 million compared to an increase of $115.9 million in the prior year, an increase in inventory of $166.0 million compared to an increase of $72.9 million in the prior year, as well as income taxes paid of $49.2 million compared to $10.6 million in the prior year. This decrease in cash generated was offset partially by an increase in net earnings excluding items not affecting cash flow of $30.2 million, and a decrease in trade and other receivables of $3.7 million compared to an increase of $80.0 million in the prior year.

For the year ended December 31, 2023, rental equipment additions of $20.9 million (2022 – $10.9 million) related primarily to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the years ended December 31, 2023 and December 31, 2022 include the following:

Changes in Non-cash Operating Working Capital (1)	**2023**	2022	$ Change
Trade and other receivables	**$ 3.7**	$ (80.0)	$ 83.7
Contract assets	**(7.4)**	(20.9)	13.5
Inventory	**(166.0)**	(72.9)	(93.1)
Deposits on inventory	**(0.1)**	(1.5)	1.4
Prepaid expenses	**(2.7)**	(3.2)	0.5
Accounts payable and accrued liabilities	**(29.9)**	115.9	(145.8)
Provisions	**(0.5)**	(2.4)	1.9
Contract liabilities	**2.4**	—	2.4
Total Changes in Non-cash Operating Working Capital	**$ (200.6)**	$ (65.0)	$ (135.6)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2023 compared to the year ended December 31, 2022 are as follows:

- Trade and other receivables decreased $3.7 million in 2023 compared with an increase of $80.0 million in 2022. The increase in 2022 resulted primarily from higher sales activity in the year, including the sale of large mining shovels late in the fourth quarter of 2022 without comparable sales in the same period of the prior year.
- Inventory increased $166.0 million in 2023 compared with an increase of $72.9 million in 2022. The increase in 2023 resulted primarily from higher equipment inventory in the construction and forestry, mining and material handling categories, and increased overall parts inventory purchasing due to strong sales activity in the year. The increase in 2022 resulted primarily from an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives.
- Accounts payable and accrued liabilities decreased $29.9 million in 2023 compared to an increase of $115.9 million in 2022. The decrease in 2023 resulted primarily from lower trade payables driven largely by timing of inventory payments. The increase in 2022 resulted primarily from higher trade payables on increased inventory purchasing activity.
- Contract assets increased $7.4 million compared to an increase of $20.9 million in 2022. The increase in 2023 resulted primarily from increased sales activity resulting in more work completed but not yet billed on customer contracts. The increase in 2022 was also driven by increased sales activity resulting in more work completed but not yet billed on customer contracts.

Investing Activities

For the year ended December 31, 2023, the Corporation used $24.6 million of cash in investing activities compared with cash used in investing activities of $14.3 million in 2022. Investing activities in the year included $21.0 million (2022 – $9.1 million) invested towards business acquisitions net of cash acquired, property, plant and equipment additions of $9.0 million (2022 – $9.2 million), and collection of lease receivables of $5.2 million (2022 – $3.9 million).

Financing Activities

For the year ended December 31, 2023, the Corporation generated $117.5 million of cash from financing activities compared with cash used in financing activities of $70.0 million in 2022. Financing activities for the year ended December 31, 2023 included the payment of lease liabilities of $35.5 million (2022 – $32.0 million), dividends paid to shareholders of $26.7 million (2022 – $21.4 million), and a net bank credit facility borrowing of $183.6 million (2022 – net repayment of $15.0 million).

Dividends

Dividends to shareholders for the 2023 and 2022 years were declared and payable to shareholders of record as follows:

Record Date	**Payment Date**	**Per Share**	**Amount**
March 15, 2023	April 4, 2023	$ 0.33	$ 7.1
June 15, 2023	July 5, 2023	0.33	7.1
September 15, 2023	October 3, 2023	0.33	7.1
December 15, 2023	January 3, 2024	0.33	7.2
Year Ended December 31, 2023		**$ 1.32**	**$ 28.4**

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

On March 4, 2024, the Corporation announced a 6% increase in its quarterly dividend. A dividend of $0.35 per share was declared for the first quarter of 2024, payable on April 2, 2024, to shareholders of record on March 15, 2024.

Fourth Quarter Consolidated Results

For the three months ended December 31		2023		2022	% change
Revenue	$	**542.6**	$	541.3	0.2%
Gross profit	$	**115.2**	$	98.2	17.3%
Selling and administrative expenses		**92.6**		71.4	29.6%
Earnings before finance costs and income taxes	$	**22.6**	$	26.7	(15.5)%
Finance costs		**7.8**		4.2	86.5%
Earnings before income taxes	$	**14.8**	$	22.6	(34.3)%
Income tax expense		**3.7**		5.9	(37.3)%
Net earnings	$	**11.1**	$	16.6	(33.2)%
Basic earnings per share(2)	$	**0.52**	$	0.78	(33.6)%
Diluted earnings per share(2)	$	**0.50**	$	0.75	(33.5)%
Adjusted net earnings(1)(3)	$	**17.8**	$	17.8	0.2%
Adjusted basic earnings per share(1)(2)(3)	$	**0.83**	$	0.83	(0.4)%
Adjusted diluted earnings per share(1)(2)(3)	$	**0.80**	$	0.80	(0.2)%
Adjusted EBIT(1)	$	**31.7**	$	28.2	12.1%
Adjusted EBITDA(1)	$	**47.2**	$	42.3	11.5%
Key ratios:					
Gross profit margin(1)		**21.2%**		18.1%	
Selling and administrative expenses as a percentage of revenue(1)		**17.1%**		13.2%	
EBIT margin(1)		**4.2%**		4.9%	
Adjusted EBIT margin(1)		**5.8%**		5.2%	
Adjusted EBITDA margin(1)		**8.7%**		7.8%	
Effective income tax rate		**25.0%**		26.2%	

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

(2) Weighted average shares, net of shares held in trust outstanding for calculation of basic and diluted earnings per share for the fourth quarter of 2023 was 21,570,005 (2022 – 21,453,250) and 22,319,062 (2022 – 22,228,401), respectively.

(3) Net earnings excluding the following:

a. after-tax facility closure, restructuring, and other related costs of $1.4 million (2022 – nil), or basic and diluted loss per share of $0.07 and $0.06, respectively (2022 – nil) for the fourth quarter of 2023.

b. after-tax non-cash losses on mark to market of derivative instruments of $5.0 million (2022 – losses of $1.1 million), or basic and diluted loss per share of $0.23 (2022 – loss per share of $0.05) for the fourth quarter of 2023.

c. after-tax losses on the change in fair value of contingent consideration of $0.2 million (2022 – nil), or basic and diluted loss per share of $0.01 (2022 – nil) for the fourth quarter of 2023.

Revenue by Geographic Region

For the three months ended December 31		2023		2022		$ change	% change
Western Canada	$	**235.6**	$	278.8	$	(43.3)	(15.5)%
Central Canada		**105.4**		86.9		18.5	21.3%
Eastern Canada(1)		**201.7**		175.6		26.1	14.8%
Total revenue	$	**542.6**	$	541.3	$	1.3	0.2%

(1) Includes Quebec and the Atlantic provinces.

Revenue Sources

For the three months ended December 31		2023		2022		$ change	% change
Equipment sales	$	**158.5**	$	202.2	$	(43.8)	(21.6)%
Product support		**132.8**		118.3		14.5	12.3%
Industrial parts		**136.0**		137.9		(2.0)	(1.4)%
Engineered repair services (ERS)		**103.6**		72.6		31.1	42.8%
Equipment rental		**11.7**		10.2		1.5	14.4%
Total revenue	$	**542.6**	$	541.3	$	1.3	0.2%

Revenue in the fourth quarter of 2023 increased 0.2%, or $1.3 million, to $542.6 million from $541.3 million in the fourth quarter of 2022. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- ERS revenue has increased 42.8% due to higher sales in all regions, particularly in western Canada.
- Product support revenue has increased 12.3% due primarily to higher mining revenue in western Canada, and higher construction and forestry sales in eastern Canada.
- Equipment sales have decreased 21.6% due primarily to lower mining, and construction and forestry sales in western Canada, offset partially by higher construction and forestry sales in central and eastern Canada.

Backlog

The Corporation's backlog at December 31, 2023 of $554.0 million decreased $45.3 million, or 7.6%, compared to September 30, 2023 due primarily to lower construction and forestry orders.(1)

Gross profit

Gross profit increased $17.0 million, or 17.3%, in the fourth quarter of 2023 compared to the fourth quarter of 2022, primarily due to higher margins, as well as a higher proportion of ERS and product support revenue.

Gross profit margin of 21.2% in the fourth quarter of 2023 increased 310 bps compared to the same period of 2022. The increase in margin was driven primarily by higher margins across all revenue types, and a higher proportion of ERS and product support sales as compared to equipment sales.(1)

(1) "Backlog", "Gross profit margin", "Selling and administrative expenses as a percentage of revenue", "Adjusted net earnings", "Adjusted EBIT", "Adjusted EBIT margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted basic earnings per share", and "Adjusted diluted earnings per share" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Selling and administrative expenses

Selling and administrative expenses in the fourth quarter of 2023 increased $21.2 million, or 29.6%, compared to the fourth quarter of 2022 due primarily to higher personnel costs as the volume of ERS and product support business increased over the prior year, an unrealized loss on interest rate swaps of $5.5 million in the quarter compared to a loss of less than $0.1 million in the same quarter of the prior year, and facility closure, restructuring, and other related costs of $1.9 million in the quarter without a comparable cost in the same quarter of the prior year.

Selling and administrative expenses as a percentage of revenue increased to 17.1% in the fourth quarter of 2023 from 13.2% in the fourth quarter of 2022. Excluding the $5.5 million loss on interest rate swaps and the $1.9 million facility closure, restructuring, and other related costs, selling and administrative expenses as a percentage of revenue was 15.7% in the fourth quarter of 2023.(1) The unrealized loss/gain on interest rate swaps and the facility closure, restructuring, and other related costs have been excluded in calculating the following metrics: adjusted net earnings, adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin, adjusted basic earnings per share, and adjusted diluted earnings per share.(1)

Finance costs

Finance costs of $7.8 million in the fourth quarter of 2023 increased $3.6 million compared to the same quarter last year due primarily to higher interest rates and higher average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 25.0% for the fourth quarter of 2023 was lower compared to the statutory rate of 26.0% due mainly to the impact of changes in estimates related to prior years. The Corporation's effective income tax rate of 26.2% for the fourth quarter of 2022 was higher compared to the statutory rate of 26.0% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings

In the fourth quarter of 2023, the Corporation had net earnings of $11.1 million, or $0.52 per share, compared to $16.6 million, or $0.78 per share, in the fourth quarter of 2022. The $5.5 million decrease in net earnings resulted from higher selling and administrative expenses and finance costs, offset partially by higher margins, and a higher proportion of ERS and product support sales.

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

Adjusted net earnings for the fourth quarter of 2023 excludes facility closure, restructuring, and other related costs of $1.4 million after tax, or $0.07 per share (2022 – nil), non-cash losses on mark to market of derivative instruments of $5.0 million after tax, or $0.23 per share (2022 – losses of $1.1 million after tax, or $0.05 per share), and losses on the change in fair value of contingent consideration of $0.2 million after tax, or $0.01 per share (2022 – nil).

As such, adjusted net earnings for the fourth quarter of 2023 was comparable to the fourth quarter of 2022, at $17.8 million, or $0.83 per share.

Comprehensive income

Total comprehensive income of $8.4 million in the fourth quarter of 2023 included net earnings of $11.1 million and an other comprehensive loss of $2.7 million. The other comprehensive loss of $2.7 million in the current period resulted primarily from $1.9 million of unrealized losses on derivatives 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, 2023 and December 31, 2022:

For the quarter ended December 31		2023		2022		$ Change
Net earnings	**$**	**11.1**	$	16.6	$	(5.5)
Items not affecting cash flow		**36.1**		27.2		8.9
Changes in non-cash operating working capital		**21.4**		(16.4)		37.7
Finance costs paid on debts		**(4.6)**		(1.2)		(3.4)
Finance costs paid on lease liabilities		**(2.4)**		(2.0)		(0.4)
Income taxes paid		**(6.8)**		(2.4)		(4.4)
Rental equipment additions		**(7.9)**		(3.4)		(4.5)
Rental equipment disposals		**1.6**		0.6		0.9
Cash generated from operating activities	**$**	**48.5**	$	19.1	$	29.4
Cash used in investing activities	**$**	**(0.5)**	$	(2.0)	$	1.5
Cash used in financing activities	**$**	**(53.3)**	$	(24.0)	$	(29.3)

Operating Activities

Cash flows generated from operating activities amounted to $48.5 million in the fourth quarter of 2023, compared with cash flows generated from operating activities of $19.1 million in the same quarter of the previous year. The increase in cash flows generated from operating activities of $29.4 million was mainly attributable to a decrease in accounts receivable of $3.9 million in the fourth quarter of 2023 compared to an increase of $33.0 million in the same quarter of the previous year, and a decrease in inventory of $28.1 million compared to an increase of $15.5 million in the same quarter of the prior year. This increase in cash generated was offset partially by a decrease in accounts payable and accrued liabilities of $20.3 million compared to an increase of $38.1 million in the same quarter of the prior year.

Rental equipment additions in the fourth quarter of 2023 of $7.9 million (2022 – $3.4 million) related primarily to material handling lift trucks.

Changes in significant components of non-cash operating working capital for the quarters ended December 31, 2023 and December 31, 2022 included the following:

Changes in Non-cash Operating Working Capital(1)		2023		2022		$ Change
Trade and other receivables	**$**	**3.9**	$	(33.0)	$	36.9
Contract assets		**3.4**		(3.5)		6.9
Inventory		**28.1**		(15.5)		43.6
Deposits on inventory		**(0.3)**		0.7		(1.0)
Prepaid expenses		**7.3**		1.8		5.4
Accounts payable and accrued liabilities		**(20.3)**		38.1		(58.4)
Provisions		**(0.5)**		(1.7)		1.2
Contract liabilities		**(0.2)**		(3.2)		3.0
Total Changes in Non-cash Operating Working Capital	**$**	**21.4**	$	(16.4)	$	37.7

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2023 compared to the quarter ended December 31, 2022 are as follows:

- Trade and other receivables decreased $3.9 million in the fourth quarter of 2023 compared to an increase of $33.0 million in the same period of 2022. The increase in the fourth quarter of 2022 resulted primarily from higher sales activity in the quarter, including increased sales of large mining shovels late in the quarter as compared to the previous quarter.
- Inventory decreased $28.1 million in the fourth quarter of 2023 compared to an increase of $15.5 million in 2022. The decrease in the fourth quarter of 2023 resulted primarily from lower equipment inventory in the construction and forestry category due to timing of inventory purchases. The increase in the fourth quarter of 2022 was largely due to higher parts inventory driven by an investment in certain key parts stock levels as a part of the Corporation's strategic initiatives.
- Accounts payable and accrued liabilities decreased $20.3 million in the fourth quarter of 2023 compared to an increase of $38.1 million in 2022. The decrease in the fourth quarter of 2023 resulted primarily from lower trade payables driven largely by timing of inventory payments. The increase in the fourth quarter of 2022 resulted primarily from higher trade payables on increased inventory purchasing activity, and higher accrued liabilities including higher incentive accruals.

Investing Activities

The Corporation used $0.5 million of cash in investing activities in the fourth quarter of 2023 compared to cash used in investing activities of $2.0 million in the same quarter of 2022. Investing activities in the quarter included property, plant and equipment additions of $1.7 million (2022 – $3.1 million), and the collection of lease receivables of $1.5 million (2022 – $1.1 million).

Financing Activities

The Corporation used $53.3 million of cash in financing activities in the fourth quarter of 2023 compared to cash used in financing activities of $24.0 million in the same quarter of 2022. Financing activities in the quarter included a net bank credit facility repayment of $37.0 million (2022 – net repayment of $10.0 million), the payment of lease liabilities of $9.2 million (2022 – $8.3 million), and dividends paid to shareholders of $7.1 million (2022 – $5.4 million).

Critical Accounting Estimates

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

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

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

Allowance for credit losses

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is partially mitigated by the Corporation's diversified customer base of over 32,000 customers who operate in many business sectors across Canada, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales. In addition, the Corporation's customer base spans large public companies, small independent contractors, original equipment manufacturers and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains an allowance for possible credit losses, and any such losses to date have been within management's expectations. The allowance for credit losses is determined by estimating the lifetime expected credit losses, taking into account the Corporation's past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. At the point when the Corporation is satisfied that no recovery of the amount owing is possible, the amount is deemed not recoverable and the financial asset is written off. The $3.6 million allowance for credit losses at December 31, 2023 increased $2.5 million from $1.2 million at December 31, 2022. 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, 2023 was a charge of $1.3 million (2022 – recovery of $0.7 million) and for the twelve months ended December 31, 2023 was a charge of $4.5 million (2022 – charge of $0.8 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Acquisition accounting, goodwill and intangible assets

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

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

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

The Corporation performs an annual impairment test based on value in use of its goodwill and intangible assets with an indefinite life based on its single cash generating unit group unless there is an indication that the assets may be impaired, in which case the impairment tests would occur earlier. There was no early indication of impairment in the quarter ended December 31, 2023.

Contingent consideration, as part of acquisitions, is valued based on estimated future performance of the acquired businesses. The valuation is based on management's best assessment of the related inputs used in the valuation models, such as future cash flows, discount rates, and volatility. Future performance results that differ from management's estimates could result in changes to the liabilities, which are recorded as they arise in net earnings.

Lease term of contracts with renewal options

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

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

Changes in Accounting Policies

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

Accounting standards and amendments issued but not yet adopted

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024) clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments remove the requirement for a right to defer settlement of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period in order to qualify for non-current classification. Management does not expect that this amendment will have an impact on the Corporation's consolidated 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 enterprise risk management framework which is prepared by senior management and overseen by the Board of Directors and committees of the Board of Directors. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across the Corporation.

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

Manufacturer relationships and product access

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

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

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

Economic conditions/Business cyclicality

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

Commodity prices

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

Growth initiatives, integration of acquisitions and project execution

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

Key personnel

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

Leverage, credit availability and restrictive covenants

At the date of this MD&A, Wajax has a $500.0 million bank credit facility which matures October 1, 2027. The bank credit facility contains restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility. There can be no assurance that Wajax's assets would be sufficient to repay the facility in full.

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

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

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

Quality of products distributed

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

Inventory obsolescence

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

Government regulation

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

Insurance

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

Information systems and technology

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

Credit risk

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

Labour relations

Wajax had 3,200+ employees as at December 31, 2023. At the outset of 2023, Wajax was party to 13 collective agreements covering approximately 318 employees. Two agreements with expiration dates in 2022 were ratified in early 2023 covering 29 employees. During 2023, six collective agreements expired covering approximately 140 employees. Three of the six agreements were ratified during 2023 covering 83 employees. Subsequent to year-end, the remaining three agreements with expiration dates in 2023 were ratified in early 2024 covering 57 employees. Three agreements covering 113 employees expire in 2024; one agreement covering 103 employees has already commenced bargaining. Four agreements covering 64 employees expire in 2025. As at December 31, 2023, Wajax was party to 13 collective agreements covering a total of 317 employees. Wajax recognizes its employees' rights to join a union and is committed to integrity in its labour relations. Wajax strives to establish a constructive and cooperative dialogue that promotes collaborative union/management relations, a safe and respectful work culture, productive work environments and the equitable treatment of employees by consistently adhering to collective agreements, labour relations legislation and workplace policies. The Corporation believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's business, results of operations or financial condition.

Foreign exchange exposure

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

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

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

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

Interest rate risk

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

Equity price risk

Certain share-based compensation plans of the Corporation, and the resulting liabilities, are exposed to fluctuations in the Corporation's share price. Changes in the Corporation's share price can have a positive or negative impact on Wajax's net earnings and cash flows. Wajax monitors the proportion of MTIP units that are cash-settled and may enter into total return swap contracts to mitigate a portion of the equity price risk on these MTIP units. 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 four 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.

Engineered Repair Services Providers – these competitors typically have a local or regional presence. They offer services including design, assembly and repair, are generally focused on specific products, brands and/or applications (e.g., hydraulics), whereas Wajax typically offers a broader scope of capabilities. Competition is based on customer service levels, quality of the work performed and price.

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 occasionally 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 qualified 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 platforms, 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 systems, or those 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 security controls in place, including security tools, and reviews security internally and with the assistance of expert third-parties. 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, 2023, 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, 2023, 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, 2023.

The Corporation has excluded from its evaluation the ICFR of Polyphase, acquired effective July 4, 2023, and Beta, acquired effective September 1, 2023, as discussed in Note 5 of the consolidated financial statements and accompanying notes for the year ended December 31, 2023. The total combined revenue subject to Polyphase's and Beta's ICFR represented 0.8% of the Corporation's consolidated total revenue for the year ended December 31, 2023. The total combined assets subject to Polyphase's and Beta's ICFR represented 1.0% of the Corporation's consolidated total assets as at December 31, 2023.

Non-GAAP and Other Financial Measures

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

(i) these measures are commonly reported and widely used by investors and management;

(ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt;

(iii) "**Adjusted net earnings**", "**Adjusted basic earnings per share**" and "**Adjusted diluted earnings per share**" provide indications of the results by the Corporation's principal business activities prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to net earnings and basic and diluted earnings per share allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities and the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price;

(iv) "**Adjusted EBITDA**" provides an indication of the results by the Corporation's principal business activities prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to net earnings allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities, the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price, the impact of fluctuations in finance costs related to the Corporation's capital structure, the impact of tax rates, and the impact of depreciation and amortization of long-term assets; and

(v) "**Pro-forma adjusted EBITDA**" provides the same utility as Adjusted EBITDA described above, however pursuant to the terms of the bank credit facility, is adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period, and for the deduction of payments of lease liabilities. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, debentures and total long-term debt, net of cash. Funded net debt is relevant in calculating the Corporation's funded net debt to total capital, which is a non-GAAP ratio commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is relevant in calculating the Corporation's leverage ratio, which is a non-GAAP ratio commonly used as an indicator of a company's ability to raise and service debt.
Total capital	Total capital is shareholders' equity plus funded net debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
Adjusted net earnings (loss)	Net earnings (loss) before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted basic earnings (loss) per share and adjusted diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted EBIT	EBIT before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.

Adjusted EBITDA	EBITDA before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
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. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.
Working capital	Defined as current assets less current liabilities, as presented in the consolidated statements of financial position.
Other working capital amounts	Defined as working capital less trade and other receivables and inventory plus accounts payable and accrued liabilities, as presented in the consolidated statements of financial position.

Non-GAAP ratios are identified and defined below:

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

Supplementary financial measures are identified and defined below:

EBIT margin	Defined as EBIT divided by revenue, as presented in the consolidated statements of earnings.
Backlog	Backlog is a management measure which includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services, including ERS projects. There is no directly comparable GAAP financial measure for Backlog.
Gross profit margin	Defined as gross profit divided by revenue, as presented in the consolidated statements of earnings.
Selling and administrative expenses as a percentage of revenue	Defined as selling and administrative expenses divided by revenue, as presented in the consolidated statements of earnings.

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

	Three months ended December 31		**Year ended December 31**	
	2023	2022	**2023**	2022
Net earnings	**$ 11.1**	$ 16.6	**$ 81.0**	$ 72.4
Facility closure, restructuring, and other related costs, after tax	**1.4**	—	**1.4**	—
Gain recorded on the sale of properties, after tax	**—**	—	**(0.1)**	—
Non-cash losses (gains) on mark to market of derivative instruments, after tax	**5.0**	1.1	**0.9**	(2.6)
Change in fair value of contingent consideration, after tax	**0.2**	—	**0.2**	—
Adjusted net earnings	**$ 17.8**	$ 17.8	**$ 83.5**	$ 69.8
Adjusted basic earnings per share(1)	**$ 0.83**	$ 0.83	**$ 3.88**	$ 3.26
Adjusted diluted earnings per share(1)	**$ 0.80**	$ 0.80	**$ 3.75**	$ 3.15

(1) At December 31, 2023, the number of weighted average basic and diluted shares outstanding were 21,570,005 and 22,319,062, respectively for the three months ended, and 21,509,250 and 22,271,628, respectively for the year ended.

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

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

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
EBIT	**$ 22.6**	$ 26.7	**$ 135.5**	$ 113.9
Depreciation and amortization	**15.5**	14.1	**58.6**	55.5
EBITDA	**$ 38.1**	$ 40.8	**$ 194.1**	$ 169.3
EBIT	**$ 22.6**	$ 26.7	**$ 135.5**	$ 113.9
Facility closure, restructuring, and other related costs[1]	**1.9**	—	**1.9**	—
Gain recorded on the sale of properties	**—**	—	**(0.1)**	—
Non-cash losses (gains) on mark to market of derivative instruments[2]	**6.8**	1.5	**1.3**	(3.5)
Change in fair value of contingent consideration[3]	**0.3**	—	**0.3**	—
Adjusted EBIT	**$ 31.7**	$ 28.2	**$ 138.9**	$ 110.4
Depreciation and amortization	**15.5**	14.1	**58.6**	55.5
Adjusted EBITDA	**$ 47.2**	$ 42.3	**$ 197.4**	$ 165.9
Payment of lease liabilities[4]			**(35.5)**	(32.0)
Polyphase acquisition pro-forma EBITDA[5]			**3.2**	—
Beta acquisition pro-forma EBITDA[5]			**1.4**	—
Pro-forma adjusted EBITDA			**$ 166.7**	$ 133.9

(1) For 2023, facility closure, restructuring, and other related costs consists of costs accrued for a branch closure during the fourth quarter, including workforce reduction and remaining facility costs.

(2) Non-cash losses (gains) on mark to market of derivative instruments that are not effectively designated as hedging instruments under IFRS.

(3) The change in fair value of contingent consideration relates to changes in the estimated fair value of future performance-based earnout payments relating to business acquisitions.

(4) 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.

(5) Pro-forma EBITDA for 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, 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 **2023**	2022
Bank indebtedness	**$ 1.4**	$ 5.2
Debentures	**56.3**	55.8
Long-term debt	**267.8**	83.6
Funded net debt	**$ 325.5**	$ 144.6
Letters of credit	**4.8**	6.2
Debt	**$ 330.3**	$ 150.8
Pro-forma adjusted EBITDA[1]	**$ 166.7**	$ 133.9
Leverage ratio[2]	**1.98**	1.13
Senior secured leverage ratio[3]	**1.64**	0.71

(1) For the year ended December 31, 2023 and December 31, 2022.

(2) Calculation uses debt divided by the trailing four-quarter Pro-forma adjusted EBITDA. This leverage ratio is calculated for purposes of monitoring the Corporation's objective target leverage ratio of between 1.5 times and 2.0 times, and is different from the leverage ratio calculated under the Corporation's bank credit facility agreement.

(3) Calculation uses debt excluding debentures divided by the trailing four-quarter Pro-forma adjusted EBITDA. While the calculation contains some differences from the leverage ratio calculated under the Corporation's bank credit facility agreement, the resulting leverage ratio under the bank credit facility agreement is not significantly different. See the Liquidity and Capital Resources section.

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

	December 31 **2023**	2022
Shareholders' equity	**$ 496.2**	$ 449.8
Funded net debt	**325.5**	144.6
Total capital	**$ 821.7**	$ 594.4
Funded net debt to total capital	**39.6%**	24.3%

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

	December 31 **2023**	2022
Total current assets	**$ 1,043.6**	$ 860.1
Total current liabilities	**483.4**	514.1
Working capital	**$ 560.2**	$ 346.0
Trade and other receivables	**(309.1)**	(307.1)
Inventory	**(630.9)**	(462.2)
Accounts payable and accrued liabilities	**407.1**	423.8
Other working capital amounts	**$ 27.3**	$ 0.7

Cautionary Statement Regarding Forward-Looking Information

This MD&A and Annual Report contain certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward-looking statements. To the extent any forward-looking information in this MD&A and Annual Report constitutes future-oriented financial information or financial outlook within the meaning of applicable securities law, such information is being provided to demonstrate the potential of the Corporation and readers are cautioned that this information may not be appropriate for any other purpose. There can be no assurance that any forward-looking statement will materialize. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A and Annual Report are made as of the date of this MD&A and Annual Report, 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 include forward looking statements regarding, among other things: our focus on six strategic priorities for 2024: our belief that our strong, evolving and increasingly comprehensive partnership with Hitachi will yield benefits for years to come; our focus on adding multiple industrial parts and ERS acquisitions per year; our view that the forecasted demand for the inventory we stock is favourable; our ESG plans and goals for 2024 and beyond, including our GHG reduction targets, plans to achieve additional wellness certifications and diversity goals; continuing to build a "people-first" company, growing Wajax's existing business with a focus on parts, service and margin improvement, unlocking the potential of Wajax's enhanced direct relationship with Hitachi, acquiring industrial parts and ERS businesses, improving cost structure and processes, and continuing Wajax's ERP system rollout and additional technology improvements; the continued development of our environmental, social and governance programs, and the goals and objectives set out in our Sustainability Roadmap; our belief that, moving into 2024, fundamentals remain solid across many of the key markets we serve, and in particular, mining, energy and construction; our belief that our strong fourth quarter backlog supports management's confidence in the near-term future; our expectation of growth in our heavy equipment business over the long-term, and continued anticipation of further demand in our less cyclical industrial parts and ERS businesses; our expectation that challenges associated with higher interest rates, wage and price inflation, and a tight labour market will persist in 2024, and our continued monitoring of market dynamics and customer sentiment for signs of possible weakness; our belief that our strong 2023 financial results and solid balance sheet, coupled with our recently completed $100.0 million increase in credit limit under our senior secured credit facility, give us the flexibility to continue investing in future organic growth and acquisitions; the board's and managements' collective belief in our strategic vision; 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; instances whereby we may be willing to maintain a leverage ratio outside our target range due to changes in economic cycles, and above this range as a result of investments in acquisitions, and that we may fund those acquisitions using our bank credit facilities and other debt instruments in accordance with our expectations of total future cash flows financing costs and other factors; our expectation that a change in interest rates (in particular, related to unhedged variable rate debt), would not have a material impact on our results of operations or financial condition over the long term; our expectation that a change in foreign currency value, relative to the Canadian dollar, on transactions with customers that include unhedged currency exposures would not have a material impact on our results of operations or financial condition over the longer term; our expectation that the impact of a change in our share price on cash-settled MTIP units would not have a material impact on our results of operations or financial condition over the longer term; our belief there is not a significant risk of non-performance by the counterparties to our foreign exchange contacts, and our continued monitoring of the credit risk of these counterparties; and our belief that we maintain sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and fund certain strategic investments, as well as the potential need for us to access the equity or debt capital markets to fund significant acquisitions. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding: the absence of significant negative changes to general business and economic conditions; limited negative fluctuations in the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; the stability of financial market conditions, including interest rates; the ability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship which took effect on March 1, 2022; our continued ability to execute our strategic priorities, including our ability to execute on our organic growth priorities, find, complete and effectively integrate industrial parts and ERS acquisitions, and successfully implement new information technology platforms, systems and software, such as our ERP system; the future financial performance of the Corporation; limited fluctuations in our costs; the level of market competition; our continued ability to attract and retain skilled staff; our continued ability to procure quality products and inventory; and our ongoing maintenance of strong relationships with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to: a continued or prolonged deterioration in general business and economic conditions; negative fluctuations in the supply and demand for, and the level of prices for, oil, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; the inability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship which took effect on March 1, 2022; a decrease in levels of customer confidence and spending; supply chain disruptions and shortages; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; decreased market acceptance of the products we offer; the termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our inability to find suitable acquisition targets, or to complete acquisitions on terms reasonable in the circumstances; our inability to attract and retain skilled staff and our inability to maintain strong relationships with our suppliers, employees and customers. The foregoing list of factors is not exhaustive.

Further information concerning the risks and uncertainties associated with these forward-looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties". The forward-looking statements contained in this MD&A and Annual Report are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

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

Management's Responsibility for Financial Reporting

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

Wajax maintains a system of internal control designed to provide financial information and the safeguarding of its assets. Wajax also maintains an internal audit function, which reviews the system of internal control and its application.

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

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

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

Ignacy (Iggy) Domagalski
President and
Chief Executive Officer

Stuart Auld

Stuart Auld
Chief Financial Officer

Mississauga, Canada, March 4, 2024

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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

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, 2023.

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, 2023, the Entity had an equipment inventory balance of $329 million and a total inventory obsolescence provision of $28 million, a portion of which related to equipment inventory. The value of the Entity's new and used equipment is evaluated by the Entity throughout the year, on a unit-by-unit basis considering projected customer demand, future market conditions, and other considerations evaluated by management. When required, provisions are recorded to adjust the value of equipment to the lower of cost and estimated net realizable value.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Wajax 2023 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 2023 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 IFRS Accounting Standards, 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 4, 2024

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Note	December 31 2023	2022
Assets			
Current			
Trade and other receivables	6	**$ 309,079**	$ 307,055
Contract assets	7	**69,520**	57,890
Inventory	8	**630,931**	462,164
Deposits on inventory		**8,643**	8,537
Lease receivables – current	14	**5,896**	4,170
Prepaid expenses		**13,912**	11,105
Derivative financial assets – current	18	**5,632**	9,202
Total current assets		**1,043,613**	860,123
Non-Current			
Rental equipment	9	**42,490**	39,400
Property, plant and equipment	9	**44,829**	44,104
Right-of-use assets	10	**135,832**	122,720
Lease receivables	14	**10,601**	7,729
Goodwill and intangible assets	11	**190,276**	170,714
Derivative financial assets	18	**5,676**	5,092
Total non-current assets		**429,704**	389,759
Total assets		**$1,473,317**	$1,249,882

Liabilities And Shareholders' Equity			
Current			
Bank indebtedness		**$ 1,397**	$ 5,230
Accounts payable and accrued liabilities	12	**407,090**	423,834
Provisions – current	13	**2,727**	3,178
Contract liabilities	7	**21,891**	19,511
Dividends payable	19	**7,151**	5,368
Income taxes payable		**4,631**	23,152
Lease liabilities – current	14	**34,407**	31,347
Derivative financial liabilities – current	18	**4,081**	2,458
Total current liabilities		**483,375**	514,078
Non-Current			
Provisions	13	**76**	76
Deferred tax liabilities	24	**10,328**	8,539
Employee benefits	15	**7,024**	6,655
Derivative financial liabilities	18	**1,521**	960
Lease liabilities	14	**140,967**	127,099
Debentures	16	**56,340**	55,762
Long-term debt	17	**267,755**	83,602
Other liabilities		**9,694**	3,341
Total non-current liabilities		**493,705**	286,034
Total liabilities		**977,080**	800,112
Shareholders' Equity			
Share capital	19	**210,004**	207,555
Contributed surplus		**7,563**	8,963
Retained earnings		**278,100**	228,145
Accumulated other comprehensive income		**570**	5,107
Total shareholders' equity		**496,237**	449,770
Total liabilities and shareholders' equity		**$1,473,317**	$1,249,882

Subsequent events (Note 29)

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	**2023**	2022
Revenue	21	**$2,154,678**	$1,962,822
Cost of sales		**1,704,044**	1,572,509
Gross profit		**450,634**	390,313
Selling and administrative expenses		**315,123**	276,456
Earnings before finance costs and income taxes		**135,511**	113,857
Finance costs	23	**25,867**	17,345
Earnings before income taxes		**109,644**	96,512
Income tax expense	24	**28,654**	24,104
Net earnings		**$ 80,990**	$ 72,408
Basic earnings per share	19	**$ 3.77**	$ 3.38
Diluted earnings per share	19	**3.64**	3.26

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	Note	**2023**	2022
Net earnings		**$ 80,990**	$ 72,408
Items that will not be reclassified to earnings			
Actuarial (losses) gains on pension plans, net of tax recovery of $115 (2022 – expense of $434)	15	**(321)**	1,216
Items that may be subsequently reclassified to earnings			
Unrealized (losses) gains on derivatives designated as cash flow hedges, net of tax recovery of $821 (2022 – expense of $3,127)		**(2,301)**	8,626
Realized gains on derivatives designated as cash flow hedges, reclassified to net earnings during period, net of tax expense of $798 (2022 – expense of $760)		**(2,236)**	(2,136)
Other comprehensive (loss) income, net of tax		**(4,858)**	7,706
Total comprehensive income		**$ 76,132**	$ 80,114

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2023 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Total
December 31, 2022		$ 207,555	$ 8,963	$ 228,145	$ 5,107	$ 449,770
Net earnings		—	—	80,990	—	80,990
Other comprehensive loss		—	—	(321)	(4,537)	(4,858)
Total comprehensive income		—	—	80,669	(4,537)	76,132
Shares issued to settle share-based compensation plans	19	2,574	(2,574)	—	—	—
Shares released from trust to settle share-based compensation plans	19, 20	680	(1,635)	(1,074)	—	(2,029)
Purchased for future settlement of certain share-based compensation plans	19	(805)	—	(1,195)	—	(2,000)
Share-based compensation expense	20	—	2,809	—	—	2,809
Dividends declared	19	—	—	(28,445)	—	(28,445)
December 31, 2023		**$ 210,004**	**$ 7,563**	**$ 278,100**	**$ 570**	**$ 496,237**

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	Note	**2023**	2022
Operating Activities			
Net earnings		**$ 80,990**	$ 72,408
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	9	**14,304**	14,689
Property, plant and equipment	9	**8,271**	7,449
Right-of-use assets	10	**29,548**	27,408
Intangible assets	11	**6,448**	5,937
(Gain) loss on disposal of property, plant & equipment		**(198)**	37
(Gain) loss on disposal of right-of-use assets		**(29)**	113
Share-based compensation expense	20	**9,448**	5,435
Change in fair value of contingent consideration	13	**330**	—
Non-cash income from finance leases		**(600)**	(430)
Employee benefits expense, net of employer contributions		**(67)**	(113)
Gain on derivative financial instruments	18	**(1,639)**	(3,221)
Finance costs	23	**25,867**	17,345
Income tax expense	24	**28,654**	24,104
		201,327	171,161
Changes in non-cash operating working capital	25	**(200,565)**	(64,975)
Rental equipment additions	9	**(20,936)**	(10,898)
Rental equipment disposals	9	**3,542**	2,550
Other non-current liabilities		**(179)**	(2,304)
Cash received on settlement of total return swaps	18	**1,396**	874
Finance costs paid on debts		**(16,155)**	(9,165)
Finance costs paid on lease liabilities	14, 23	**(8,871)**	(7,852)
Interest collected on lease receivables	23	**630**	352
Income taxes paid		**(49,194)**	(10,611)
Cash (used in) generated from operating activities		**(89,005)**	69,132
Investing Activities			
Property, plant and equipment additions	9	**(8,970)**	(9,224)
Proceeds on disposal of property, plant and equipment		**1,104**	913
Intangible assets net additions	11	**(876)**	(792)
Collection of lease receivables		**5,242**	3,886
Business acquisitions, net of cash acquired	5	**(21,000)**	(9,070)
Payment of contingent consideration	13	**(127)**	(59)
Cash used in investing activities		**(24,627)**	(14,346)
Financing Activities			
Net increase (decrease) in bank debt	17	**183,606**	(15,045)
Purchase of shares held in trust	19	**(2,000)**	(800)
Transaction costs on debts	17	**—**	(278)
Payment of lease liabilities	14	**(35,450)**	(31,960)
Payment of tax withholding for share-based compensation		**(2,029)**	(511)
Dividends paid		**(26,662)**	(21,410)
Cash generated from (used in) financing activities		**117,465**	(70,004)
Change in cash		**3,833**	(15,218)
(Bank indebtedness) cash – beginning of period		**(5,230)**	9,988
Bank indebtedness – end of period		**$ (1,397)**	$ (5,230)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2023 (amounts in thousands of Canadian dollars, except share and per share data)

1. Company Profile

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

2. Basis of Preparation

Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2024.

Basis of measurement

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

Functional and presentation currency

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

Judgements and estimation uncertainty

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

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

Allowance for credit losses

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is partially mitigated by the Corporation's diversified customer base who operate in many business sectors across Canada. In addition, the Corporation's customer base spans large public companies, small independent contractors, original equipment manufacturers and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains an allowance for possible credit losses, and any such losses to date have been within management's expectations. The allowance for credit losses is determined by estimating the lifetime expected credit losses, taking into account the Corporation's past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. At the point when the Corporation is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

Inventory obsolescence

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

Acquisition accounting, goodwill and intangible assets

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

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

Contingent consideration, as part of acquisitions, is valued based on estimated future performance of the acquired businesses. The valuation is based on management's best assessment of the related inputs used in the valuation models, such as future cash flows, discount rates, and volatility. Future performance results that differ from management's estimates could result in changes to the liabilities, which are recorded as they arise in net earnings.

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. Material Accounting Policies

Principles of consolidation

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

Revenue recognition

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

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

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

Business combinations

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

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

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

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

Trade and other receivables

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

Contract assets and contract liabilities

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

Inventory

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

Rental equipment

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

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

Property, plant and equipment

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

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

Leases

As a lessee

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

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

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

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

As a lessor

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

Operating leases

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

Finance leases

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

Goodwill and intangible assets

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

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

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

Impairment

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

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

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

Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period and a loss allowance is measured by estimating the lifetime expected credit losses (“**ECL**”). The Corporation uses the simplified approach to determine ECL on trade and other receivables, using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL. The ECL models applied to other financial assets and contract assets also require 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.

Derivative financial instruments and hedge accounting

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

Share-based compensation plans

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

Employee benefits

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

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

- The cost of pension benefits earned by plan members is actuarially determined using the projected unit credit method for defined benefit plans and management’s best estimate of retirement ages of deferred vested pensioners.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The charge to earnings for the defined benefit plans is split between an operating cost and a finance charge. The finance charge represents the net interest cost on the defined benefit obligation net of the expected return on plan assets and is included in selling and administrative expenses.
- Actuarial gains and losses are recognized in full in other comprehensive income in the year in which they occur.

Income taxes

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

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

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

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

4. Change in Accounting Policies

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

Accounting standards and amendments issued but not yet adopted

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024) clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments remove the requirement for a right to defer settlement of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period in order to qualify for non-current classification. Management does not expect that this amendment will have an impact on the Corporation's consolidated financial statements.

5. Business Acquisitions

Beta Fluid Power Ltd. and Beta Industrial Ltd. ("**Beta**")

On September 1, 2023, the Corporation acquired all of the issued and outstanding shares of Sault Ste. Marie, Ontario-based Beta, a supplier of hydraulic and pneumatic equipment for use in the industrial, mining and construction sectors, and a provider of related maintenance, repair and replacement services. The shares of Beta were acquired for total cash consideration of $8,489, subject to post-closing adjustments and the result of a three-year performance-based earnout. As at December 31, 2023, $5,289 was paid in cash ($5,200 net of cash acquired of $89), $1,200 was a holdback subject to certain customary conditions and recorded as a payable to the seller, and $2,000 was the estimated fair value of a three-year performance-based earnout and recorded as a contingent consideration liability. The contingent consideration has a possible range of nil to $2,000, depending on Beta's financial performance during the three years after acquisition, and is payable in annual installments over the three year period. Refer to Notes 13 and 18 for further details on contingent consideration. Tangible net assets acquired and goodwill recognized upon acquisition were $2,110 and $6,379, 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.

Polyphase Engineered Controls (1977) Ltd. ("**Polyphase**")

On July 4, 2023, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Polyphase. Polyphase specializes in producing custom electrical and instrumentation equipment. The acquisition of Polyphase expands the Corporation's electrical solutions portfolio.

The acquisition was accounted for as a business combination using the acquisition method whereby the net assets acquired were recorded at fair value. Valuations of certain items are not yet complete, due to the timing of the acquisition and the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process.

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

Consideration transferred:		
Cash consideration transferred	$	15,813
Cash consideration payable		873
Fair value of contingent consideration – payable in cash		6,554
	$	23,240
Fair value of assets and liabilities recognized:		
Cash	$	13
Trade and other receivables		4,858
Contract assets		3,866
Inventory		2,190
Prepaid expenses		91
Property, plant and equipment		48
Right-of-use assets		2,598
Accounts payable and accrued liabilities		(1,099)
Income taxes payable		(2,591)
Lease liabilities		(2,598)
Deferred tax liabilities		(2,892)
Tangible net assets acquired	$	4,484
Intangible assets		12,524
Goodwill		6,232
	$	23,240

The shares of Polyphase were acquired for total cash consideration of $23,240, subject to the result of a three-year performance-based earnout. As at December 31, 2023, $15,813 was paid in cash ($15,800 net of cash acquired of $13), $873 was payable to the seller, and $6,554 was the preliminary estimated fair value of a three-year performance-based earnout and recorded as a contingent consideration liability. The contingent consideration has a possible range of nil to an uncapped maximum payout, depending on Polyphase's financial performance during the three years after acquisition, and is payable in annual installments over the three year period. Refer to Notes 13 and 18 for further details on contingent consideration.

The trade and other receivables acquired of $4,858 are the gross contractual amounts receivable, as all contractual cash flows are expected to be collectible.

The Corporation acquired intangible assets as part of the acquisition, in the form of customer relationships. The fair value of customer relationships was determined using an income approach: the multi-period excess earnings method. The valuation method was based on the discounted cash flows expected to be derived from the ownership of the asset.

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 Polyphase is not deductible for income tax purposes.

Polyphase revenues of $11,833 and net earnings of $1,826 were included in the consolidated statements of earnings from the date of acquisition to December 31, 2023.

The acquisition-related costs included in selling and administrative expenses in the consolidated statements of earnings were not material.

Pro-forma disclosures

Had the acquisition of Polyphase occurred on January 1, 2023, the consolidated revenue would have increased by approximately $12,924 and the consolidated net earnings would have increased by approximately $2,487 for the year ended December 31, 2023. This pro-forma supplemental information is based on estimates and assumptions which are believed to be reasonable. The pro-forma supplemental information is not necessarily indicative of the Corporation's consolidated financial results in future periods or the results that would have been realized had the business acquisition been completed at the beginning of the period presented. The pro-forma supplemental information excludes business integration costs and opportunities.

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

On June 30, 2022, the Corporation acquired the net operating assets of an Alberta-based division of Powell Canada Inc. ("**Powell Valve**") specializing in valve sales, service and support. The net operating assets of Powell Valve were acquired for total cash consideration of $5,209, all of which was paid as at December 31, 2023. Tangible net assets acquired and goodwill recognized upon acquisition were $4,406 and $803, respectively. As at December 31, 2023, the purchase price allocation was considered final.

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	
	2023	2022
Trade accounts receivable	**$ 278,394**	$ 272,174
Less: allowance for credit losses	**(3,639)**	(1,182)
Net trade accounts receivable	**$ 274,755**	$ 270,992
Other receivables	**34,324**	36,063
Total trade and other receivables	**$ 309,079**	$ 307,055

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, 2023, the Corporation continues to service and collect $6,060 in accounts receivable on behalf of this financial institution (December 31, 2022 – nil). 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	
	2023	2022
Contract assets	**$ 69,520**	$ 57,890
Contract liabilities	**21,891**	19,511

The contract assets relate to the Corporation's rights to consideration for work completed but not billed at the reporting date, primarily 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 relate to the advance billing or advance consideration received from customers, primarily on equipment sales, industrial parts sales, and ERS revenue, for which revenue is recognized when control transfers to the customer.

Revenue recognized in 2023 that was included in the contract liability balance at the beginning of the year was $16,421 (2022 – $18,820).

8. Inventory

The Corporation's inventory balance consists of the following:

	December 31	
	2023	2022
Equipment	**$ 329,010**	$ 207,958
Parts	**272,073**	228,456
Work-in-process	**29,848**	25,750
Total inventory	**$ 630,931**	$ 462,164

All amounts shown are net of obsolescence provisions of $28,271 (December 31, 2022 – $27,796).

For the year ended December 31, 2023, $4,463 (2022 – $815) was recorded in cost of sales for the write-down of inventory to estimated net realizable value.

For the year ended December 31, 2023, the Corporation recognized $1,395,296 (2022 – $1,293,130) of inventory as an expense which is included in cost of sales.

As at December 31, 2023, the Corporation has included $51,658 (December 31, 2022 – $28,566) in equipment inventory related to short-term rental contracts, the majority of which is expected to convert to equipment sales within a six to twelve month period.

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

9. Property, Plant and Equipment and Rental Equipment

	Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements	**Property, plant and equipment**	**Rental equipment**
Cost							
December 31, 2022	$ 23,329	$ 76,687	$ 5,311	$ 10,705	$ 13,794	**$ 129,826**	**$ 99,646**
Additions	176	6,725	64	314	1,691	**8,970**	**20,936**
Transfer from leased to owned at end of lease	—	3,261	—	—	—	**3,261**	**—**
Other transfers	—	(749)	—	—	749	**—**	**—**
Disposals	(380)	(7,338)	(1,263)	(1,404)	(1,517)	**(11,902)**	**(15,106)**
Business acquisitions	—	395	5	23	2	**425**	**—**
December 31, 2023	**$ 23,125**	**$ 78,981**	**$ 4,117**	**$ 9,638**	**$ 14,719**	**$ 130,580**	**$ 105,476**
Accumulated depreciation							
December 31, 2022	$ 12,486	$ 51,347	$ 4,420	$ 8,045	$ 9,424	**$ 85,722**	**$ 60,246**
Charge for the year	299	5,936	512	539	985	**8,271**	**14,304**
Transfer from leased to owned at end of lease	—	2,754	—	—	—	**2,754**	**—**
Other transfers	—	8	—	—	(8)	**—**	**—**
Disposals	(259)	(6,815)	(1,262)	(1,265)	(1,395)	**(10,996)**	**(11,564)**
December 31, 2023	**$ 12,526**	**$ 53,230**	**$ 3,670**	**$ 7,319**	**$ 9,006**	**$ 85,751**	**$ 62,986**
Carrying amount							
December 31, 2023	**$ 10,599**	**$ 25,751**	**$ 447**	**$ 2,319**	**$ 5,713**	**$ 44,829**	**$ 42,490**
Cost							
December 31, 2021	$ 22,653	$ 67,956	$ 5,189	$ 10,683	$ 12,899	$ 119,380	$ 100,222
Additions	676	6,779	309	275	1,185	9,224	10,898
Transfer from leased to owned at end of lease	—	2,218	—	—	—	2,218	—
Other transfers	—	38	—	—	—	38	(38)
Disposals	—	(3,306)	(290)	(346)	(341)	(4,283)	(11,436)
Business acquisitions	—	3,002	103	93	51	3,249	—
December 31, 2022	$ 23,329	$ 76,687	$ 5,311	$ 10,705	$ 13,794	$ 129,826	$ 99,646
Accumulated depreciation							
December 31, 2021	$ 12,140	$ 46,915	$ 4,180	$ 7,801	$ 8,776	$ 79,812	$ 54,472
Charge for the year	346	5,328	529	556	690	7,449	14,689
Transfer from leased to owned at end of lease	—	1,765	—	—	—	1,765	—
Other transfers	—	29	—	—	—	29	(29)
Disposals	—	(2,690)	(289)	(312)	(42)	(3,333)	(8,886)
December 31, 2022	$ 12,486	$ 51,347	$ 4,420	$ 8,045	$ 9,424	$ 85,722	$ 60,246
Carrying amount							
December 31, 2022	$ 10,843	$ 25,340	$ 891	$ 2,660	$ 4,370	$ 44,104	$ 39,400

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, 2022	$ 179,100	$ 32,169	$ 5,806	$ 33	**$ 217,108**
Additions	26,317	8,451	4,862	9,012	**48,642**
Disposals	(1,393)	(665)	—	(33)	**(2,091)**
Disposal to lease receivables upon sublease	—	—	—	(9,012)	**(9,012)**
Transfer from leased to owned at end of lease	—	(3,261)	—	—	**(3,261)**
Business acquisitions	4,126	—	—	—	**4,126**
December 31, 2023	**$ 208,150**	**$ 36,694**	**$ 10,668**	**$ —**	**$ 255,512**
Accumulated depreciation					
December 31, 2022	$ 74,993	$ 17,461	$ 1,914	$ 20	**$ 94,388**
Charge for the year	22,252	5,453	1,830	13	**29,548**
Disposals	(1,028)	(441)	—	(33)	**(1,502)**
Transfer from leased to owned at end of lease	—	(2,754)	—	—	**(2,754)**
December 31, 2023	**$ 96,217**	**$ 19,719**	**$ 3,744**	**$ —**	**$ 119,680**
Carrying amount					
December 31, 2023	**$ 111,933**	**$ 16,975**	**$ 6,924**	**$ —**	**$ 135,832**
Cost					
December 31, 2021	$ 170,045	$ 30,083	$ 3,718	$ 33	$ 203,879
Additions	8,113	6,294	2,088	5,939	22,434
Disposals	113	(1,990)	—	—	(1,877)
Disposal to lease receivables upon sublease	—	—	—	(5,939)	(5,939)
Transfer from leased to owned at end of lease	—	(2,218)	—	—	(2,218)
Business acquisitions	829	—	—	—	829
December 31, 2022	$ 179,100	$ 32,169	$ 5,806	$ 33	$ 217,108
Accumulated depreciation					
December 31, 2021	$ 53,259	$ 15,141	$ 966	$ 10	$ 69,376
Charge for the year	21,621	4,829	948	10	27,408
Disposals	113	(744)	—	—	(631)
Transfer from leased to owned at end of lease	—	(1,765)	—	—	(1,765)
December 31, 2022	$ 74,993	$ 17,461	$ 1,914	$ 20	$ 94,388
Carrying amount					
December 31, 2022	$ 104,107	$ 14,708	$ 3,892	$ 13	$ 122,720

11. Goodwill and Intangible Assets

The Corporation performed its annual impairment test of its goodwill and indefinite life intangibles as at December 31, 2023. 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 after-tax cash flows from operations are based on historical results, the Corporation's projected 2024 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% (2022 – 2%). The Corporation assumed a discount rate of approximately 11.3% (2022 – 10.7%) 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 26.1% (2022 – 25.0%). 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, 2023 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, 2023 and December 31, 2022.

	Goodwill	Product distribution rights/Brands	Customer relationships/ Vendor relationships	Software	**Total**
Cost					
December 31, 2022	$ 103,330	$ 18,236	$ 47,500	$ 18,130	**$ 187,196**
Additions	—	—	—	876	**876**
Disposals	—	—	—	(42)	**(42)**
Business acquisitions (Note 5)	12,610	—	12,500	24	**25,134**
December 31, 2023	**$ 115,940**	**$ 18,236**	**$ 60,000**	**$ 18,988**	**$ 213,164**
Accumulated amortization					
December 31, 2022	$ —	$ —	$ 13,577	$ 2,905	**$ 16,482**
Charge for the year	—	—	5,246	1,202	**6,448**
Disposals	—	—	—	(42)	**(42)**
December 31, 2023	**$ —**	**$ —**	**$ 18,823**	**$ 4,065**	**$ 22,888**
Carrying amount					
December 31, 2023	**$ 115,940**	**$ 18,236**	**$ 41,177**	**$ 14,923**	**$ 190,276**
Cost					
December 31, 2021	$ 98,846	$ 18,236	$ 47,500	$ 17,500	$ 182,082
Additions	—	—	—	844	844
Disposals	—	—	—	(214)	(214)
Business acquisitions	4,484	—	—	—	4,484
December 31, 2022	$ 103,330	$ 18,236	$ 47,500	$ 18,130	$ 187,196
Accumulated amortization					
December 31, 2021	$ —	$ —	$ 8,693	$ 2,014	$ 10,707
Charge for the year	—	—	4,884	1,053	5,937
Disposals	—	—	—	(162)	(162)
December 31, 2022	$ —	$ —	$ 13,577	$ 2,905	$ 16,482
Carrying amount					
December 31, 2022	$ 103,330	$ 18,236	$ 33,923	$ 15,225	$ 170,714

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 **2023**	2022
Trade payables	**$ 270,849**	$ 308,237
Deferred rental income	**918**	1,130
Contingent consideration liability – current	**2,997**	—
Payroll, bonuses and incentives	**52,657**	50,509
Accrued liabilities	**79,669**	63,958
Accounts payable and accrued liabilities	**$ 407,090**	$ 423,834

13. Provisions and Contingencies

	Warranties	Environmental	Other	**Total**
Provisions, December 31, 2022	$ 961	$ 1,025	$ 1,268	**$ 3,254**
New provisions expensed	943	630	478	**2,051**
Utilized	(1,180)	(1,313)	(9)	**(2,502)**
Provisions, December 31, 2023	$ 724	$ 342	$ 1,737	**$ 2,803**
Current portion	$ 724	$ 266	$ 1,737	**$ 2,727**
Non-current portion	—	76	—	**76**
Total	$ 724	$ 342	$ 1,737	**$ 2,803**

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 estimated.

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	2023	2022
Balance at beginning of year		**$ 158,446**	$ 168,138
Changes from operating cash flows			
Finance costs paid on lease liabilities		**(8,871)**	(7,852)
Changes from financing cash flows			
Payment of lease liabilities		**(35,450)**	(31,960)
Other changes			
Business acquisitions		**4,126**	829
Interest expense	23	**8,871**	7,852
New leases, net of disposals		**48,252**	21,439
Balance at end of year		**$ 175,374**	$ 158,446
Current portion		**$ 34,407**	$ 31,347
Non-current portion		**$ 140,967**	$ 127,099

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	2023	2022
Expense related to short-term leases		**$ 109**	$ 105
Expense related to low value assets, excluding short-term leases of low value assets		**386**	63
Expense related to variable lease payments not included in the measurement of lease liabilities		**3,815**	3,259
Payment of lease liabilities		**35,450**	31,960
Interest paid on lease liabilities	23	**8,871**	7,852
Total outflow for leases		**$ 48,631**	$ 43,239

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

	December 31 2023	2022
Within one year	**$ 49,225**	$ 44,812
Between one and three years	**80,996**	66,907
Between three and five years	**51,717**	47,249
More than five years	**56,570**	62,429
Total undiscounted lease obligations	**$ 238,508**	$ 221,397

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 2023	2022
Less than one year	**$ 9,221**	$ 7,899
Between one and five years	**13,019**	7,162
Future minimum lease payments receivable	**$ 22,240**	$ 15,061

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 2023	2022
Less than one year	**$ 6,547**	$ 4,551
Between one and five years	**11,172**	7,927
Total undiscounted lease payments receivable	**$ 17,719**	$ 12,478
Unearned finance income	**(1,222)**	(579)
Lease receivables	**$ 16,497**	$ 11,899
Current portion	**$ 5,896**	$ 4,170
Non-current portion	**$ 10,601**	$ 7,729

15. Employee Benefits

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

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

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

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

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

	December 31 2023	2022
Discount rate – at beginning of year (to determine plan expenses)	**5.3%**	3.1%
Discount rate – at end of year (to determine defined benefit obligation)	**4.7%**	5.3%
Increases in pensionable earnings	**—%**	—%
Rate of inflation	**2.0%**	2.0%

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

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

	Executive Plan December 31 2023	2022
Fixed Income	**39.8%**	40.1%
Foreign Equities	**60.2%**	59.9%
	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:

	2023	2022
Actuarial loss (gain) on defined benefit obligation arising from:		
Experience adjustments	**$ —**	$ 2
Financial assumption changes	**677**	(2,702)
	$ 677	$ (2,700)
Actuarial (gain) loss on asset return	**(241)**	1,050
Total remeasurement loss (gain) recognized in OCI, pre-tax	**$ 436**	$ (1,650)

Total cash payments

Total cash payments for employee future benefits for 2023, 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 $11,596 (2022 – $10,258).

The Corporation expects to contribute $413 to the defined benefit pension plans in the year ended December 31, 2024, which relates entirely to expected benefit payments relating to the SERP as this plan is not funded.

The plan expenses recognized in earnings are as follows:

	2023	2022
Defined contribution plans		
Current service cost	**$ 11,178**	$ 9,819
Defined benefit plans		
Administration expenses	**9**	77
SERP line of credit fees	**115**	175
Interest cost on defined benefit obligation	**556**	423
Interest income on plan assets	**(214)**	(174)
	$ 466	$ 501
Total plan expense recognized in earnings	**$ 11,644**	$ 10,320

Of the amounts recognized in earnings, $4,504 (2022 – $4,122) is included in cost of sales and $7,140 (2022 – $6,198) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2023	2022
Actuarial loss (gain)	**$ 436**	$ (1,650)
Deferred tax (recovery) expense	**(115)**	434
Amount recognized in other comprehensive income	**$ 321**	$ (1,216)
Cumulative actuarial losses, net of tax	**$ 1,849**	$ 1,528

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

Present value of benefit obligation	2023	2022
Present value of benefit obligation, beginning of year	**$ 10,935**	$ 14,183
Interest cost on defined benefit obligation	**556**	423
Actuarial loss (gain)	**677**	(2,700)
Benefits paid	**(843)**	(971)
Present value of benefit obligation, end of year	**$ 11,325**	$ 10,935

Fair value of plan assets	2023	2022
Fair value of plan assets, beginning of year	**$ 4,280**	$ 5,765
Interest income	**214**	170
Return on plan assets (excluding interest income)	**276**	(1,114)
Employer contributions	**418**	439
Benefits paid	**(843)**	(971)
Administration expenses	**(44)**	(9)
Fair value of plan assets, end of year	**$ 4,301**	$ 4,280

Funded Status	2023	2022
Fair value of plan assets, end of year	**$ 4,301**	$ 4,280
Present value of benefit obligation, end of year	**(11,325)**	(10,935)
Plan deficit	**$ (7,024)**	$ (6,655)

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

	2023	2022
Employee benefits	**(7,024)**	(6,655)
Plan deficit	**$ (7,024)**	$ (6,655)

The present value of the benefit obligation includes a benefit obligation of $4,855 (2022 – $4,766) related to the SERP that is not funded. This obligation is secured by a letter of credit of $3,574 (2022 – $5,731).

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 $984 (2022 – $939) decrease to the defined benefit obligation as at December 31, 2023. A 1% decrease in discount rate would result in a $1,178 (2022 – $1,105) increase to the defined benefit obligation.

16. Debentures

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

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

On or after January 15, 2023, but prior to January 15, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Corporation at a price equal to 103% of the principal amount redeemed plus accrued and unpaid interest. On or after January 15, 2024, but prior to the maturity date of January 15, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest. As at December 31, 2023, the Corporation has not redeemed any of the debentures.

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 2023	2022
Debentures issued	**$ 57,000**	$ 57,000
Deferred financing costs, net of accumulated amortization	**(660)**	(1,238)
Total debentures	**$ 56,340**	$ 55,762

Movements in the debentures balance are as follows:

For the year ended December 31	2023	2022
Balance at beginning of period	**$ 55,762**	$ 55,223
Amortization of deferred financing costs	**578**	539
Balance at end of period	**$ 56,340**	$ 55,762

Finance costs on the debentures for the year ended December 31, 2023 were $3,999 (2022 – $3,959).

17. Long-Term Debt

As at December 31, 2023, Wajax had a $400,000 credit limit on its bank credit facility, composed of a $50,000 non-revolving term facility and a $350,000 revolving term facility, maturing on October 1, 2027.

As at December 31, 2023, borrowings under the bank credit facility were subject to floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar SOFR rates or prime. Margins on the facility depended on the Corporation's leverage ratio at the time of borrowing and ranged between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar SOFR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventory on hand and the outstanding trade accounts receivable. As at December 31, 2023, borrowing capacity under the bank credit facility was $400,000 (December 31, 2022 – $400,000), of which $126,602 (December 31, 2022 – $308,851) 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, 2023.

Subsequent to December 31, 2023, the Corporation amended its bank credit facility. See Note 29 Subsequent Events for details of the amendments.

The following balances were outstanding:

	December 31 2023	2022
Bank credit facility		
Non-revolving term portion	**$ 50,000**	$ 50,000
Revolving term portion	**218,561**	34,955
	$ 268,561	$ 84,955
Deferred financing costs, net of accumulated amortization	**(806)**	(1,353)
Total long-term debt	**$ 267,755**	$ 83,602

The Corporation had $4,837 (December 31, 2022 – $6,194) letters of credit outstanding at the end of the year. Finance costs on long-term debt amounted to $13,627 (2022 – $5,886).

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

For the year ended December 31	2023	2022
Balance at beginning of period	**$ 83,602**	$ 98,218
Changes from financing cash flows		
Net proceeds (repayments) of borrowings	**183,606**	(15,045)
Transaction costs related to borrowings	**—**	(278)
Other changes		
Amortization of deferred financing costs	**547**	707
Balance at end of period	**$ 267,755**	$ 83,602

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 **2023**	2022
Financial assets measured at amortized cost:		
Trade and other receivables	**$ 309,079**	$ 307,055
Contract assets	**69,520**	57,890
Lease receivables	**16,497**	11,899
Financial liabilities measured at amortized cost:		
Bank indebtedness	**1,397**	5,230
Accounts payable and accrued liabilities (excluding contingent consideration)	**404,093**	423,834
Provisions	**2,803**	3,254
Dividends payable	**7,151**	5,368
Other liabilities (excluding contingent consideration)	**3,262**	2,669
Debentures	**56,340**	55,762
Long-term debt	**267,755**	83,602
Financial assets measured at fair value:		
Derivative financial assets	**11,308**	14,294
Financial liabilities measured at fair value:		
Accounts payable and accrued liabilities – contingent consideration	**2,997**	—
Other liabilities – contingent consideration	**6,432**	672
Derivative financial liabilities	**5,602**	3,418

The Corporation measures financial assets and financial liabilities at amortized cost, except for derivative financial assets/liabilities and contingent consideration from acquisitions, which are measured 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 Corporation's contingent consideration liabilities are Level 3 financial instruments, and are valued using either a discounted cash flow model or a Monte Carlo simulation model. The Monte Carlo simulation uses various assumptions including EBITDA forecast, discount rate, and volatility factor. 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, 2023, the Corporation has estimated the fair value of its debentures to be $56,516 (December 31, 2022 – $56,715). The fair values of all other financial assets and liabilities approximate their recorded values due to the short-term maturities of these instruments.

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (consisting of currency risk, interest rate risk and equity price risk). The following analysis provides a measurement of these risks as at December 31, 2023 and 2022:

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 **2023**	2022
Current	**$ 130,124**	$ 148,704
Less than 60 days overdue	**120,711**	106,560
More than 60 days overdue	**27,559**	16,910
Total trade accounts receivable	**$ 278,394**	$ 272,174

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	**2023**	2022
Opening balance	**$ 1,182**	$ 1,080
Charge (reversals), net	**3,413**	624
Utilization	**(956)**	(522)
Closing balance	**$ 3,639**	$ 1,182

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, 2023, the Corporation had borrowed $268,561 (2022 – $84,955) from the bank credit facility that matures on October 1, 2027. The Corporation issued $4,837 (2022 – $6,194) of letters of credit for a total utilization of $273,398 (2022 – $91,149) of its $400,000 (2022 – $400,000) bank credit facility and had not utilized any (2022 – nil) of its $25,000 (2022 – $25,000) interest bearing equipment financing facilities.

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

The Corporation's $400,000 bank credit facility, of which $126,602 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.

Subsequent to December 31, 2023, the Corporation amended its bank credit facility. See Note 29 Subsequent Events for details of the amendments.

Contractual obligations are as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years	After 5 years
Accounts payable and accrued liabilities	**$ 407,090**	$ 407,090	$ —	$ —	$ —
Undiscounted lease obligations	**238,508**	49,225	80,996	51,717	56,570
Long-term debt	**268,561**	—	—	268,561	—
Debentures	**57,000**	—	57,000	—	—
Total	**$ 971,159**	$ 456,315	$ 137,996	$ 320,278	$ 56,570

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 2023 would result in a change to earnings before income taxes of approximately $2,585 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 $399 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.

During the year, the Corporation discontinued its application of hedge accounting relating to its interest rate swaps. The derivatives continue to be carried at fair value in the consolidated statements of financial position with changes in fair value from the date of discontinuance recognized in selling and administrative expenses in the consolidated statements of earnings. Amounts previously accumulated in accumulated other comprehensive income prior to discontinuance will be amortized to net earnings over the remaining term of the underlying forecasted interest payments. For the year ended December 31, 2023, the Corporation recognized a loss of $1,237 (2022 – gain of $5,298) in the consolidated statements of earnings associated with its interest rate swaps and a loss of $678 (2022 – gain of $4,522), 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, 2023:	$ 150,000	2.32%	October 2026 to October 2027
As at December 31, 2022:	$ 150,000	2.32%	October 2026 to October 2027

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, 2023, the Corporation recognized a loss of $1,304 (2022 – loss of $174) associated with its foreign exchange forwards in the consolidated statements of earnings, and a loss of $3,312 (2022 – gain of $1,410), net of tax in other comprehensive income.

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

December 31, 2023	**Notional Amount**	**Average Exchange Rate**	**Maturity**
Purchase contracts	US$ 195,235	1.3499	January 2024 to November 2025
	€ 7,257	1.4642	January 2024 to October 2024
Sales contracts	US$ 77,866	1.3451	January 2024 to December 2025
	€ 1,648	1.4777	January 2024 to September 2024

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

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, 2023, the Corporation's total return swaps cover 399,000 of the Corporation's underlying common shares (December 31, 2022 – 402,000), and expire between March 2024 and March 2026. During the year, the Corporation settled a total return swap contract for 143,000 shares (2022 – 130,000 shares), resulting in a cash receipt of $1,396 (2022 – cash receipt of $874). For the year ended December 31, 2023, the Corporation recognized a gain of $4,180 (2022 – loss of $1,903) associated with its total return swaps.

Derivative financial assets consist of:

	December 31 **2023**	2022
Interest rate swaps	**$ 6,203**	$ 8,360
Foreign exchange forwards	**2,262**	5,166
Total return swaps	**2,843**	768
Total derivative financial assets	**$ 11,308**	$ 14,294
Current portion	**$ 5,632**	$ 9,202
Non-current portion	**$ 5,676**	$ 5,092

Derivative financial liabilities consist of:

	December 31 **2023**	2022
Foreign exchange forwards	**$ 5,602**	$ 2,709
Total return swaps	**—**	709
Total derivative financial liabilities	**$ 5,602**	$ 3,418
Current portion	**$ 4,081**	$ 2,458
Non-current portion	**$ 1,521**	$ 960

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

For the year ended December 31	**2023**	2022
Opening net derivative financial asset	**$ 10,876**	$ 429
Gain recognized in net earnings	**1,639**	3,221
(Loss) gain recognized in other comprehensive income	**(5,413)**	8,100
Cash received on settlement of total return swaps	**(1,396)**	(874)
Ending net derivative financial asset	**$ 5,706**	$ 10,876

The balance in accumulated other comprehensive income is comprised of the fair value of the Corporation's various foreign exchange forwards where hedge accounting is applied, and the remaining unamortized fair value of the Corporation's interest rate swaps where hedge accounting was applied, prior to discontinuance of hedge accounting. These accumulated amounts will be continuously released to the consolidated statements of earnings within gross profit and selling and administrative expenses, 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, 2023 (December 31, 2022 – 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, 2022	21,602,836	$ 208,763
Common shares issued to settle share-based compensation plans	207,575	2,574
Issued and outstanding, December 31, 2023	21,810,411	$ 211,337
Shares held in trust, December 31, 2022	(131,734)	$ (1,208)
Released for settlement of certain share-based compensation plans	74,149	680
Purchased for future settlement of certain share-based compensation plans	(83,280)	(805)
Shares held in trust, December 31, 2023	(140,865)	$ (1,333)
Issued and outstanding, net of shares held in trust, December 31, 2023	**21,669,546**	**$ 210,004**

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

During the year, the Corporation purchased 83,280 (2022 – 33,544) common shares on the open market through Employee Benefit Plan Trusts for the future settlement of certain share-based compensation plans. The cash consideration paid for the purchase was $2,000 (2022 – $800), the reduction in share capital was $805 (2022 – $324) and the premium charged to retained earnings was $1,195 (2022 – $476).

Dividends declared

During the year, the Corporation declared cash dividends of $1.32 per share or $28,445 (2022 – dividends of $1.00 per share or $21,426). As at December 31, 2023, the Corporation had $7,151 (December 31, 2022 – $5,368) dividends outstanding which were paid on January 3, 2024.

Earnings per share

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

For the year ended December 31	**2023**	2022
Numerator for basic and diluted earnings per share: – net earnings	**$ 80,990**	$ 72,408
Denominator for basic earnings per share: – weighted average shares, net of shares held in trust	**21,509,250**	21,423,140
Denominator for diluted earnings per share: – weighted average shares, net of shares held in trust	**21,509,250**	21,423,140
– effect of dilutive share rights	**762,378**	773,778
Denominator for diluted earnings per share	**22,271,628**	22,196,918
Basic earnings per share	**$ 3.77**	$ 3.38
Diluted earnings per share	**$ 3.64**	$ 3.26

For the year, the calculation above excludes nil anti-dilutive share rights (2022 – 6,924).

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	**2023**	2022
Treasury share rights plans		
SOP equity-settled	**$ 90**	$ 96
DDSUP equity-settled	**1,037**	812
Total treasury share rights plans expense	**$ 1,127**	$ 908
Market-purchased share rights plans		
MTIP equity-settled	**$ 1,677**	$ 1,550
DSUP equity-settled	**5**	22
Total market-purchased share rights plans expense	**$ 1,682**	$ 1,572
Cash-settled rights plans		
MTIP cash-settled	**$ 6,512**	$ 2,986
DSUP cash-settled	**127**	(31)
Total cash-settled rights plans expense	**$ 6,639**	$ 2,955
Total share-based compensation expense	**$ 9,448**	$ 5,435

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, 2022	539,614	$	7,355
Grants – new grants	39,258		1,037
– dividend equivalents	27,991		—
Settlements	(207,575)		(2,574)
Outstanding at December 31, 2023	399,288	$	5,818

At December 31, 2023, 386,584 share rights were vested (December 31, 2022 – 512,023 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	(638,377)
Rights outstanding	(399,288)
Available for future grants at December 31, 2023	262,335

b) Market-purchased share rights plans

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

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

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

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

The following rights under these plans are outstanding:

	Number of rights		Fair value at time of grant
Outstanding at December 31, 2022	304,862	$	5,477
Grants – new grants	111,587		2,495
– dividend equivalents	20,860		—
Forfeitures	(22,210)		(528)
Settlements	(158,477)		(1,635)
Outstanding at December 31, 2023	256,622	$	5,809

At December 31, 2023, 33,796 outstanding rights were vested (December 31, 2022 – 32,099 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, 2023, the carrying amount of the liabilities for these plans was $8,077 (December 31, 2022 – $6,193).

The following rights under these plans are outstanding:

	Number of rights
Outstanding at December 31, 2022	530,176
Grants – new grants	138,972
– dividend equivalents	24,849
Forfeitures	(17,009)
Settlements	(197,842)
Outstanding at December 31, 2023	479,146

At December 31, 2023, 11,816 outstanding rights were vested (December 31, 2022 – 11,223 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	2023	2022
Equipment sales	$ 607,089	$ 628,551
Product support	543,278	483,926
Industrial parts	605,072	535,783
Engineered repair services (ERS)	354,286	275,455
Revenue from contracts with customers	$2,109,725	$1,923,715
Equipment rental	44,953	39,107
Total	$2,154,678	$1,962,822

As at December 31, 2023, the Corporation has included $17,057 (2022 – $21,193) in equipment sales related to short-term rental contracts, the majority of which 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:

	2024	2025	2026	Total
Equipment sales	$ 6,982	$ 777	$ —	$ 7,759
ERS	14,610	1,431	1	16,042
Total	$ 21,592	$ 2,208	$ 1	$ 23,801

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	2023	2022
Wages and salaries, including bonuses		$ 326,735	$ 303,396
Other benefits		45,430	38,013
Pension costs – defined contribution plans	15	11,178	9,819
Pension costs – defined benefit plans	15	466	501
Share-based compensation expense	20	9,448	5,435
		$ 393,257	$ 357,164

23. Finance Costs

Finance costs are comprised of the following:

For the year ended December 31	Note	2023	2022
Finance costs on long-term debt	17	$ 13,627	$ 5,886
Finance costs on debentures	16	3,999	3,959
Interest expense on lease liabilities	14	8,871	7,852
Interest income on lease receivables		(630)	(352)
Finance costs		$ 25,867	$ 17,345

24. Income Tax Expense

Income tax expense comprises current and deferred tax as follows:

For the year ended December 31	2023	2022
Current income tax expense	$ 28,107	$ 35,055
Deferred income tax expense (recovery)	547	(10,951)
Income tax expense	$ 28,654	$ 24,104

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.0% (2022 – 26.0%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.0% based on the tax rates in years when the temporary differences are expected to reverse.

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

For the year ended December 31	2023	2022
Combined statutory income tax rate	26.0%	26.0%
Expected income tax expense at statutory rates	$ 28,507	$ 25,093
Non-deductible expenses	896	556
Changes in estimates related to prior years	(559)	(1,260)
Other	(190)	(285)
Income tax expense	$ 28,654	$ 24,104

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

	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on business acquisitions	December 31, 2023
Property, plant and equipment	**$ (10,447)**	**$ (960)**	**$ —**	**$ (101)**	**$ (11,508)**
Finance leases	**6,265**	**(180)**	**—**	**—**	**6,085**
Intangible assets	**(11,582)**	**1,207**	**—**	**(2,875)**	**(13,250)**
Goodwill	**(643)**	**(154)**	**—**	**—**	**(797)**
Accrued liabilities	**8,436**	**(646)**	**—**	**—**	**7,790**
Provisions	**822**	**(79)**	**—**	**—**	**743**
Other liabilities	**—**	**63**	**—**	**—**	**63**
Derivative instruments	**(3,197)**	**(66)**	**1,619**	**—**	**(1,644)**
Employee benefits	**1,730**	**(17)**	**115**	**—**	**1,828**
Deferred financing costs	**(276)**	**49**	**—**	**—**	**(227)**
Tax loss carryforwards	**353**	**236**	**—**	**—**	**589**
Net deferred tax liabilities	**$ (8,539)**	**$ (547)**	**$ 1,734**	**$ (2,976)**	**$ (10,328)**

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

Deferred tax assets of $1,035 (2022 – $1,035) have not been recognized in respect of deductible temporary differences related to land because it is not probable that future taxable profit will be available against which the Corporation can use the benefits therefrom.

25. Changes in Non-Cash Operating Working Capital

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

For the year ended December 31	**2023**	2022
Trade and other receivables	**$ 3,699**	$ (79,968)
Contract assets	**(7,415)**	(20,915)
Inventory	**(166,023)**	(72,875)
Deposits on inventory	**(106)**	(1,473)
Prepaid expenses	**(2,713)**	(3,218)
Accounts payable and accrued liabilities	**(29,936)**	115,897
Provisions	**(451)**	(2,389)
Contract liabilities	**2,380**	(34)
Total	**$ (200,565)**	$ (64,975)

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 facility closure, restructuring, and other related costs, gains recorded on the sale of properties, non-cash losses and gains on mark to market of derivative instruments, change in fair value of contingent consideration, finance costs, income tax expense and depreciation and amortization, adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period, and adjusted for payment of lease liabilities pursuant to the terms of the bank credit facility.

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

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

Restrictions on capital

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

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

At December 31, 2023, the Corporation was in compliance with all covenants and there were no restrictions on the declaration of quarterly cash dividends.

Under the terms of the $400,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of $25,000. As a result, the Corporation has up to $25,000 of demand inventory equipment financing capacity with two lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. SOFR rates. At December 31, 2023, the Corporation had not utilized any of its interest bearing equipment financing facilities.

Subsequent to December 31, 2023, the Corporation amended its bank credit facility. See Note 29 Subsequent Events for details of the amendments.

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:

	2023	2022
Salaries, bonus and other short-term employee benefits	**$ 5,778**	$ 4,814
Pension costs – defined contribution plans	**280**	231
Share-based compensation expense	**3,514**	2,159
Total compensation	**$ 9,572**	$ 7,204

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. Subsequent Events

On January 11, 2024, the Corporation amended its senior secured credit facility. The amendment increased the facility limit from $400,000 to $500,000 and is now composed of a $50,000 non-revolving term facility and a $450,000 revolving term facility. There was no change to the maturity date of the facility. As part of the bank credit facility amendment effective January 11, 2024, the Canadian dollar bankers' acceptances were replaced with the term Canadian Overnight Repo Rate Average loan (or "**CORRA**"). Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar term CORRA loan yields, U.S. dollar SOFR rates or prime. Margins on the facility continue to depend on the Corporation's leverage ratio at the time of borrowing. Effective January 11, 2024, the margins range between 1.8% and 3.3% for Canadian dollar term CORRA loans and U.S. dollar SOFR borrowings, and between 0.8% and 2.3% for prime rate borrowings.

On March 4, 2024, the Corporation declared a first quarter 2024 dividend of $0.35 per share.

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Revenue	**$ 516.1**	**$ 586.2**	**$ 509.7**	**$ 542.6**	$ 439.5	$ 511.2	$ 470.8	$ 541.3
Net earnings	**17.5**	**29.0**	**23.4**	**11.1**	16.1	21.7	18.0	16.6
Earnings per share – Basic	**$ 0.81**	**$ 1.35**	**$ 1.09**	**$ 0.52**	$ 0.75	$ 1.01	$ 0.84	$ 0.78
Earnings per share – Diluted	**0.79**	**1.31**	**1.05**	**0.50**	0.73	0.98	0.81	0.75

Eleven Year Summary – Unaudited

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Results											
Revenue	**$2,154.7**	$ 1,962.8	$ 1,637.3	$ 1,422.6	$ 1,553.0	$ 1,481.6	$ 1,318.7	$ 1,221.9	$ 1,273.3	$ 1,451.3	$ 1,428.5
Net earnings (loss)	**81.0**	72.4	53.2	31.7	39.5	35.9	27.4	11.0	(11.0)	41.2	47.7
Finance costs	**25.9**	17.3	19.1	21.0	19.7	8.8	15.2	11.2	12.2	13.0	9.0
Property, plant and equipment expenditures – net	**8.1**	8.3	0.6	2.7	2.5	4.2	1.7	6.5	4.1	5.4	3.9
Rental equipment expenditures	**20.9**	10.9	10.1	16.5	37.5	43.6	19.3	13.5	23.0	23.1	20.0
Depreciation and amortization	**58.6**	55.5	55.4	52.4	52.8	27.0	23.2	24.7	24.5	22.5	21.6
Per Share											
Net earnings (loss) – Basic	**$ 3.77**	$ 3.38	$ 2.50	$ 1.58	$ 1.98	$ 1.82	$ 1.40	$ 0.55	$ (0.59)	$ 2.46	$ 2.85
Dividends declared	**1.32**	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.23	2.40	2.68
Equity	**22.90**	20.95	18.21	16.26	15.83	14.88	14.08	14.07	14.44	14.82	14.77
Financial Position											
Working capital	**$ 560.2**	$ 346.0	$ 313.5	$ 376.2	$ 404.1	$ 334.7	$ 289.7	$ 268.8	$ 302.7	$ 258.2	$ 272.7
Rental equipment	**42.5**	39.4	45.8	56.9	77.0	73.7	60.4	58.1	64.1	59.4	52.3
Property, plant and equipment	**44.8**	44.1	39.6	41.4	42.1	59.0	43.6	45.7	46.2	48.7	49.7
Right-of-use assets	**135.8**	122.7	134.5	131.7	117.1	—	—	—	—	—	—
Lease liabilities excluding current portion	**141.0**	127.1	137.6	129.2	106.4	—	—	—	—	—	—
Debentures	**56.3**	55.8	55.2	54.6	54.1	—	—	—	—	—	—
Long-term debt excluding current portion	**267.8**	83.6	98.2	171.6	225.6	218.1	143.7	122.0	151.6	180.9	195.9
Shareholders' equity	**496.2**	449.8	389.9	325.6	316.8	297.0	274.7	278.9	288.5	248.5	247.2
Total assets	**1,473.3**	1,249.9	1,080.8	981.4	1,045.1	831.2	694.4	667.3	677.5	718.2	682.1
Other Information											
Number of employees	**3,287**	3,021	2,824	2,461	2,700	2,800	2,418	2,318	2,609	2,725	2,766
Shares outstanding (000s)	**21,670**	21,471	21,409	20,034	20,012	19,957	19,504	19,826	19,986	16,779	16,744
Price range of shares											
High	**$ 32.57**	$ 24.57	$ 29.67	$ 19.60	$ 19.95	$ 28.17	$ 25.74	$ 25.76	$ 30.93	$ 39.56	$ 46.24
Low	**19.16**	17.25	16.24	4.90	13.98	15.43	18.49	13.34	14.81	28.75	29.38

Corporate Information

Directors

Edward M. Barrett

Leslie Abi-karam [2, 3]

Thomas M. Alford [1, 2]

Douglas A. Carty [1, 2]

Sylvia D. Chrominska [1, 3]

A. Jane Craighead [1, 3]

Ignacy P. Domagalski

David G. Smith [1, 3]

Elizabeth A. Summers [1, 3]

Alexander S. Taylor [2, 3]

Susan Uthayakumar [1, 2]

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

Officers

Ignacy P. Domagalski
President and Chief Executive Officer

Stuart H. Auld
Chief Financial Officer

Brian Deacon
Senior Vice President, Category Management

André Dubé
Senior Vice President, Sales and Operations

Mark Edgar
Chief People Officer

Greg Abtosway
Vice President, Corporate Development

Tania Casadinho
Vice President, Corporate Controller

Cristian Rodriguez
Vice President, Safety, Sustainability and People

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

10 Diesel Drive
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Telephone: (905) 212-3300
Fax: (905) 212-3350

Exchange Listing
Toronto Stock Exchange

Symbol
WJX

Wajax Corporation
Share Trading Information
(January 1 – December 31, 2023)

Open	High	Low	Close	Vol. of Shares Traded
$19.54	$32.57	$19.16	$30.27	8,704,000

Quarterly Earnings Reports
Quarterly earnings for 2024 are anticipated to be announced after market close on May 1, August 8 and November 4, 2024 and March 3, 2025.

2024 Dividend Dates
Quarterly dividends are payable to shareholders of record on or about the 15th day of the last month in each quarter and will generally be paid in the first week of the following month.

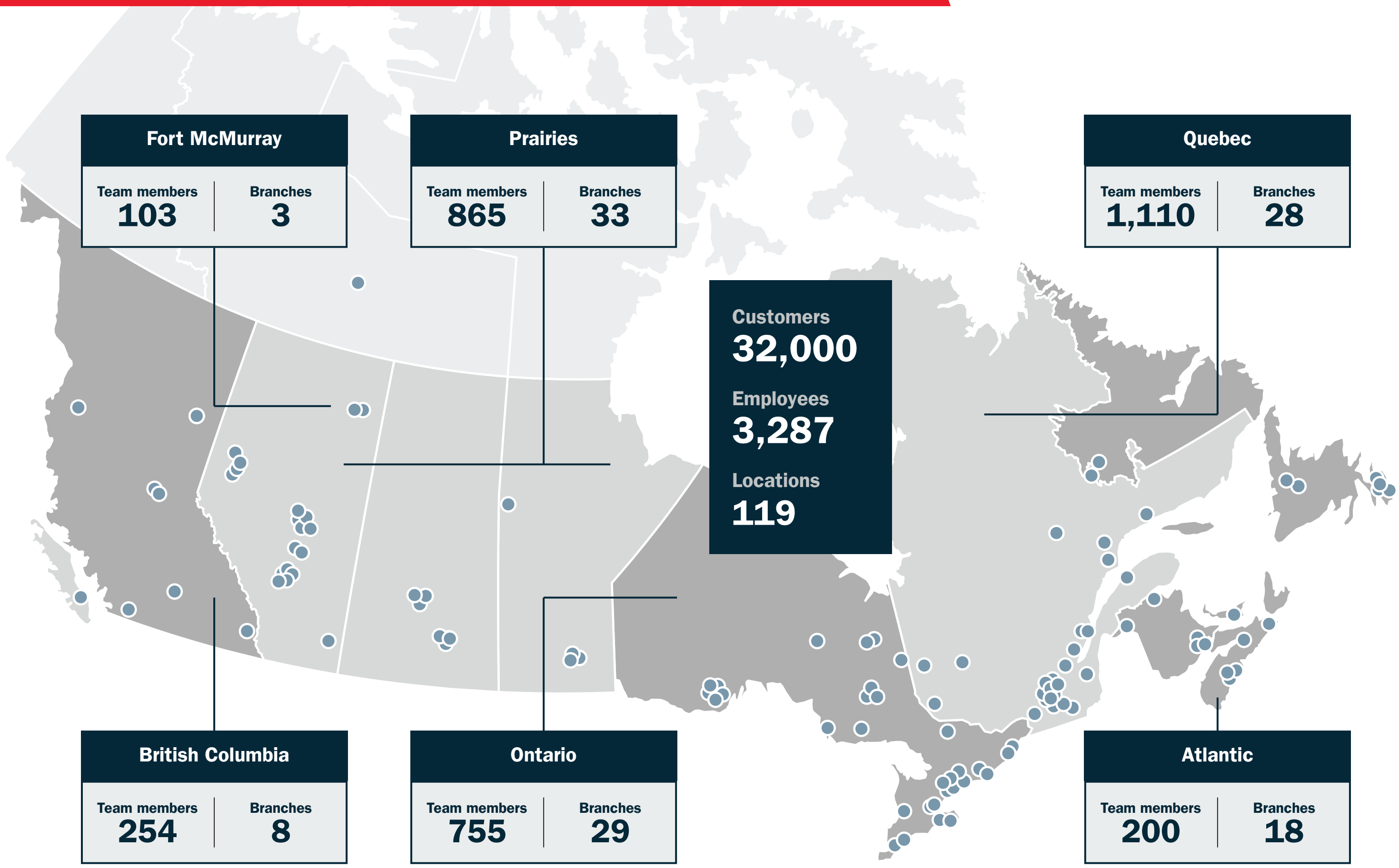
Investor Information
Stuart Auld, Chief Financial Officer
Telephone: (905) 212-3300
Fax: (905) 212-3350
E-mail: ir@wajax.com

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

Annual Meeting
Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel located at the Toronto International Airport, Ontario in the Heathrow Meeting Room, on Thursday, May 2, 2024, at 11:00 a.m. EDT.

Vous pouvez obtenir la version française de ce rapport en écrivant au secrétaire,
Corporation Wajax,
10 Diesel Drive,
Toronto (ON) M8W 2T8

Locations



Western Canada

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

Calgary, AB (5)
Clairmont, AB
Edmonton, AB (6)
Edmonton (Acheson), AB
Fort McMurray, AB (3)
Grande Prairie, AB (3)
Lethbridge, AB
Lloydminster, AB
Medicine Hat, AB
Nisku, AB
Red Deer, AB
Rock View County, AB

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

Flin Flon, MB
Winnipeg, MB (3)

Yellowknife, NT

Ontario

Belleville, ON (2)
Guelph, ON
Kapuskasing, ON
Kirkland Lake, ON
Kitchener, ON
London, ON
Mississauga, ON (3)
Ottawa, ON
Pembroke (Laurentian Valley), ON
Sarnia, ON
Sault Ste. Marie, ON (2)
Stoney Creek, ON
Sudbury, ON
Sudbury (Lively), ON (2)
Thunder Bay, ON (5)
Timmins, ON (2)
Toronto, ON
Vaughan, ON
Windsor, ON

Eastern Canada

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

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

Charlottetown, PEI

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

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