

## Finning reports Q1 2023 results

**Vancouver, B.C.** – Finning International Inc. (TSX: FTT) (“Finning”, the “Company”, “we”, “our” or “us”) reported first quarter 2023 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

### HIGHLIGHTS

All comparisons are to Q1 2022 results unless indicated otherwise.

- Q1 2023 EPS <sup>(1)</sup> was \$0.89, up 51% from Q1 2022, driven by revenue growth and expanded operating margins. We took several actions in Q1 2023 to simplify our operating model described on page 9. These actions had no net impact on Q1 2023 EPS.
- Q1 2023 revenue of \$2.4 billion and net revenue <sup>(2)</sup> of \$2.1 billion were up 22% and 23%, respectively, from Q1 2022, led by a 27% increase in product support revenue and 18% higher new equipment sales. We continue to hire technicians and increase our workshops' capacity to support growing product support volumes.
- Q1 2023 EBIT <sup>(1)</sup> was \$239 million. Excluding the significant items described on page 9, Q1 2023 Adjusted EBIT <sup>(3)(4)</sup> was \$216 million, up 54% from Q1 2022.
- All regions delivered solid operating leverage. Q1 2023 Adjusted EBIT as a percentage of net revenue <sup>(2)(4)</sup> was 11.3% in Canada, 11.5% in South America, and 5.7% in the UK & Ireland.
- Q1 2023 Adjusted ROIC <sup>(1)(2)(4)</sup> increased to 19.7%, up 270 basis points from Q1 2022.
- Consolidated equipment backlog <sup>(2)</sup> increased 6% from December 31, 2022, to \$2.7 billion at March 31, 2023.
- Quarterly dividend was raised by 6% to \$0.25 per share, marking 22 years of consecutive dividend growth.

“Q1 2023 was another great quarter for Finning. Our team once again executed well enabling us to expand operating margins and drive continued improvement of our Adjusted return on invested capital, which is approaching 20%. The combination of our expanding installed equipment base and execution of our product support strategy drove strong product support revenue growth this quarter which was the largest contributor to our strong earnings growth.

In recent months, we have engaged with our leaders to simplify and prioritize our strategy, which will focus on growth by design, full cycle resilience, and empowerment of our regional teams to continue delivering excellent results for our customers. As we reinvest in our business, we will be intentional in targeting and capturing addressable market opportunities, placing continued emphasis on growing share in our aftermarket business, as well as greater focus on attractive opportunities in used equipment, rental, and power systems segments. We will also continue building full cycle resilience into our operations. We took several actions in the first quarter to streamline our operating model and reduce our corporate overhead costs, and we will continue driving productivity improvements, making our cost base more variable, and growing resilient segments of our business so we can deliver strong performance through all market conditions.

Business activity levels and customer confidence remain strong. We are pleased to see a further increase in our equipment backlog, service work in progress, and book of rebuilds as we continue to execute and build on our strong momentum.” said Kevin Parkes, president and CEO.

## Q1 2023 FINANCIAL SUMMARY

(\$ millions, except per share amounts)	Three months ended March 31		
	2023	2022	% change fav <sup>(1)</sup> (unfav) <sup>(1)</sup>
New equipment	624	527	18%
Used equipment	92	79	17%
Equipment rental	75	65	16%
Product support	1,308	1,027	27%
Fuel and other	281	255	10%
Revenue	2,380	1,953	22%
Net revenue	2,144	1,736	23%
Gross profit	622	490	27%
<i>Gross profit as a percentage of net revenue</i> <sup>(2)</sup>	<b>29.0%</b>	28.2%	
SG&A <sup>(1)</sup>	(407)	(351)	(16)%
<i>SG&amp;A as a percentage of net revenue</i> <sup>(2)</sup>	<b>(19.0)%</b>	(20.2)%	
Equity earnings of joint ventures	1	1	
Other income	41	—	
Other expenses	(18)	—	
EBIT	239	140	70%
<i>EBIT as a percentage of net revenue</i> <sup>(2)</sup>	<b>11.2%</b>	8.1%	
Adjusted EBIT	216	140	54%
<i>Adjusted EBIT as a percentage of net revenue</i>	<b>10.1%</b>	8.1%	
Net income attributable to shareholders of Finning	134	92	45%
EPS	0.89	0.59	51%
Adjusted EPS <sup>(2)</sup>	0.89	0.59	51%
Free cash flow <sup>(3)</sup>	(245)	(303)	19%

Q1 2023 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	126	74	15	24	239	0.89
Gain on wind up of foreign subsidiaries	—	—	—	(41)	(41)	(0.21)
Severance costs	4	7	2	5	18	0.09
Withholding tax on repatriation of profits	—	—	—	—	—	0.12
Adjusted EBIT / Adjusted EPS <sup>(3)(4)</sup>	130	81	17	(12)	216	0.89
<i>Adjusted EBIT as a percentage of net revenue</i> <sup>(2)(4)</sup>	<b>11.3%</b>	<b>11.5%</b>	<b>5.7%</b>	<i>n/m</i>	<b>10.1%</b>	

Q1 2022 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	80	65	14	(19)	140	0.59
<i>EBIT as a percentage of net revenue</i>	9.1%	11.4%	5.0%	<i>n/m</i>	8.1%	

## QUARTERLY KEY PERFORMANCE MEASURES

	2023				2022				2021
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBIT (\$ millions)	<b>239</b>	214	224	190	140	157	150	137	108
Adjusted EBIT (\$ millions)	<b>216</b>	214	224	190	140	157	150	137	93
EBIT as a % of net revenue									
Consolidated	<b>11.2%</b>	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%	7.4%
Canada	<b>11.0%</b>	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%	8.9%
South America	<b>10.5%</b>	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%
UK & Ireland	<b>5.1%</b>	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%
Adjusted EBIT as a % of net revenue									
Consolidated	<b>10.1%</b>	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%	6.3%
Canada	<b>11.3%</b>	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%	7.7%
South America	<b>11.5%</b>	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%
UK & Ireland	<b>5.7%</b>	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%
EPS	<b>0.89</b>	0.89	0.97	0.80	0.59	0.66	0.61	0.56	0.43
Adjusted EPS <sup>(4)</sup>	<b>0.89</b>	0.89	0.97	0.80	0.59	0.66	0.61	0.56	0.35
Invested capital <sup>(2)</sup> (\$ millions)	<b>4,545</b>	4,170	4,358	4,076	3,777	3,326	3,335	3,277	3,177
ROIC <sup>(2)</sup> (%)									
Consolidated	<b>20.2%</b>	18.7%	18.3%	17.5%	17.0%	16.8%	15.6%	15.3%	12.5%
Canada	<b>19.4%</b>	18.7%	18.2%	17.4%	17.4%	17.5%	16.5%	17.0%	15.6%
South America	<b>24.0%</b>	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%	12.3%
UK & Ireland	<b>17.0%</b>	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%	6.5%
Adjusted ROIC									
Consolidated	<b>19.7%</b>	18.7%	18.3%	17.5%	17.0%	16.4%	14.7%	13.3%	10.0%
Canada	<b>19.6%</b>	18.7%	18.2%	17.4%	17.4%	16.9%	15.3%	14.0%	10.8%
South America	<b>24.6%</b>	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%	14.4%
UK & Ireland	<b>17.4%</b>	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%	7.6%
Invested capital turnover <sup>(2)</sup> (times)	<b>2.01</b>	2.01	1.96	2.00	2.03	2.04	2.01	1.93	1.78
Inventory (\$ millions)	<b>2,710</b>	2,461	2,526	2,228	2,101	1,687	1,627	1,643	1,593
Inventory turns (dealership) <sup>(2)</sup> (times)	<b>2.51</b>	2.61	2.52	2.50	2.66	3.09	3.09	2.84	2.83
Working capital to net revenue <sup>(2)</sup>	<b>28.0%</b>	27.4%	27.1%	25.1%	23.8%	22.9%	23.0%	24.0%	25.9%
Free cash flow (\$ millions)	<b>(245)</b>	332	(57)	(142)	(303)	148	176	(4)	(20)
Net debt to Adjusted EBITDA <sup>(1)</sup> ratio <sup>(2)(4)</sup> (times)	<b>1.7</b>	1.6	1.8	1.8	1.6	1.1	1.3	1.4	1.5

## Q1 2023 HIGHLIGHTS BY OPERATION

All comparisons are to Q1 2022 results unless indicated otherwise. All numbers, except ROIC, are in functional currency: Canada – Canadian dollar; South America – USD; UK & Ireland – UK pound sterling (GBP). These variances and ratios for South America and UK & Ireland exclude the foreign currency translation impact from the CAD relative to the USD and GBP, respectively, and are therefore considered to be specified financial measures. We believe the variances and ratios in functional currency provide meaningful information about operational performance of the reporting segment.

### Canada Operations

- Net revenue increased by 30% from Q1 2022, with broad-based strength across all lines of business.
- New equipment sales were up 52%, driven by mining deliveries and higher volumes in the construction and power systems sectors.
- Product support revenue increased by 26%, led by mining, including increasing rebuild activity.
- Excluding severance costs described on page 9, Adjusted EBIT was up 62% compared to Q1 2022 and Adjusted EBIT as a percentage of net revenue was up 220 basis points to 11.3%. SG&A as a percentage of net revenue declined from Q1 2022.
- Canada's Adjusted ROIC approached 20% in Q1 2023.

### South America Operations

- Net revenue increased by 16% from Q1 2022, driven primarily by mining product support.
- New equipment sales were up 8% from Q1 2022 due to higher sales to large contractors supporting mining operations and infrastructure construction in Chile.
- Product support revenue was up 19%, driven by increased demand for component exchanges, equipment overhauls, and fleet maintenance in mining, and higher volumes from new mining product support contracts in Chile.
- We have accelerated productivity initiatives to offset inflationary cost increases. As a result, 120 non-revenue generating managerial and administrative positions are being eliminated. In addition, we have reduced contractor positions and increased utilization of our shared services center in Uruguay.
- Excluding severance costs described on page 9, Adjusted EBIT was up 17% compared to Q1 2022, in line with revenue growth. Adjusted EBIT as a percentage of net revenue of 11.5% was slightly higher than Q1 2022.
- South America generated Adjusted ROIC approaching 25% in Q1 2023.

### UK & Ireland Operations

- Net revenue was up 5% from Q1 2022 as growth in product support more than offset lower new equipment sales. Product support revenue was up 36%, driven primarily by increased activity in construction and the full quarter of contribution from Hydraquip <sup>(1)</sup>, which was acquired in March 2022.
- New equipment sales decreased by 13% due to lower sales in construction, including lower HS2 deliveries compared to last year. In power systems, new equipment sales exceeded Q1 2022.
- Excluding severance costs described on page 9, Adjusted EBIT increased by 19% from Q1 2022 and Adjusted EBIT as a percentage of net revenue increased by 70 basis points to 5.7%, reflecting a higher proportion of product support in the revenue mix and operating leverage.

## Corporate and Other Items

- Excluding significant items described on page 9, corporate Adjusted EBIT loss was \$12 million in Q1 2023 compared to an EBIT loss of \$19 million in Q1 2022 primarily due to lower LTIP expense.
- We streamlined our corporate overhead costs by reducing non-revenue generating full-time and contractor roles globally by over 400 people, including a 25% reduction of vice president and above positions globally.
- The Board of Directors has approved a 6% increase in the quarterly dividend to \$0.25 per share from \$0.236 per share, payable on June 8, 2023, to shareholders of record on May 25, 2023. 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 NCIB to purchase for cancellation up to 14,900,895 of our common shares, representing 10% of our public float of 149,008,958 common shares as at April 30, 2023. As at April 30, 2023, Finning had a total of 149,311,782 common shares issued and outstanding.

The NCIB, which will begin on May 13, 2023 and end no later than May 12, 2024, will be conducted through the facilities of the TSX or other Canadian alternative trading systems, if eligible, and will conform to their rules and regulations.

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

The average daily trading volume of our common shares over the six-month period ending April 30, 2023, as calculated in accordance with TSX rules, was 375,579 common shares. Consequently, under TSX rules, we will be allowed to purchase daily, through the facilities of the TSX, a maximum of 93,894 common shares representing 25% of such average daily trading volume, subject to certain exceptions for block purchases. All shares purchased pursuant to our NCIB will be cancelled.

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

In connection with the NCIB, we will enter into an automatic share purchase plan ("ASPP") with a designated broker. The ASPP will allow for the purchase of shares under the NCIB at times when we would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary self-imposed blackout restrictions.

The ASPP will provide a set of standard instructions to the designated broker to make purchases under the NCIB in accordance with the limits and other terms set out in the ASPP. The designated broker will determine the timing of these purchases in its sole discretion based on purchasing parameters set by us and subject to the rules of the TSX, applicable securities laws, and the terms of the ASPP. The ASPP has been pre-cleared by the TSX and will be implemented as of May 15, 2023. All purchases made under the ASPP will be included in computing the number of shares purchased and cancelled by us under the NCIB. Outside of pre-determined blackout periods, shares may be purchased under the NCIB based on management's discretion, in compliance with TSX rules, and applicable securities laws.

Under the current NCIB, which expires on May 12, 2023, we obtained approval to purchase up to 8,000,000 common shares. As of April 30, 2023, Finning purchased and cancelled 7,047,291 common shares under the current NCIB on the open market through the facilities of the TSX and other alternative Canadian trading systems at a volume weighted average price paid of \$30.83 per common share (excluding commissions).

## **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 Operations**

Our outlook for Western Canada is positive, supported by healthy order activity, record backlog, and continued strong demand for product support across all sectors.

In the mining and energy sectors, constructive commodity prices and improved capital budgets are driving investment in renewal of aging fleets and product support opportunities, including growing demand for component remanufacturing and equipment rebuilds. We are pleased to have received an order from Artemis Gold for the previously announced mining equipment package valued at \$134 million, which is expected to be fully included in our Q2 2023 backlog.

In the construction sector, federal and provincial governments’ infrastructure programs and private sector investments in power projects are expected to continue driving healthy demand for construction equipment and product support, rentals, and prime and standby electric power generation.

In the power systems sector, activity levels and order intake from energy customers remain strong, with a continued increase in backlog in Q1 2023 to the highest levels since 2014.

### **South America Operations**

Our outlook for Chile mining remains strong, supported by increasing demand for copper, constructive copper price, and improving political clarity. We are encouraged by the recent government approvals for large-scale brownfield expansions. We are seeing increasing customer confidence for re-investment into existing fleets as well as brownfield and greenfield projects, and we are encouraged by an increase in quoting and request for proposal activity. We also expect continued strong demand for mining product support and technology solutions.

In the construction sector, we continue to see strong demand from large contractors supporting mining operations, particularly in product support. About half our construction business in Chile is related to the mining sector. We now expect infrastructure construction activity in Chile to remain stable compared to 2022 levels.

In the power systems sector, order activity and order intake remain strong, and our backlog includes additional orders for large-scale data centre projects in Chile secured in Q1 2023. We are well positioned to benefit from future opportunities in the growing data centre market.

In Argentina, activity in construction, oil and gas, and mining is expected to remain stable, with significant growth potential and investment in lithium and oil and gas projects contingent on the long-term political and economic climate. We expect high inflation, currency restrictions, and new import regulations to continue impacting our business in Argentina as we manage through the 2023 election process and the challenging fiscal, regulatory, and currency environments.

### **UK & Ireland Operations**

In the construction sector, order activity remains stable and demand for equipment has been resilient to start the year. With deliveries to HS2 largely completed, we expect lower construction new equipment sales in the UK in 2023 compared to 2022. Demand for product support is expected to remain strong, driven by high machine utilization across construction markets and growing contribution from Hydraquip.

We expect continued strong demand for our power systems business in the UK & Ireland, including in the data centre market. We have a solid backlog of power systems projects for delivery in 2023, and we have secured additional orders from data centre customers in Q1 2023 for 2024 delivery.

## **Executing and Building on Strong Momentum**

We are seeing positive momentum in our business, led by increasing confidence and capital spending from our customers. We are encouraged by healthy order intake and backlog build into 2024, as well as strong demand for parts, service, and rebuilds. All our operations continue to hire technicians and build our product support capabilities to capture market growth and share in a disciplined manner.

Looking ahead, we are optimistic about 2023 and expect continued momentum in our business to be underpinned by our record equipment backlog and the successful execution of our product support growth strategy, including increasing rebuild activity.

To access Finning's complete Q1 2023 results, please visit our website at [https://www.finning.com/en\\_CA/company/investors.html](https://www.finning.com/en_CA/company/investors.html)

### **Q1 2023 INVESTOR CALL**

The Company will hold an investor call on May 9, 2023 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](https://www.finning.com/en_CA/company/investors.html)

### **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.

### **CONTACT INFORMATION**

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## **Description of Specified Financial Measures and Reconciliations**

### **Specified Financial Measures**

We believe that certain specified financial measures, including non-GAAP<sup>(1)</sup> financial measures, provide users of our Earnings 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.

We use KPIs to consistently measure performance against our priorities across the organization. Some of our KPIs are specified financial measures.

There may be significant items that we do not consider indicative of our operational and financial trends, either by nature or amount. We exclude these items when evaluating our operating financial performance. These items may not be non-recurring, but we believe that excluding these significant items from GAAP financial measures provides a better understanding of our financial performance when considered in conjunction with the GAAP financial measures. Financial measures that have been adjusted to take these significant items into account are referred to as "Adjusted measures". Adjusted measures are specified financial measures and are intended to provide additional information to readers of the Earnings Release.

Descriptions and components of the specified financial measures we use in this Earnings 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.

### **Adjusted EPS**

Adjusted EPS excludes the after-tax per share impact of significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred. The after-tax per share impact of significant items is calculated by dividing the after-tax amount of significant items by the weighted average number of common shares outstanding during the period.

A reconciliation between EPS (the most directly comparable GAAP financial measure) and Adjusted EPS can be found on page 10 of this Earnings Release.

### **Adjusted EBIT and Adjusted EBITDA**

Adjusted EBIT and Adjusted EBITDA exclude items that we do not consider to be indicative of operational and financial trends, either by nature or amount, to provide a better overall understanding of our underlying business performance.

Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP financial measure to Adjusted EBITDA and Adjusted EBIT is EBIT.

Significant items identified by management that affected our results were as follows:

- In Q1 2023, we executed various transactions to simplify and adjust our organizational structure. We wound up two wholly owned subsidiaries, recapitalized and repatriated \$170 million of profits from our South American operations, and incurred severance costs in each region as we reduced corporate overhead costs and simplified our operating model. As a result of these activities, our Q1 2023 financial results were impacted by significant items that we do not consider indicative of operational and financial trends:
  - Net foreign currency translation gain and income tax expense were reclassified to net income on the wind up of foreign subsidiaries;
  - Withholding tax payable related to the repatriation of profits; and,
  - Severance costs incurred in all of our operations.
- Finning qualified for and recorded a benefit from Q2 2020 to Q1 2021 related to CEWS<sup>(1)</sup>, which was introduced by the Government of Canada in response to the COVID-19<sup>(1)</sup> pandemic for eligible entities that met specific criteria.
- In December 2020, the shareholders of Energyst<sup>(1)</sup>, which included Finning, decided to restructure the company. A plan was put in place to sell any remaining assets and wind up Energyst, with net proceeds from the sale to be distributed to Energyst's shareholders. In Q1 2021, we recorded a return on our investment in Energyst.
- We accelerated existing strategies to further improve employee and facility productivity. As a result, we incurred severance costs related to workforce reductions in all of our operations and restructuring and impairment losses in our Canadian and South American operations in Q2 2020.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our consolidated operations is as follows:

3 months ended (\$ millions)	2023				2022				2021			2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	239	214	224	190	140	157	150	137	108	108	138	52
Significant items:												
Gain on wind up of foreign subsidiaries	(41)	—	—	—	—	—	—	—	—	—	—	—
Severance costs	18	—	—	—	—	—	—	—	—	—	—	42
CEWS support	—	—	—	—	—	—	—	—	(10)	(14)	(37)	(64)
Return on Energyst investment	—	—	—	—	—	—	—	—	(5)	—	—	—
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	—	—	—	9
Adjusted EBIT	216	214	224	190	140	157	150	137	93	94	101	39
Depreciation and amortization	92	87	84	81	81	84	80	78	77	77	77	78
Adjusted EBITDA <sup>(4)</sup>	308	301	308	271	221	241	230	215	170	171	178	117

The impact on provision for income taxes of the significant items was as follows:

3 months ended (\$ millions)	2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Significant items:									
Gain on wind up of foreign subsidiaries	9	—	—	—	—	—	—	—	—
Severance costs	(5)	—	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	19	—	—	—	—	—	—	—	—
CEWS support	—	—	—	—	—	—	—	—	2
Provision for income taxes on the significant items	23	—	—	—	—	—	—	—	2

A reconciliation from EPS to Adjusted EPS for our consolidated operations is as follows:

3 months ended (\$)	2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EPS <sup>(a)</sup>	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56	0.43
Significant items:									
Gain on wind up of foreign subsidiaries	(0.21)	—	—	—	—	—	—	—	—
Severance costs	0.09	—	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	0.12	—	—	—	—	—	—	—	—
CEWS support	—	—	—	—	—	—	—	—	(0.05)
Return on Energyst investment	—	—	—	—	—	—	—	—	(0.03)
Adjusted EPS	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56	0.35

<sup>(a)</sup> The per share impact for each quarter has been calculated using the weighted average number of common shares outstanding during the respective quarters; therefore, quarterly amounts may not add to the annual or year-to-date total.

A reconciliation from EBIT to Adjusted EBIT for our Canadian operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	126	128	125	102	80	92	84	82	69	72	93	63	
Significant items:													
Severance costs	4	—	—	—	—	—	—	—	—	—	—	20	
CEWS support	—	—	—	—	—	—	—	—	(10)	(13)	(35)	(60)	
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	—	—	—	5	
Adjusted EBIT	130	128	125	102	80	92	84	82	59	59	58	28	

A reconciliation from EBIT to Adjusted EBIT for our South American operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	74	96	85	64	65	59	58	51	41	41	40	2	
Significant items:													
Severance costs	7	—	—	—	—	—	—	—	—	—	—	17	
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	—	—	—	4	
Adjusted EBIT	81	96	85	64	65	59	58	51	41	41	40	23	

A reconciliation from EBIT to Adjusted EBIT for our UK & Ireland operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	15	16	21	23	14	12	17	17	7	11	9	(5)	
Significant item:													
Severance costs	2	—	—	—	—	—	—	—	—	—	—	4	
Adjusted EBIT	17	16	21	23	14	12	17	17	7	11	9	(1)	

A reconciliation from EBIT to Adjusted EBIT for our Other operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	24	(26)	(7)	1	(19)	(6)	(9)	(13)	(9)	(16)	(4)	(8)	
Significant items:													
Gain on wind up of foreign subsidiaries	(41)	—	—	—	—	—	—	—	—	—	—	—	
Severance costs	5	—	—	—	—	—	—	—	—	—	—	1	
Return on Energyst investment	—	—	—	—	—	—	—	—	(5)	—	—	—	
CEWS support	—	—	—	—	—	—	—	—	—	(1)	(2)	(4)	
Adjusted EBIT	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	(14)	(17)	(6)	(11)	

## Equipment Backlog

Equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. We use equipment backlog as a measure of projecting future new equipment deliveries. There is no directly comparable GAAP financial measure for equipment backlog.

## Free Cash Flow

Free cash flow is defined as cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in our financial statements. We use free cash flow to assess cash operating performance, including working capital efficiency. Consistent positive free cash flow generation enables us to re-invest capital to grow our business and return capital to shareholders. A reconciliation from cash flow used in or provided by operating activities to free cash flow is as follows:

3 months ended (\$ millions)	2023				2022				3 months ended 2021	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	
Cash flow provided by (used in) operating activities	(166)	410	(24)	(112)	(273)	193	212	8	12	
Additions to property, plant, and equipment and intangible assets	(79)	(78)	(33)	(30)	(30)	(45)	(38)	(17)	(33)	
Proceeds on disposal of property, plant, and equipment	—	—	—	—	—	—	2	5	1	
Free cash flow	(245)	332	(57)	(142)	(303)	148	176	(4)	(20)	

## Inventory Turns (Dealership)

Inventory turns (dealership) is the number of times our dealership inventory is sold and replaced over a period. We use inventory turns (dealership) to measure asset utilization. Inventory turns (dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refuelling operations) for the last six months divided by average inventory (excluding fuel inventory), based on an average of the last two quarters. Cost of sales related to the dealership and inventory related to the dealership are calculated as follows:

3 months ended (\$ millions)	2023				2022				2021	2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Cost of sales	1,758	2,025	1,807	1,761	1,463	1,465	1,443	1,396	1,189	1,248
Cost of sales related to mobile refuelling operations	(253)	(302)	(293)	(300)	(231)	(190)	(170)	(153)	(140)	(129)
Cost of sales related to the dealership <sup>(3)</sup>	1,505	1,723	1,514	1,461	1,232	1,275	1,273	1,243	1,049	1,119

(\$ millions)	2023				2022				2021	2020
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Inventory	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643	1,593	1,477
Fuel inventory	(12)	(12)	(12)	(13)	(11)	(9)	(6)	(3)	(3)	(3)
Inventory related to the dealership <sup>(3)</sup>	2,698	2,449	2,514	2,215	2,090	1,678	1,621	1,640	1,590	1,474

## 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, Adjusted ROIC, invested capital turnover) to assess financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

(\$ millions)	2023				2022				2021				2020			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)				
Short-term debt	1,266	1,068	1,087	992	804	374	419	114	103	92	217	158				
Long-term debt																
Current	253	114	106	110	63	190	191	386	326	201	200	200				
Non-current	675	815	836	807	909	921	923	903	973	1,107	1,136	1,348				
Net debt <sup>(3)</sup>	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025	933	861	1,100	1,368				
Total equity	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252	2,244	2,206	2,184	2,127				
Invested capital	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284	3,495				

## 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 Debt to Adjusted EBITDA Ratio

This ratio is calculated as net debt divided by Adjusted EBITDA for the last twelve months. We use this ratio to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take us to repay debt, with net debt and Adjusted EBITDA held constant.

## Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a % of Net Revenue, and EBIT 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. We may also calculate these financial measures using Adjusted EBIT to exclude significant items we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

The most directly comparable GAAP financial measure to net revenue is total revenue. The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, and EBIT divided by net revenue. Net revenue is calculated as follows:

3 months ended (\$ millions)	2023				2022				2021				2020			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553	1,419				
Cost of fuel	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)	(127)	(115)	(110)	(84)				
Net revenue	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705	1,469	1,551	1,443	1,335				

## 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. We also calculate Adjusted ROIC using Adjusted EBIT to exclude significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

## Working Capital & Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). We view working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as average working capital of the last four quarters, divided by net revenue for the last twelve months. We use this KPI to assess the efficiency in our use of working capital to generate net revenue.

Working capital is calculated as follows:

(\$ millions)	2023				2022				2021				2020			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total current assets	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416	3,319	3,214	3,261	3,416				
Cash and cash equivalents	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)				
Total current assets in working capital	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038	2,850	2,675	2,808	3,078				
Total current liabilities	3,763	3,401	3,196	2,789	2,647	2,155	2,156	1,942	1,817	1,623	1,717	1,735				
Short-term debt	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)	(103)	(92)	(217)	(158)				
Current portion of long-term debt	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)	(326)	(201)	(200)	(200)				
Total current liabilities in working capital	2,244	2,219	2,003	1,687	1,780	1,591	1,546	1,442	1,388	1,330	1,300	1,377				
Working capital <sup>(3)</sup>	2,601	2,274	2,529	2,241	1,955	1,526	1,556	1,596	1,462	1,345	1,508	1,701				

## 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); favourable (fav); unfavourable (unfav); not meaningful (n/m); Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (Hydraquip); generally accepted accounting principles (GAAP); Canadian Emergency Wage Subsidy (CEWS); Novel Coronavirus (COVID-19); Energyst B.V. (Energyst).
- (2) See “Description of Specified Financial Measures and Reconciliations” on page 8 of this Earnings Release.
- (3) These are non-GAAP financial measures. See “Description of Specified Financial Measures and Reconciliations” on page 8 of this Earnings Release.
- (4) Certain financial measures 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 starting on page 8 of this Earnings Release. The financial measures that have been adjusted to take these items into account are referred to as “Adjusted measures”.

## Forward-Looking Information Disclaimer

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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 and material risk factors referred to below. Forward-looking information in this news release includes, but is not limited to, the following: all information in the section entitled "Market Update and Business Outlook", including for our Canada operations: our expectation of a positive outlook for Western Canada (based on assumptions of healthy order activity, record backlog (and our ability and timing to deliver our backlog), continued strong demand for product support across all sectors, continued constructive commodity prices, improved customer capital budgets, investments in renewals of aging fleets, growing demand for component manufacturing and equipment rebuilds, that the mining equipment package valued at \$134 million for Artemis Gold will be included in our Q2 2023 backlog, and strong activity levels and order intake from energy customers), and continued healthy demand for construction equipment and product support, rentals and prime and standby electric power generation (based on assumptions of federal and provincial governments' infrastructure programs and private sector investments in power projects); for our South America operations: our expectation of a strong outlook for mining in Chile in 2023 and for continued strong demand for product support and technology solutions (based on assumptions of increasing demand for copper, a constructive copper price, and improved political clarity), increasing customer confidence for re-investment in existing fleets, and brownfield and greenfield projects (assumes approved projects will proceed as anticipated and that increases in quoting and request for proposal activity is reflective of opportunities), our expectation for infrastructure construction activity in Chile to remain stable compared to 2022 levels (based on assumptions of continued strong demand from large contractors supporting mining infrastructure and product support), our expectation to benefit from future opportunities in the growing data centre market (based on assumptions of strong order activity and intake, and our backlog which includes orders for large-scale data centre projects in Chile), and that in Argentina, activity in construction, oil and gas, and mining are expected to remain stable, with significant growth potential and investment in lithium and oil and gas projects, contingent on political and economic climates, and the impact of high inflation, currency restrictions and new import regulations on our and our customers' businesses (based on assumptions that we and our customers will be able to manage through the challenging fiscal, regulatory, and currency environments); for our UK & Ireland operations: our expectation of lower construction new equipment sales in 2023 (based on deliveries to HS2 being largely completed), continued strong demand for product support (based on the assumption of continued high machine utilization rates across construction markets and growing contribution from Hydraquip); that demand for our power systems business will remain strong, including in the data centre market, that we have a strong backlog of power systems projects for delivery in 2023, and that we have secured additional orders from data centre customers for 2024 delivery (assumes no disruption to our ability to deliver our backlog); and for 2023 overall: that there is positive momentum in our business led by strong business activity levels and increasing confidence and capital spending (based on assumptions of healthy order intake and backlog build into 2024, and strong demand for parts, service and rebuilds), that we will continue to hire technicians and build our product support capabilities to capture market growth and share, our efforts to simplify our strategy to focus on growth by design, full cycle resilience and empowerment of regional teams, and our expectation of continued momentum in our business (based on assumptions of our record equipment backlog, and successful execution of our product support growth strategy, including increasing rebuild activity); our plans to reinvest in our business and potential areas of emphasis such as aftermarket, used equipment, rental and power systems segments, and to drive productivity improvements, make our cost base more variable and grow resiliency through all market conditions; our intention to purchase common shares under our renewed NCIB for a further year and implement an automatic share purchase plan with a designated broker in connection with the renewed NCIB (no assurance is given as to the number of common shares to be purchased under the NCIB, or if any will be purchased); and the Canadian income tax treatment of the quarterly dividend. 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 noted 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 Chile's mining royalty bill, constitutional reform process and proposed tax reform bill; foreign exchange rates; commodity prices; 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 effectively integrate and realize expected synergies from businesses that we acquire; our ability to deliver our backlog, including under our agreement with Artemis Gold; 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 or regulations, including with respect to environmental protection and/or 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 occurrence of natural disasters, pandemic outbreaks, 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; 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 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 volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our economic condition and business cyclicity mitigation strategies, including preparing for future waves (if any) of COVID-19; an undisrupted market recovery, for example, undisrupted by further 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 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 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; the products and technology offered by our competitors will be as expected; that 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; that 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; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in the regions where 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 operation.

Except as otherwise indicated, forward-looking information does not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this news release. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.