

Finning reports Q1 2021 results and announces contracts with Codelco in South America

Vancouver, B.C. – Finning International Inc. (TSX: FTT) (“Finning”, “the Company”, “we”, “our” or “us”) reported first quarter 2021 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

All comparisons are to Q1 2020 results unless indicated otherwise.

- Q1 2021 EPS⁽¹⁾ of \$0.43 represented a 30% increase from Q1 2020 and included \$0.05 of Canada Emergency Wage Subsidy (“CEWS”) and \$0.03 from the final return on our investment in Energyst. Q1 2021 Adjusted EPS⁽²⁾⁽³⁾ was \$0.35, up 6% from \$0.33 in Q1 2020.
- Q1 2021 revenue of \$1.6 billion and net revenue⁽²⁾ of \$1.5 billion were up 2% compared to Q1 2020, higher in all operations. An increase in new and used equipment sales was partly offset by lower product support revenue, mostly due to the impact of COVID-19 restrictions in Chile and Canada.
- SG&A⁽¹⁾ was down by \$11 million or 3% compared to Q1 2020 reflecting savings from global cost and efficiency initiatives. Excluding long-term incentive plan (“LTIP”) expense in Q1 2021 and LTIP benefit in Q1 2020, first quarter SG&A was down \$35 million or 10% year over year.
- South America delivered a strong quarter despite difficult operating conditions due to a second wave of COVID-19 in Chile. Q1 2021 EBIT⁽¹⁾ as a percentage of net revenue⁽²⁾ was 8.6%. Q1 2021 Adjusted ROIC⁽¹⁾⁽²⁾⁽³⁾ was 14.4%, the highest since Q3 2018.
- Subsequent to the quarter, our South American operation received a notice of award from Chilean state-owned copper mining company, Codelco, to deliver new trucks, product support, and an autonomous technology pilot to its mining operations in northern Chile.
- In the UK & Ireland, Q1 2021 backlog⁽²⁾ was at record levels, driven by strong order intake⁽²⁾ in construction, including additional orders for the HS2 project, and a significant backlog of power systems projects for data centre customers.
- Consolidated equipment backlog increased by 57% from December 31, 2020 to \$1.2 billion at March 31, 2021, the highest backlog since Q4 2018. Consolidated order intake was up by 33% from Q4 2020, the highest since Q1 2018, with all operations reporting a significant increase in order intake.
- Q1 2021 free cash flow⁽²⁾ was a use of cash of \$20 million compared to a use of cash of \$50 million in Q1 2020. Over the last twelve months, we have generated \$900 million in free cash flow, significantly strengthening our balance sheet.

“We are encouraged by the build-up of equipment backlog in all our regions and product support activity strengthening through the first quarter. We are seeing strong quoting activity for equipment and product support across all market sectors. In the UK & Ireland, we have secured additional equipment orders for HS2. In South America, we are very pleased to build on our long-term relationship with Codelco to deliver and support the new Caterpillar ultra-class truck fleet at its Radomiro Tomic mine and pilot Caterpillar’s autonomous solution at the Ministro Hales mine. We continued to navigate through COVID-19 restrictions in all our operations to safely provide service to our customers while positioning our business for an improving demand environment. We are optimistic about market recovery gaining momentum in the second half of 2021 as the vaccine rollout ramps up in each of our regions,” said Scott Thomson, president and CEO of Finning International.

“I am confident that we have positioned the business for strong performance going forward. In 2021, we expect to benefit from operating leverage in a recovering market, product support growth in all regions, significant progress towards our mid-cycle target of 17% SG&A as a percentage of net revenue⁽²⁾, and the effective allocation of capital. We expect our business to continue demonstrating improved earnings capacity in the upcoming quarters as we execute on our profitability drivers. Despite slower than anticipated vaccine rollout in Canada and continued challenges related to COVID-19, we expect our 2021 earnings to exceed 2019,” concluded Scott Thomson, president and CEO of Finning International.

Q1 2021 FINANCIAL SUMMARY

Quarterly Overview <i>\$ millions, except per share amounts</i>	Q1 2021	Q1 2020	% change
Revenue	1,596	1,558	2
Net revenue	1,469	1,439	2
EBIT	108	94	15
<i>EBIT as a percentage of net revenue</i>	7.4%	6.6%	
EBITDA ⁽¹⁾⁽²⁾	185	170	9
<i>EBITDA as a percentage of net revenue⁽²⁾</i>	12.6%	11.8%	
Net income	70	54	30
EPS	0.43	0.33	30
Free cash flow	(20)	(50)	60

Q1 2021 EBIT and EBITDA by Operation <i>\$ millions, except per share amounts</i>	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBIT / EPS	69	41	7	(9)	108	0.43
CEWS support	(10)	-	-	-	(10)	(0.05)
Return on investment in Energyst	-	-	-	(5)	(5)	(0.03)
Adjusted EBIT ⁽²⁾⁽³⁾ / Adjusted EPS	59	41	7	(14)	93	0.35
<i>Adjusted EBIT as a percentage of net revenue⁽²⁾⁽³⁾</i>	<i>7.7%</i>	<i>8.6%</i>	<i>3.2%</i>	<i>n/m⁽¹⁾</i>	<i>6.3%</i>	
Adjusted EBITDA ⁽²⁾⁽³⁾	105	61	17	(13)	170	
<i>Adjusted EBITDA as a percentage of net revenue⁽²⁾⁽³⁾</i>	<i>13.6%</i>	<i>12.8%</i>	<i>7.9%</i>	<i>n/m</i>	<i>11.6%</i>	

Q1 2020 EBIT and EBITDA by Operation <i>\$ millions, except per share amounts</i>	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBIT / EPS	60	38	1	(5)	94	0.33
<i>EBIT as a percentage of net revenue</i>	<i>7.9%</i>	<i>7.8%</i>	<i>0.5%</i>	<i>n/m</i>	<i>6.6%</i>	
EBITDA	103	60	11	(4)	170	
<i>EBITDA as a percentage of net revenue</i>	<i>13.7%</i>	<i>12.4%</i>	<i>5.2%</i>	<i>n/m</i>	<i>11.8%</i>	

Q1 2021 INVESTED CAPITAL⁽²⁾ AND ROIC⁽²⁾ SUMMARY

All comparisons are to Q1 2020 results unless indicated otherwise.

- Excluding the impact of foreign exchange, invested capital decreased by \$575 million from March 31, 2020 driven primarily by improved inventory management in all operations and lower property, plant, and equipment.
- Inventory turns⁽²⁾ of 2.83 increased by 26% from Q1 2020 to the highest level since 2012. Working capital to net revenue ratio⁽²⁾ of 25.9% was down by 300 basis points from Q1 2020, driven by significantly improved working capital⁽²⁾ performance in South America and the UK & Ireland.
- Adjusted ROIC in South America was up 220 basis points from Q1 2020, driven by improved working capital performance, including the monetization of excess inventory. On a consolidated basis, lower Adjusted ROIC compared to Q1 2020 reflects challenging market conditions due to COVID-19 impacts.

Invested Capital and ROIC	Q1 2021	Q1 2020
Invested capital (<i>\$ millions</i>)		
Consolidated	3,177	3,883
Canada	1,832	2,093
South America (US dollars)	781	937
UK & Ireland (UK pound sterling)	202	243
Invested capital turnover ⁽²⁾ (<i>times</i>)	1.78	1.83
Working capital to net revenue ratio	25.9%	28.9%
Inventory (<i>\$ millions</i>)	1,593	2,152
Inventory turns (dealership) (<i>times</i>)	2.83	2.25
Adjusted ROIC (%)		
Consolidated	10.0	12.0
Canada	10.8	14.2
South America	14.4	12.2
UK & Ireland	7.6	8.4

Q1 2021 HIGHLIGHTS BY OPERATION

All comparisons are to Q1 2020 results unless indicated otherwise. All numbers are in functional currency: Canada – Canadian dollar; South America – US dollar; UK & Ireland – UK pound sterling (GBP).

Canada

- Net revenue increased by 2%, driven by strong used equipment sales, particularly in mining. In response to improving customer demand and extended lead times for new equipment, we have increased our focus on rebuilds and re-sale of used equipment to capture market recovery.
- Product support revenue declined by 4% due to the continued capital and cost constraints of our customers in the oil sands and softer market conditions in construction at the start of the quarter compared to Q1 2020. Compared to Q4 2020, product support revenue increased by 4%, driven by improved demand and stronger rebuild activity in the construction sectors.
- Rental revenue was down 19% year over year due to work stoppages at certain pipeline and construction sites to mitigate the spread of COVID-19.
- We continued to qualify for CEWS and recognized \$10 million of this wage subsidy in Q1 2021, which is included in other income and excluded from our adjusted earnings. Support from the CEWS program has allowed us to preserve jobs, as well as rehire and retrain our workforce. We have rehired close to 150 technicians since June 2020. Our OEM Remanufacturing facility in Edmonton has returned to a 3-shift operation, and we have been able to continue delivering our apprentice program throughout the pandemic. Our strong financial position is enabling us to make strategic investments early in the recovery cycle, including capacity expansions and the construction of new facilities in partnership with local Indigenous communities.
- Adjusted EBIT as a percentage of net revenue was 7.7%, down 20 basis points compared to Q1 2020 due to a decline in gross profit as a percentage of net revenue mostly from a lower proportion of product support in the revenue mix. SG&A decreased by 7% from Q1 2020 on higher revenues, reflecting cost savings from restructuring activities and improved operating efficiencies.
- 4Refuel delivered strong performance, with a 3% increase in net revenue and a 21% increase in Adjusted EBITDA compared to Q1 2020. We are accelerating revenue synergies between Finning and 4Refuel. As part of 4Refuel's growing relationship with AECON, in addition to equipment, we will be supplying fuel to Kicking Horse Canyon Constructors Joint Venture over the next three years for highway upgrades through the Kicking Horse Canyon in British Columbia.

South America

- Net revenue was up 7% from Q1 2020, driven by a 58% increase in new equipment sales reflecting improved activity in the construction and mining sectors, including deliveries to Teck's QB2 project.
- Product support revenue was down 3%, impacted by COVID-19 restrictions in Chilean mining operations which led to lower copper production in the quarter. Chile copper production in Q1 2021 declined by 2% from Q1 2020 and was down 7% from Q4 2020.
- Despite difficult operating conditions due to a second wave of COVID-19 in Chile, South America delivered a strong quarter. EBIT as a percentage of net revenue was 8.6%, up 80 basis points from Q1 2020, reflecting improved execution to capture growth opportunities and increased operating efficiencies. Adjusted ROIC was 14.4%, the highest since Q3 2018, driven by improved working capital performance, including the sale of excess inventory.
- Subsequent to the quarter, we received a notice of award from Codelco to supply 22 Caterpillar 797F off-highway trucks to the Radomiro Tomic open pit copper mine and support the fleet under a 5-year maintenance and repair contract. We expect to start delivering the trucks in the second half of 2021. In addition, we have secured a 5-year extension of our existing product support contract with Codelco's Ministro Hales copper mine, which operates 39 Caterpillar ultra-class trucks, 6 Caterpillar shovels, and a fleet of Caterpillar support equipment. We will also work closely with Caterpillar and Codelco's Ministro Hales Division to pilot Caterpillar's AHS (Autonomous Haulage System) to enable autonomous operations at the Ministro Hales copper mine.

United Kingdom & Ireland

- Net revenue was up by 2% from Q1 2020, driven by higher product support revenue and power systems project deliveries to data centre customers.
- EBIT as a percentage of net revenue was 3.2% compared to 0.5% in Q1 2020, driven by a shift in revenue mix to product support and improved operating efficiencies.
- The record backlog in the UK & Ireland reflects strong order intake in construction, including additional equipment orders related to HS2, and a significant backlog of power systems projects for data centre customers.

Q1 2021 MARKET UPDATE AND BUSINESS OUTLOOK

The discussion of our expectations relating to the market and business outlook in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading "Forward-Looking Information Caution" at the end of this news release. Actual outcomes and results may vary significantly.

Canada

In the oil sands, our customers are increasing production while remaining disciplined on capital expenditures, which is expected to drive improved demand for rental equipment and increased fleet utilization. We expect higher product support activity in the oil sands in 2021 compared to 2020. Our expectation assumes sustainment of strong oil prices and that the Alberta government will not re-impose oil production curtailments. The improved outlook for copper, precious and base metals is expected to continue supporting increased mining activity in Western Canada. We are actively quoting on multiple requests for proposals for equipment and product support, including projects in the Golden Triangle of British Columbia, which represent significant greenfield opportunities. The large and aging mining equipment population is expected to drive opportunities for future fleet renewals, rebuilds, autonomy conversions, and continued demand for product support. We are also well positioned to help our mining customers reduce cost per ton and improve operating efficiencies through initiatives such as autonomy and leveraging our technology solutions. Approximately 7% of large and ultra-class Caterpillar off-highway trucks operated by our mining customers in Western Canada are currently autonomous, and we expect this ratio to increase to 10% by the end of 2021.

The federal and provincial governments' fiscal stimulus programs are expected to have a positive impact on construction activity as major projects are awarded. Significant private sector investment in LNG and power projects are expected to continue to drive demand for equipment, product support, heavy rentals, and prime and standby electric power generation in 2021. We are seeing an increase in order intake for construction equipment and are capturing increased product support market share in the construction sector by leveraging our rebuild programs and technology solutions. We expect improved utilization of our heavy rental equipment at pipeline construction sites during the second quarter as our customers have resumed work. Although COVID-19 restrictions at customer sites have eased, high infection rates continue to pose a near-term risk given slower than expected vaccine rollout in western Canada.

South America

We remain optimistic about mining recovery in Chile. We are actively quoting on multiple opportunities for new mining equipment and autonomous solutions for both brownfield expansions and greenfield projects. According to Cochilco, the Chilean Copper Commission, Chile's portfolio of mining projects includes about US\$20 billion of investment in brownfield project expansions over the next two years.

In the near term, COVID-19 restrictions are expected to continue to limit the capacity of mining operations. We are monitoring the mining industry's response to a second wave and expect mining product support revenue to recover in the second half of 2021 as customers resume major maintenance work. We reached agreements with our own unions, and we are closely monitoring our customers' upcoming union negotiations.

The outlook for the Chilean construction industry is positive, supported by the government's public investment in infrastructure. We are seeing improved customer activity and order intake in the construction markets in Chile. We continue to monitor the political and economic reform process in Chile leading up to general elections in November 2021.

In Argentina, we expect recovery in construction activity in 2021 and stable activity in gold mining and oil and gas. We expect the overall business environment in Argentina to remain challenging, and are actively managing key risks, including ARS devaluation.

UK & Ireland

The outlook for general construction equipment markets in the UK has improved, driven by optimism about a post-COVID economic recovery, a ramp-up of HS2 construction activity, and the UK government's tax incentives. Our backlog at March 31, 2021 includes £83 million of equipment orders related to HS2, and we expect to start delivering equipment to this project in Q2 2021.

Strong demand for our power systems solutions, particularly in the data centre market, is expected to continue. We expect power systems project deliveries to accelerate in the second half of 2021 and into 2022.

Improved Earnings Capacity in a Recovery

Our overall outlook for 2021 remains positive, underpinned by our strong backlog. We are optimistic about market recovery gaining momentum in the second half of 2021 as the COVID-19 vaccine rollout ramps up in each of our regions. However, we expect 2021 revenue to remain below 2019 levels.

In 2021, we expect to benefit from several profitability drivers, including operating leverage in a recovering market, product support growth in all regions, significant progress towards our mid-cycle SG&A target, and effective allocation of capital. Despite slower than anticipated vaccine rollout in Canada and continued challenges related to COVID-19, we expect our 2021 earnings to exceed 2019.

We expect to deliver strong annual free cash flow in 2021. However, with increased inventory purchases and related cash usage, our annual EBITDA to free cash flow conversion⁽²⁾ is projected to be modestly below 50% for the year.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of \$0.205 per share, payable on June 10, 2021 to shareholders of record on May 27, 2021. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Renewal of Share Repurchase Program

We have received approval from the Toronto Stock Exchange ("TSX") to renew our normal course issuer bid ("NCIB") to purchase for cancellation up to 8,000,000 of our common shares, representing approximately 5% of the total common shares issued and outstanding of 162,393,066 common shares as at May 7, 2021.

The NCIB, which will begin on May 13, 2021 and end no later than May 12, 2022, will be conducted through the facilities of the TSX or other Canadian marketplaces or alternative trading systems, if eligible, and will conform to their rules and regulations.

Our Board of Directors believe that, from time to time, the purchase by Finning of its common shares represents a desirable use of its available cash to increase shareholder value.

The average daily trading volume of our common shares over the six-month period ending April 30, 2021, as calculated in accordance with TSX rules, was 385,026 common shares. Consequently, under TSX rules, we will be allowed to purchase daily, through the facilities of the TSX, a maximum of 96,256 common shares representing 25% of such average daily trading volume, subject to certain exceptions for block purchases. All shares purchased pursuant to the normal course issuer bid will be cancelled.

Purchases under the normal course issuer bid will be made by means of open market transactions or such other means as the TSX may permit. The price to be paid by Finning for any common share will be the market price at the time of acquisition, plus brokerage fees, or such other price as the TSX may permit.

Under the current NCIB, which expires on May 10, 2021, we obtained approval to purchase up to 8,000,000 common shares. We did not purchase any common shares under the current NCIB.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

<i>\$ millions, except per share amounts</i>	Three months ended March 31		
	2021	2020	% change fav (unfav)
New equipment	403	353	14
Used equipment	103	68	51
Equipment rental	45	53	(15)
Product support	887	934	(5)
Net fuel and other	31	31	-
Net revenue	1,469	1,439	2
Gross profit	407	418	(3)
<i>Gross profit as a percentage of net revenue⁽²⁾</i>	27.7%	29.1%	
SG&A	(314)	(325)	3
<i>SG&A as a percentage of net revenue</i>	(21.4)%	(22.6)%	
Equity earnings of joint ventures	-	1	
Other income	15	-	
EBIT	108	94	15
<i>EBIT as a percentage of net revenue</i>	7.4%	6.6%	
Adjusted EBIT	93	94	(2)
<i>Adjusted EBIT as a percentage of net revenue</i>	6.3%	6.6%	
Net income	70	54	30
Basic EPS	0.43	0.33	30
Adjusted EPS	0.35	0.33	6
EBITDA	185	170	9
<i>EBITDA as a percentage of net revenue</i>	12.6%	11.8%	
Adjusted EBITDA	170	170	-
<i>Adjusted EBITDA as a percentage of net revenue</i>	11.6%	11.8%	
Free cash flow	(20)	(50)	60
	Mar 31, 2021	Dec 31, 2020	
Invested capital	3,177	3,067	
Invested capital turnover (times)	1.78	1.68	
Net debt to EBITDA ratio ⁽²⁾	1.3	1.2	
Net debt to Adjusted EBITDA ratio ⁽²⁾⁽³⁾	1.5	1.4	
ROIC	12.5%	11.4%	
Adjusted ROIC	10.0%	9.6%	

To access Finning's complete Q1 2021 results in PDF, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q1 2021 INVESTOR CALL

The Company will hold an investor call on May 11, 2021 at 10:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The investor call will be webcast live and archived for three months. The webcast and accompanying presentation can be accessed at https://www.finning.com/en_CA/company/investors.html.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers for 88 years. Finning sells, rents, and provides parts and service for equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in Western Canada, Chile, Argentina, Bolivia, the United Kingdom and Ireland.

CONTACT INFORMATION

Amanda Hobson
Senior Vice President, Investor Relations and Treasury
Phone: 604-331-4865
Email: amanda.hobson@finning.com
<https://www.finning.com>

FOOTNOTES

- (1) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); not meaningful (n/m).
- (2) These financial metrics, referred to as “non-GAAP financial measures”, do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” in the Company's Q1 2021 management discussion and analysis (MD&A). Management believes that providing certain non-GAAP financial measures provides users of the Company's MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS financial measures (where available) set out in the MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS financial measures alone.
- (3) Certain financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5 and 24-25 of the MD&A. The financial metrics that have been adjusted to take into account these items are referred to as “Adjusted” metrics.

FORWARD-LOOKING INFORMATION CAUTION

This news release contains information that is forward-looking. Information is forward-looking when we use what we know and expect today to give information about the future. In particular, the discussion under the heading “Q1 2021 Market Update and Business Outlook” section of this news release is forward-looking information and is subject to this disclaimer including the assumptions and material risk factors referred to below. Forward-looking information in this news release includes, but is not limited to, the following: our expectations to start delivering trucks to Codelco’s Radomiro Tomic copper mine in the second half of 2021 and related to piloting Caterpillar’s AHS technology to enable autonomous operations at Codelco’s Ministro Hales copper mine; that we are optimistic about market recovering gaining momentum in the second half of 2021 (based on our assumption about COVID-19 vaccine rollout ramping up in each of our regions); that we have positioned the business for strong performance going forward; our expectation that in 2021 we will benefit from operating leverage in a recovering market, product support growth in all regions, significant progress towards our mid-cycle target of 17% SG&A as a percentage of net revenue, and the effective allocation of capital; our expectation that our business will continue demonstrating improved earnings capacity in the upcoming quarters as we execute on our profitability drivers; our expectation that our 2021 earnings will exceed 2019; our supply, through 4Refuel, of fuel to Kicking Horse Canyon Constructors Joint Venture over the next three years for highway upgrades through the Kicking Horse Canyon in British Columbia; the Canadian income tax treatment of the quarterly dividend; and potential purchases of our common shares under our normal course issuer bid. All such forward-looking statements are made pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless we indicate otherwise, forward-looking information in this news release reflects our expectations at the date in this news release. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on a number of assumptions. This gives rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking information and that our business outlook, objectives, plans, strategic priorities and other information that is not historical fact may not be achieved. As a result, we cannot guarantee that any forward-looking information will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the impact and duration of the COVID-19 pandemic and measures taken by governments and businesses in response; general economic and market conditions and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; the impact of changes in the UK’s trade relationship with the European Union as a result of Brexit; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary regulatory or other approvals, and secure financing on attractive terms or at all; our ability to manage our growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to reduce costs in response to slowing activity levels; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to raise the capital needed to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and our ability to protect our business from cybersecurity threats or incidents, and with respect to our normal course issuer bid, our share price from time to time and our decisions about use of capital. Forward-looking information is provided in this news release for the purpose of giving information about management’s current expectations and plans and allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information made in this news release is based on a number of assumptions that we believed were reasonable on the day the information was given, including but not limited to the specific assumptions stated above; that we will be able to successfully manage our business through the current challenging times involving the effects of the COVID-19 response and low and/or volatile commodity prices and successfully implement our COVID-19 risk

management plans; An undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that our cost actions to drive earnings capacity in a recovery can be sustained; that commodity prices will remain at constructive levels; that our customers will not curtail their increasing capital expenditures; that general economic and market conditions will improve; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; our ability to successfully execute our plans and intentions; our ability to attract and retain skilled staff; market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; that identified opportunities for growth will result in revenue; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment and that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries particularly in Chile and the UK. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this news release are discussed in our current AIF and in our annual MD&A for the financial risks, including for updated risks related to the COVID-19 pandemic.

We caution readers that the risks described in the AIF and in the annual and most recent quarterly MD&A are not the only ones that could impact the Company. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our services, due in part to the uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the steps our customers and suppliers may take in current circumstances, including slowing or halting operations, the duration of travel and quarantine restrictions imposed by governments of affected countries and other steps that may be taken by such governments to respond to the pandemic. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.