

# Q4 and Annual 2023 Results

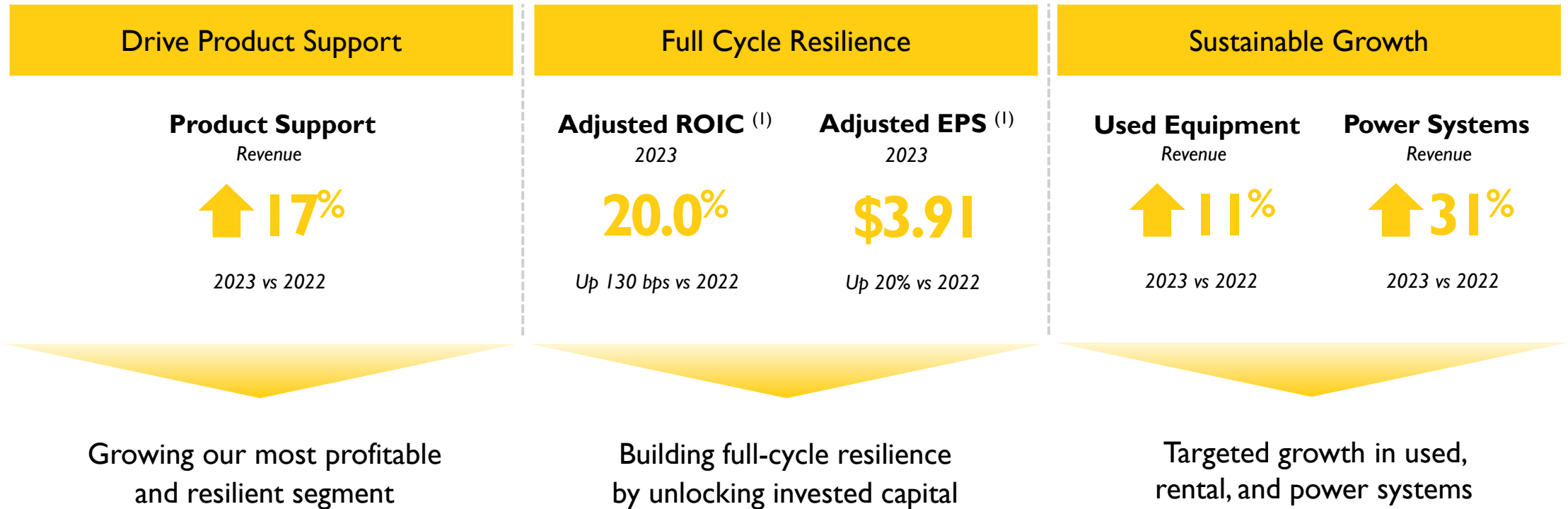
Kevin Parkes  
President and CEO

Greg Palaschuk  
EVP and CFO

February 7, 2024

See slides 9 and 10 for important information on forward-looking information, currency, and specified financial measures, including non-GAAP financial measures

# Executing our Strategy and Building on Strong 2023 Results



Focus on growing our business in 2024 in a moderating growth environment <sup>(2)</sup>

<sup>(1)</sup> This is a specified financial measure. See slide 10 for more information. <sup>(2)</sup> This is forward-looking information. See slide 9 for more information.

# Q4 2023 Results

	vs Q4 2022
Net Revenue <b>\$2.4B</b>	%
Adjusted EBIT <b>\$232M</b>	<b>9%</b>
Adjusted EPS <b>\$0.96</b>	<b>7%</b>

## Q4 2023 Summary

- Maintained solid operating margins and earnings capacity while managing through several challenges
- Significant items excluded from our Q4 2023 adjusted results
  - \$56 million foreign exchange loss in Argentina due to prolonged government currency restrictions and significant subsequent devaluation of the peso
  - \$13 million gain on sale of the Antofagasta facility in Chile
  - \$12 million write-off related to decommissioning of low-ROIC, high operating cost IT systems

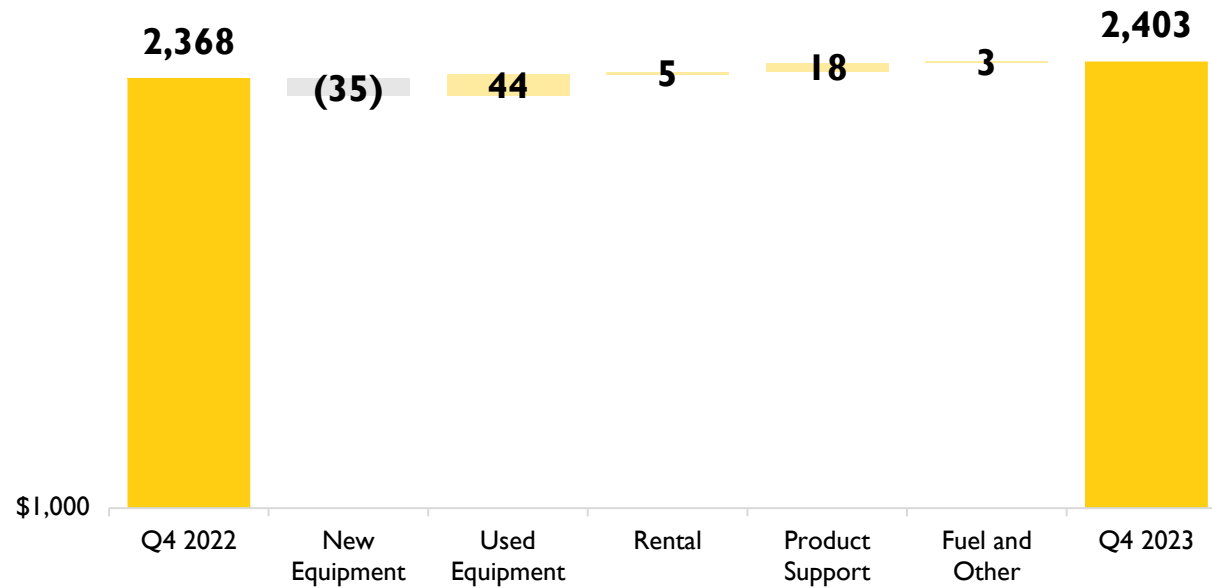
Q4 2023 Financial Statistics			
<i>\$ millions, except EPS</i>		<i>Key Ratios</i>	
Revenue	2,664	Invested capital turnover <sup>(1)</sup>	2.03 times
Net revenue <sup>(1)</sup>	2,403	Working capital to net revenue <sup>(1)</sup>	28.7%
EBIT   Adjusted EBIT <sup>(2)</sup>	177   232	Inventory turns (dealership) <sup>(1)</sup>	2.45 times
EPS   Adjusted EPS	\$0.59   \$0.96	Adjusted ROIC	20.0%
Free cash flow <sup>(2)</sup>	280	Net debt to Adjusted EBITDA <sup>(1)</sup>	1.7 times

<sup>(1)</sup> This is a specified financial measure. See slide 10 for more information.

<sup>(2)</sup> This is a non-GAAP financial measure. See slide 10 for more information.

# Q4 2023 Net Revenue

**Net Revenue by Line of Business**  
\$ millions

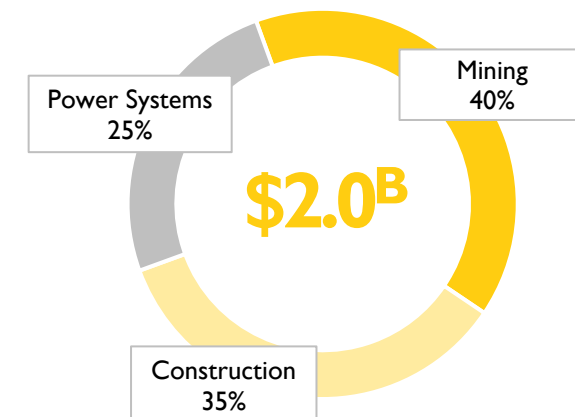


All comparisons are to Q4 2022 results unless indicated otherwise

## Q4 2023 Revenue Highlights

- Lower overall new equipment sales offset by increases in other lines of business
- Used equipment sales up 48% to record levels
- Product support revenue growth lower than anticipated
- Q4 2023 order intake in Canada and the UK& Ireland significantly higher than in Q3 2023

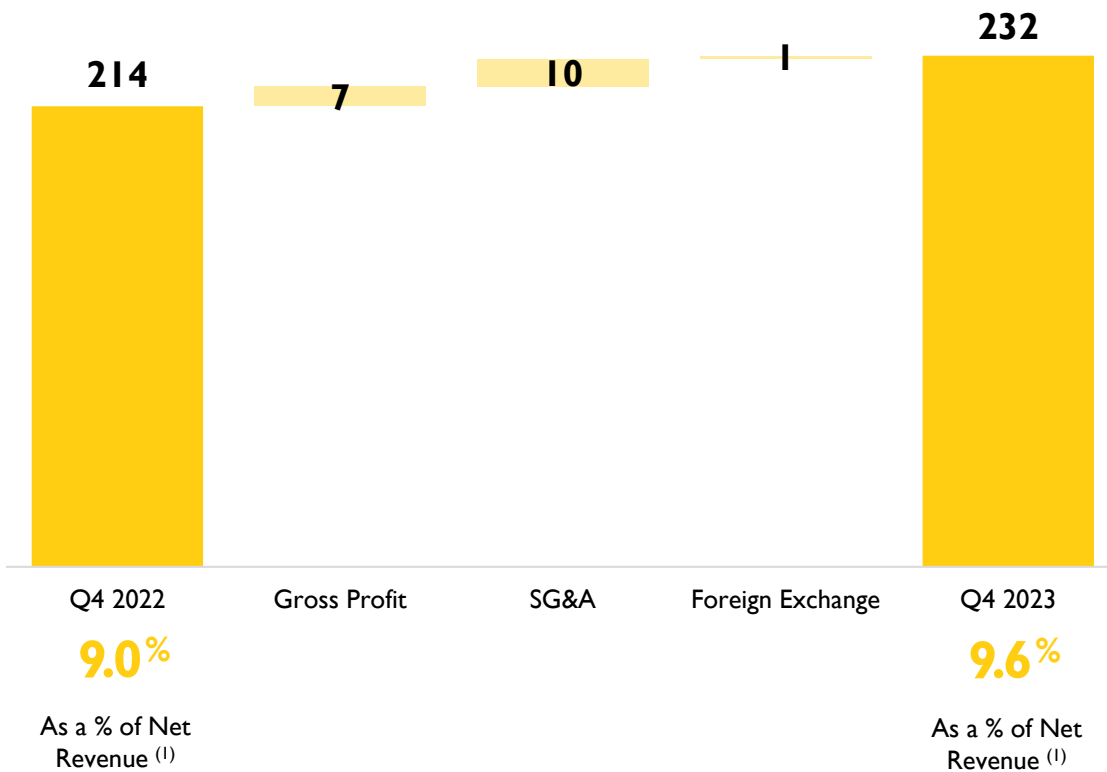
**Equipment Backlog <sup>(1)</sup>**  
At Dec 31, 2023



<sup>(1)</sup> This is a specified financial measure. See slide 10 for more information.

# Q4 2023 Adjusted EBIT

## Adjusted EBIT \$ millions



All comparisons are to Q4 2022 results unless indicated otherwise

### Q4 2023 EBIT Highlights

- Gross profit as a % of net revenue <sup>(1)</sup> comparable to Q4 2022
- SG&A as a % of net revenue <sup>(1)</sup> down 60 bps to 17.0%, primarily due to lower LTIP expense
- Adjusted EBIT as a % of net revenue up 60 bps

### 2023 Annual Adjusted EBIT as % of Net Revenue

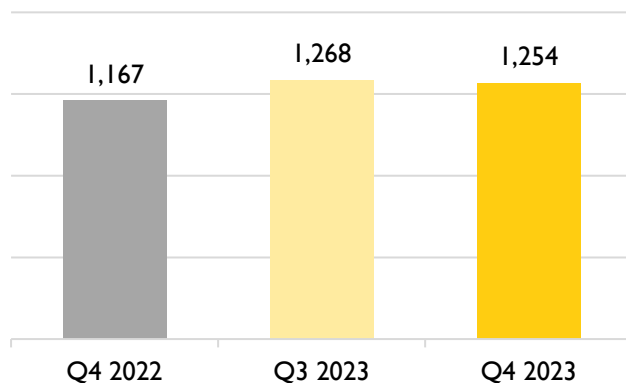
Canada	South America	UK & Ireland
10.4%	12.1%	4.9%

- Significant improvement from the 10-year average
- Key driver of stronger earnings capacity and ROIC

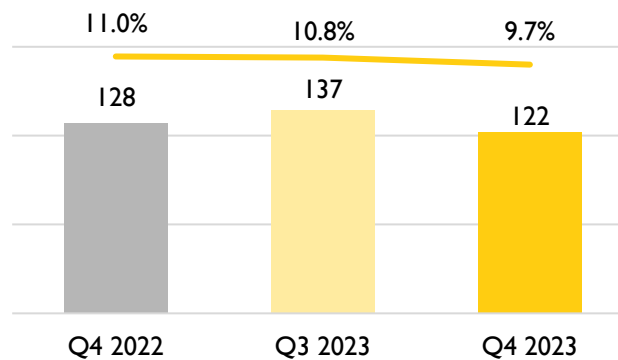
<sup>(1)</sup> This is a specified financial measure. See slide 10 for more information.

# Q4 2023 Results – Canada

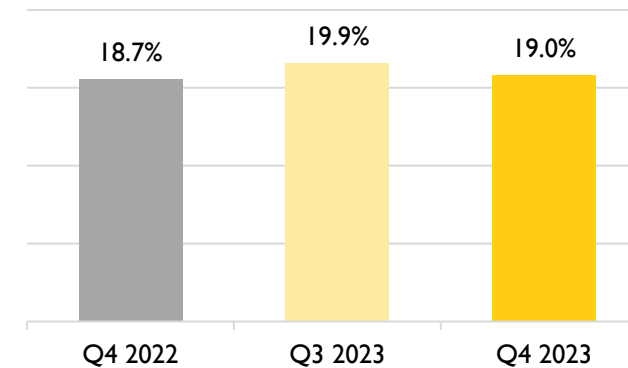
## Net Revenue \$ Millions



## Adjusted EBIT \$ Millions, as a % of Net Revenue



## Adjusted ROIC Adjusted, 4 Quarter Average



All comparisons are to Q4 2022 results unless indicated otherwise

### Q4 2023 Commentary

- New equipment sales up 22%, led by construction
- Used equipment sales up 34%, with strong sales across retail and wholesale channels
- Product support revenue down 1% primarily due to delayed start to many winter programs as well as the completion of several major projects
- Adjusted EBIT down 5% due to higher proportion of new and used equipment sales in the revenue mix



**↑ 80%**

EBITDA <sup>(1)</sup>  
2023 vs 2019

Strong positive free cash flow every year since acquisition

### Market Outlook <sup>(2)</sup>

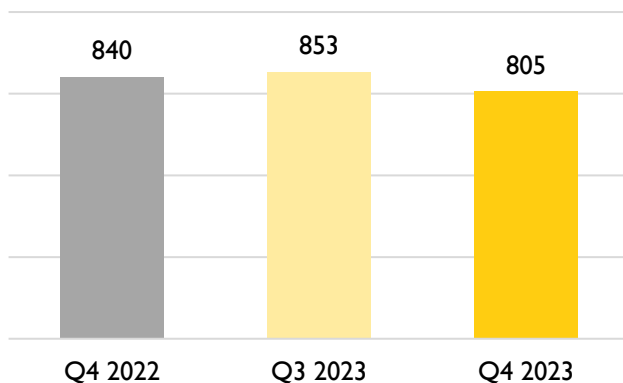
- Expect increased activity in the energy sector to grow production following completion of major pipelines
- Mining and energy customers are expected to increase spending levels, including investment to renew, maintain, and rebuild aging fleets
- Expect strong demand for product support in the oilsands, including component remanufacturing and rebuilds
- Ongoing commitment from federal and provincial governments to infrastructure development
- Growing demand for sustainable electric power solutions

<sup>(1)</sup> This is a specified financial measure. See slide 10 for more information. <sup>(2)</sup> This is forward-looking information. See slide 9 for more information.

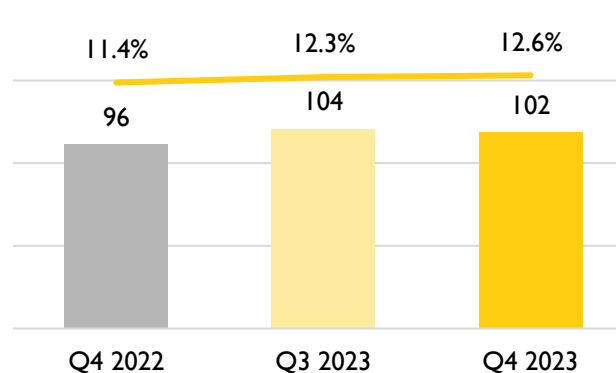


# Q4 2023 Results – South America

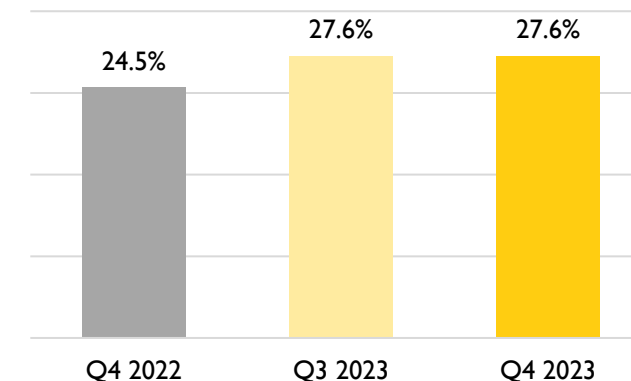
**Net Revenue**  
\$ Millions



**Adjusted EBIT**  
\$ Millions, as a % of Net Revenue



**Adjusted ROIC**  
4 Quarter Average



All comparisons are to Q4 2022 results in functional currency unless indicated otherwise

## Q4 2023 Commentary

- New equipment sales down 24%, reflecting challenging market conditions in Argentina and lower sales to mining contractors
- Product support revenue up 5%, led by mining
- Strong Adjusted EBIT as a percentage of net revenue of 12.6%, up 120 bps, primarily due to a shift in revenue mix to product support
- Adjusted ROIC of 27.6%, up 310 bps, driven by both improved profitability and invested capital turns

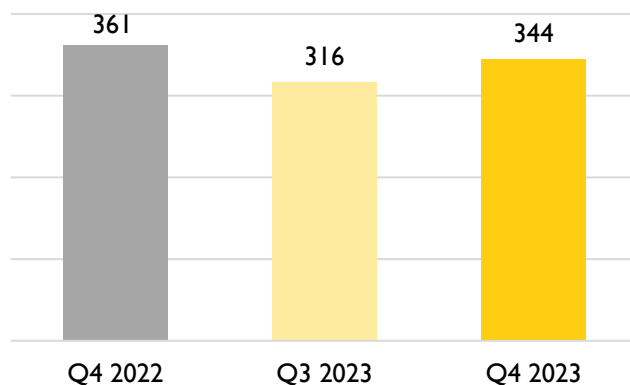
## Market Outlook <sup>(1)</sup>

- Strong outlook for Chile mining underpinned by growing demand for copper, recent government approvals of large-scale brownfield expansions, and increasing customer confidence to invest
- Healthy demand from large contractors supporting mining infrastructure and stable infrastructure construction activity in Chile
- Strong power systems activity in industrial and data centre markets in Chile
- In Argentina, we have taken action to significantly reduce our go-forward financial exposure and are taking a low-risk approach in 2024

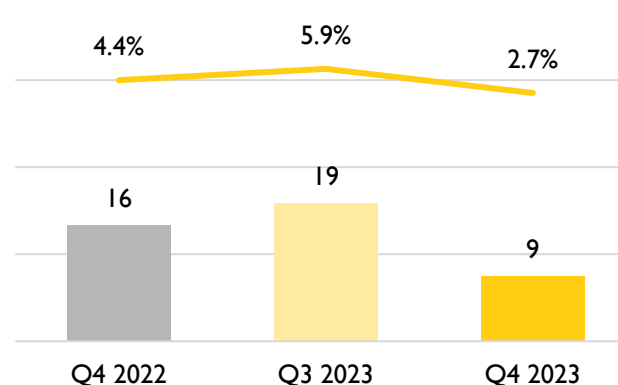
<sup>(1)</sup> This is forward-looking information. See slide 9 for more information.

# Q4 2023 Results – UK & Ireland

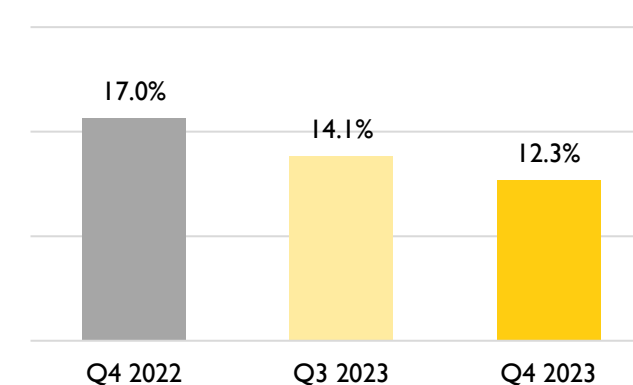
**Net Revenue**  
\$ Millions



**Adjusted EBIT**  
\$ Millions, as a % of Net Revenue



**Adjusted ROIC**  
4 Quarter Average



All comparisons are to Q4 2022 results in functional currency unless indicated otherwise

## Q4 2023 Commentary

- Slower market activity in Q4 2023 resulted in lower revenues in all lines of business, except used equipment sales; Q4 2022 sales benefitted from higher power systems project deliveries and HS2 deliveries
- New equipment sales down 16% due to the timing of power systems project deliveries and lower construction sales
- Product support revenue down 6%, due to slower activity in the construction sector
- The proportion of fixed costs in SG&A on lower volumes and persistently high inflation contributed to lower operating leverage

## Market Outlook <sup>(1)</sup>

- Expect demand for new construction equipment to remain soft with the HS2 project deliveries completed and low GDP growth projected in 2024
- Expect growing contribution from used equipment and power systems as we continue to execute on our strategy
- Continued strong demand for power systems business for both primary and backup power generation
- Product support activity expected to remain resilient driven by steady machine utilization, rebuilds, and growth in Customer Value Agreements

<sup>(1)</sup> This is forward-looking information. See slide 9 for more information.



# Disclosures

## Forward-looking information

This presentation includes “forward-looking information” (as defined in applicable Canadian securities legislation) that is based on expectations, estimates and projections that we believe are reasonable as of the date of this presentation, but may ultimately turn out to be incorrect. Forward looking information in this presentation includes: our plans for executing our strategy and growing our business in 2024 in a moderating growth environment; our expected 2024 Earnings Schedule, including the dates and timing for related events and filings; our market outlook for Canada on slide 6, including our expectation of increased activity in the energy sector to grow production following completion of major pipelines, our expectation that mining and energy customers will increase spending levels, including investment to renew, maintain, and rebuild aging fleets, our expectations of strong demand for product support in the oilsands, including component remanufacturing and rebuilds, our assumptions of ongoing commitments from federal and provincial governments to infrastructure development, and our expectations of growing demand for sustainable electric power solutions; our market outlook for South America on slide 7, including our strong outlook for Chile mining (based on assumptions of growing demand for copper, recent government approvals of large-scale brownfield expansions, and increasing customer confidence to invest), our expectations for healthy demand from large contractors supporting mining infrastructure; our expectations for stable infrastructure construction activity in Chile, and our expectations for continued strong power systems activity and data centre markets in Chile, and for Argentina, and our plan to take a low-risk approach in 2024; and our market outlook for the UK and Ireland on slide 8, including our expectations for demand for new construction equipment to remain soft (based on assumptions of HS2 project deliveries completed and low GDP growth projected in 2024), our expectations of growing contribution from used equipment and power systems as we continue to execute on our strategy, our expectations for continued strong demand for power systems business for both primary and backup power generation, and our expectations that product support activity will remain resilient driven by steady machine utilization, rebuilds, and growth in Customer Value Agreements. No assurances can be given that the information in this presentation will result in sustained or improved financial performance. Information in this presentation has been furnished for information only and is accurate at the time of presentation but may later be superseded by more current information. Except as required by law, we do not undertake any obligation to update the information.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors, and is based on a number of assumptions that we believe are reasonable as of the date of this presentation. Our actual results, performance or achievements may be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Assumptions on which the forward-looking information is based include but are not limited to those mentioned above and that: we will be able to execute on our strategic plans (including our strategic priorities outlined at our 2023 Investor Day), successfully manage our business through volatile commodity prices, high inflation, increasing interest rates, and supply chain challenges, successfully execute our strategies to win customers, achieve full cycle resilience (based on assumptions that steps to reduce corporate overhead, drive productivity and optimize working capital while supporting strong business growth will be successful and sustainable) and continue business momentum (based on assumptions that we will be able to continue to source and hire technicians, build capabilities and capacity and successfully and sustainably improve workshop efficiencies); that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will be maintained; 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; that we will successfully execute initiatives to reduce our GHG emissions and support our customers on their individual GHG reduction pathways; 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; 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; completion of major pipelines and the resulting increased activity in the energy sector; that demand for sustainable electric power solutions in Western Canada will continue to grow; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in the regions that we operate. Important information identifying and describing such risks, uncertainties, assumptions and other factors is contained in our most recently filed annual information form (AIF) and in our most recent annual and quarterly management’s discussion and analysis of financial results (MD&A), which are available on our website ([www.finning.com](http://www.finning.com)) and under our profile on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

# Disclosures

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## **Currency**

Monetary amounts referred to in this presentation are in Canadian dollars unless noted otherwise. All variances and ratios in this presentation are based on the functional currency of each operation (Canada: CAD, South America: USD, UK & Ireland: 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.

## **Specified financial measures**

This presentation includes certain specified financial measures, including non-GAAP financial measures, which are identified as such the first time they are used. The specified financial measures we use do not have any standardized meaning under Generally Accepted Accounting Principles (GAAP) and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial measures, including descriptions, composition, and where applicable, reconciliations from certain specified financial measures to their most directly comparable measure under GAAP see the heading “Description of Specified Financial Measures and Reconciliations” in our 2023 MD&A. We believe that providing certain specified financial measures, including non-GAAP financial measures, provides users of our MD&A and consolidated financial statements with important information regarding the operational performance and related trends of our business. By considering these specified financial measures in combination with the comparable GAAP 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 measures alone.

Reported financial measures may be impacted by significant items we do not consider indicative of operational and financial trends either by nature or amount. Financial measures that have been adjusted to take these items into account are referred to as “Adjusted measures”. For a description of these significant items, please refer to our 2023 MD&A.

# 2024 Earnings Schedule

All dates and times are preliminary and subject to change

Quarter	Release Date <i>after market close</i>	Investor Call Date	Investor Call Time <i>Eastern</i>
Q1 2024	May 6, 2024	May 7, 2024	10:00 AM
Q2 2024	August 6, 2024	August 7, 2024	10:00 AM
Q3 2024	November 12, 2024	November 13, 2024	10:00 AM

Other Events and Filings	Date	Time
2024 Management Proxy Circular	March 28, 2024	EOD
2024 Annual General Meeting	May 7, 2024	2:00 PM Pacific