



Finning hosts investor day and tour and provides an update on strategic priorities and growth outlook

VANCOUVER, British Columbia , Sept. 26, 2023 -- Finning International Inc. (TSX: FTT) (“Finning”, “the Company”, “we”, “our” or “us”) is hosting its Investor Day on September 26, 2023 in Antofagasta, Chile starting at 7:30 AM Eastern Time. To participate in our 2023 Investor Day virtually, please register for the [webcast](#). Following presentations by our leadership team, participants will have an opportunity to ask questions. If you are participating virtually, please use the Q&A function on the [webcast portal](#). The video webcast and the presentation slides will be archived on our [website](#) following the live event.

“We are pleased to welcome investors and analysts to the Antofagasta mining region in Chile. We look forward to introducing our global leadership team and refreshed strategy, as well as demonstrating our strong local leadership and capabilities in this exciting growth region.

We have significantly exceeded our 2021 Investor Day Plan. The strong operational execution by this management team has transformed our return on invested capital and earnings capacity today and for the future. Our refreshed strategy will build upon this success and will focus on the following priorities: drive product support, full-cycle resilience, and sustainable growth,” said Kevin Parkes, president and CEO of Finning International.

Drive product support

Our product support business is our key value driver and remains by far the largest opportunity for resilient, profitable growth. We are working to capture an even greater share of the product support opportunity across the full asset life cycle through further penetration of customer value agreements, expanding our rebuild business, and continuing to strategically grow our equipment population. On a consolidated basis, we are targeting greater than 7% compounded annual growth of our product support revenue from the last twelve months ended Q2 2023 through 2025.

Full-cycle resilience

Having a lower and more flexible cost and invested capital base are critical enablers of greater earnings consistency. We have made excellent progress reducing our cost base and are pleased with our SG&A ⁽¹⁾ as a percentage of net revenue ⁽²⁾ reaching 17% over the last twelve months ended Q2 2023. This is an area of continuous improvement, and we are well on our way to reducing our SG&A as a percentage of net revenue below 17% in a steady growth environment. Our immediate top priority is to increase our invested capital turns while concurrently improving customer service levels. This will be achieved through a combination of systematic improvements in working capital velocity as supply chain normalizes, as well as optimizing lower ROIC ⁽¹⁾ activities. We are targeting invested capital turns ⁽²⁾ of 2.3 to 2.5 times by the end of 2025. In a steady growth environment, we expect our invested capital ⁽²⁾ improvement plan to unlock more than \$450 million of capital.

Sustainable growth

As we reinvest in our business, we will continue to grow product support and place a greater emphasis on capturing attractive opportunities in the used, rental, and power systems segments. Growth in these segments is supported by strong mega trends, and we are optimally positioned in our territories to benefit from these large addressable markets. We are building our capabilities in these areas and see opportunities to deploy capital with attractive returns through 2025 and beyond.

“All these elements of our go-forward strategy are integrated and critical to our long-term success. Product support is our most profitable business and the foundation of our full-cycle resilience. Growing the resilient and strategically important used, rental, and power segments will also increase our equipment population to help us drive even greater product support growth. As we execute on our refreshed strategy, we expect our full-cycle ROIC ⁽²⁾ to increase significantly from historical levels to the 18% to 25% range.

Importantly, our people are our biggest competitive advantage. We will continue to foster a safe, secure and prosperous place to work, and empower our employees to build long-term customer loyalty. We look forward to many of you having the chance to meet and interact with our great people in Chile over the next three days,” concluded Mr. Parkes.

About Finning

Finning is the world's largest Caterpillar dealer, delivering unrivalled service to customers for 90 years. Headquartered in Surrey, British Columbia, we provide Caterpillar equipment, parts, services, and performance solutions in Western Canada, Chile, Argentina, Bolivia, the United Kingdom, and Ireland.

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Outlook Assumptions

In preparing the above outlook, we have made the following assumptions for 2024 and 2025: the average price of crude oil

(West Texas Intermediate) of over US\$65 per barrel, the average price of copper of over US\$3.00 per pound, and GDP (gross domestic product) growth in each of our regions of more than 1%. See also the "Forward-Looking Information Disclaimer" section of this news release for additional assumptions, risks and uncertainties related to our outlook.

Forward-Looking Information Disclaimer

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. All forward-looking information in this news release is subject to this disclaimer including the assumptions referred to above under the heading Outlook Assumptions and 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 strategy to focus on driving product support, full-cycle resilience, and sustainable growth; our expectation for greater than 7% compounded annual growth of our consolidated product support revenue from the last twelve months ended Q2 2023 through 2025, and our plans to capture a greater share of the product support opportunity across the full asset life cycle through further penetration of customer value agreements (CVAs), expanding our rebuild business, and continuing to strategically grow our equipment population (assumes aftermarket share growth across all sectors, an expanded and maturing equipment population with high utilization, increasing rebuild demand, our ability to successfully increase CVAs and our capacity and capabilities, including digital capabilities, and effective price management); our target of below 17% SG&A as a percentage of net revenue in a steady growth environment; our plans to enable greater earnings consistency through a lower and more flexible cost and invested capital base; our target for invested capital turns of 2.3 to 2.5 times by the end of 2025, including through systematic improvements in working capital velocity as supply chain normalizes and optimizing lower ROIC activities; our expectations for our invested capital improvement plan to unlock more than \$450 million of capital in a steady growth environment (assumes our ability to continue lowering fixed overhead costs, greater penetration of product support contracts, our ability to successfully execute on our invested capital velocity improvement plans, and growth in demand in resilient segments: product support, used equipment and power); our plans for sustainable growth, including our expectation to continue growing product support through a greater emphasis on capturing attractive opportunities in the used, rental, and power systems segments, and our belief that we are optimally positioned and have opportunities to deploy capital in these areas with attractive returns through 2025 and beyond (assumes that the megatrends supporting these areas and customer demand will continue, and our ability to successfully build our capabilities and execute on opportunities in used, rental and power); and our expectation for a full-cycle ROIC target range of 18-25% (assumes our ability to successfully execute on our strategic initiatives and plans). All such forward-looking information is provided 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 of 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 specific factors stated above; the impact and duration of, and our ability to respond to and manage, high inflation, increasing interest rates, supply chain challenges, and the impacts of the Russia-Ukraine war; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; the outcome and impact of the upcoming election cycle in Argentina; government approvals of large-scale brownfield expansions; the constitutional reform process and tax reform bill in Chile; foreign exchange rates; commodity prices; interest rates; 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 increasing invested capital turns and improving customer service levels; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies from businesses that we acquire; our ability to deliver our equipment backlog; 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 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 maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement our business plan; business disruption resulting from business process change, systems change and organizational change; regulatory initiatives or proceedings, litigation and changes in laws, regulations or policies, including with respect to environmental protection, climate change and/or the energy transition; 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 availability of carbon neutral technology or renewable power; the cost of climate change initiatives; the occurrence of one or more natural disasters, pandemic outbreaks/resurgence, geo-political events, acts of terrorism, social unrest or similar disruptions; 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; and 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. Forward-looking information is provided in this news release to give information about our current expectations and plans and allow

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 provided in this news release is based on a number of assumptions that we believed were reasonable on the day the information was given, including the assumptions referred to above under the heading Outlook Assumptions, and including: the specific assumptions stated above; that we will be able to successfully manage our business through volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our strategies to drive product support, achieve full cycle resilience (based on assumptions that steps to reduce overhead, drive productivity and optimize working capital while supporting strong business growth will be successful and sustainable) and sustainable growth (based on assumptions that we will be able to grow product support in used, rental, and power systems segments); that commodity prices will remain at constructive levels; continued growth in demand for copper, improving political clarity, government approvals of large-scale brownfield expansions, and increasing customer confidence to invest in Chile; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that support and demand for renewable energy will continue to grow; that present supply chain and inflationary challenges will not materially impact large project deliveries in our equipment backlog; our ability to successfully execute our plans and intentions; our ability to attract and retain skilled staff; market competition will remain at similar levels; identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained and that Caterpillar and such other suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; and strong recoveries in the regions that we operate. Some of the assumptions, risks, and other factors, which could cause results to differ materially from those expressed in the forward-looking information contained in this news release, are discussed in our current AIF and in our annual and most recent quarterly MD&A for the financial risks. We caution readers that the risks described in the annual and most recent quarterly MD&A and in the AIF are not the only ones that could impact us. 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 operations.

Description of Specified Financial Measures and Reconciliations

Specified Financial Measures

We believe that certain specified financial measures, including non-GAAP ⁽¹⁾ financial measures, provide users of our news release with important information regarding the operational performance and related trends of our business. The specified financial measures we use do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Accordingly, specified financial measures should not be considered as a substitute or alternative for financial measures determined in accordance with GAAP (GAAP financial measures). By considering these specified financial measures in combination with the comparable GAAP financial measures (where available) we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they simply considered the GAAP financial measures alone.

Descriptions and components of the specified financial measures we use in this news release are set out below. Where applicable, quantitative reconciliations from certain specified financial measures to their most directly comparable GAAP financial measures (specified, defined, or determined under GAAP and used in our consolidated financial statements) are also set out below.

Invested Capital

Invested capital is calculated as net debt plus total equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. We use invested capital as a measure of the total cash investment made in Finning and each reportable segment. Invested capital is used in a number of different measurements (ROIC and invested capital turnover) to assess financial performance against other companies and between reportable segments.

Invested Capital Turnover

We use invested capital turnover to measure capital efficiency. Invested capital turnover is calculated as net revenue for the last twelve months divided by average invested capital of the last four quarters.

Net Revenue and SG&A as a % of Net Revenue

Net revenue is defined as total revenue less the cost of fuel related to the mobile refuelling operations in our Canadian operations. As these fuel costs are pass-through in nature for this business, we view net revenue as more representative than revenue in assessing the performance of the business because the rack price for the cost of fuel is fully passed through to the customer and is not in our control. For our South American and UK & Ireland operations, net revenue is the same as total revenue.

We use these specified financial measures to assess and evaluate the financial performance or profitability of our reportable segments.

SG&A as a % of net revenue is calculated as SG&A divided by net revenue. The most directly comparable GAAP financial

measure to net revenue is total revenue. Net revenue is calculated as follows:

3 months ended (\$ millions)	2023		2022	
	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	2,779	2,380	2,653	2,384
Cost of fuel	(220)	(236)	(285)	(277)
Net revenue	2,559	2,144	2,368	2,107

ROIC and Adjusted ROIC

ROIC is defined as EBIT for the last twelve months divided by average invested capital of the last four quarters, expressed as a percentage.

We view ROIC as a useful measure for capital allocation decisions that drive profitable growth and attractive returns to shareholders.

- (1) Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); generally accepted accounting principles (GAAP).
- (2) See "Description of Specified Financial Measures and Reconciliations" above.