

**DRIVING VALUE**

# Investor Presentation

**FINNING**

**80**  
YEARS  
1933 - 2013

**Scott Thomson, President & CEO**  
**Dave Smith, EVP & CFO**  
**Juan Carlos Villegas, EVP & COO**

**September 2013**



# Forward Looking Information

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This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT margin growth; anticipated generation of free cash flow and its expected use; and the expected target range of the Company's Debt Ratio. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe Finning's expectations at September 24, 2013. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; risks associated with the conduct of business in foreign jurisdictions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to realize expected benefits of acquisitions; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; expected operational benefits from the new ERP system. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of the MD&A. 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 report are discussed in the Company's current Annual Information Form (AIF) in Section 4.

Finning cautions readers that the risks described in the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, forward-looking statements do 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 hereof. 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. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

*All amounts in this presentation are in Canadian dollars unless otherwise noted*

# Finning International Inc. (TSX:FTT)

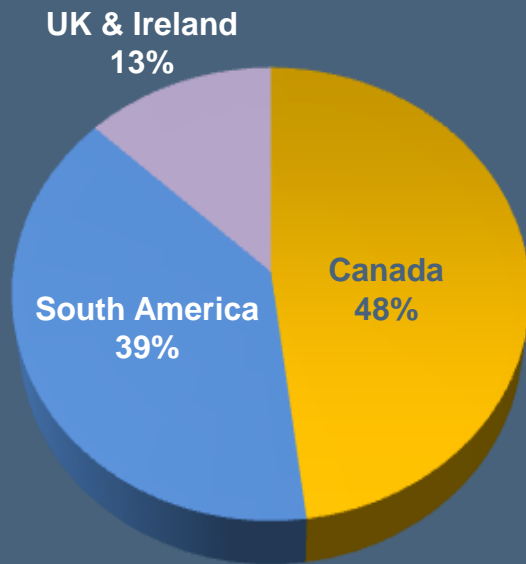
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- World's largest Caterpillar dealer:
  - New equipment and engines sales
  - Used equipment sales
  - Products support / parts and service
  - Equipment rental
- Main industries:
  - Mining (oil sands, copper, coal)
  - Construction
  - Power systems
- Key statistics:
  - Market cap ~ \$4.0 billion
  - 2012 revenue = \$6.6 billion
  - 2012 EPS = \$1.90
  - Quarterly dividend = \$0.1525/share
  - ~15,000 employees

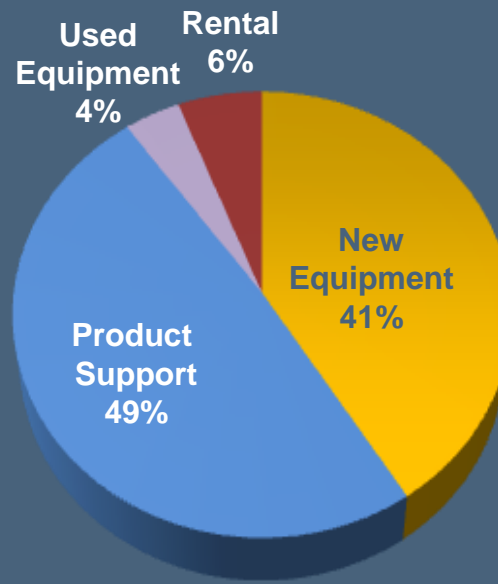


# Revenue Profile

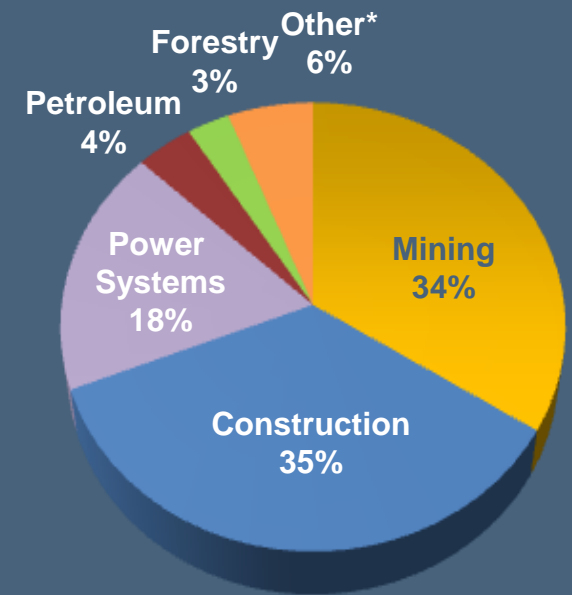
## Revenue by Region



## Revenue by Line of Business



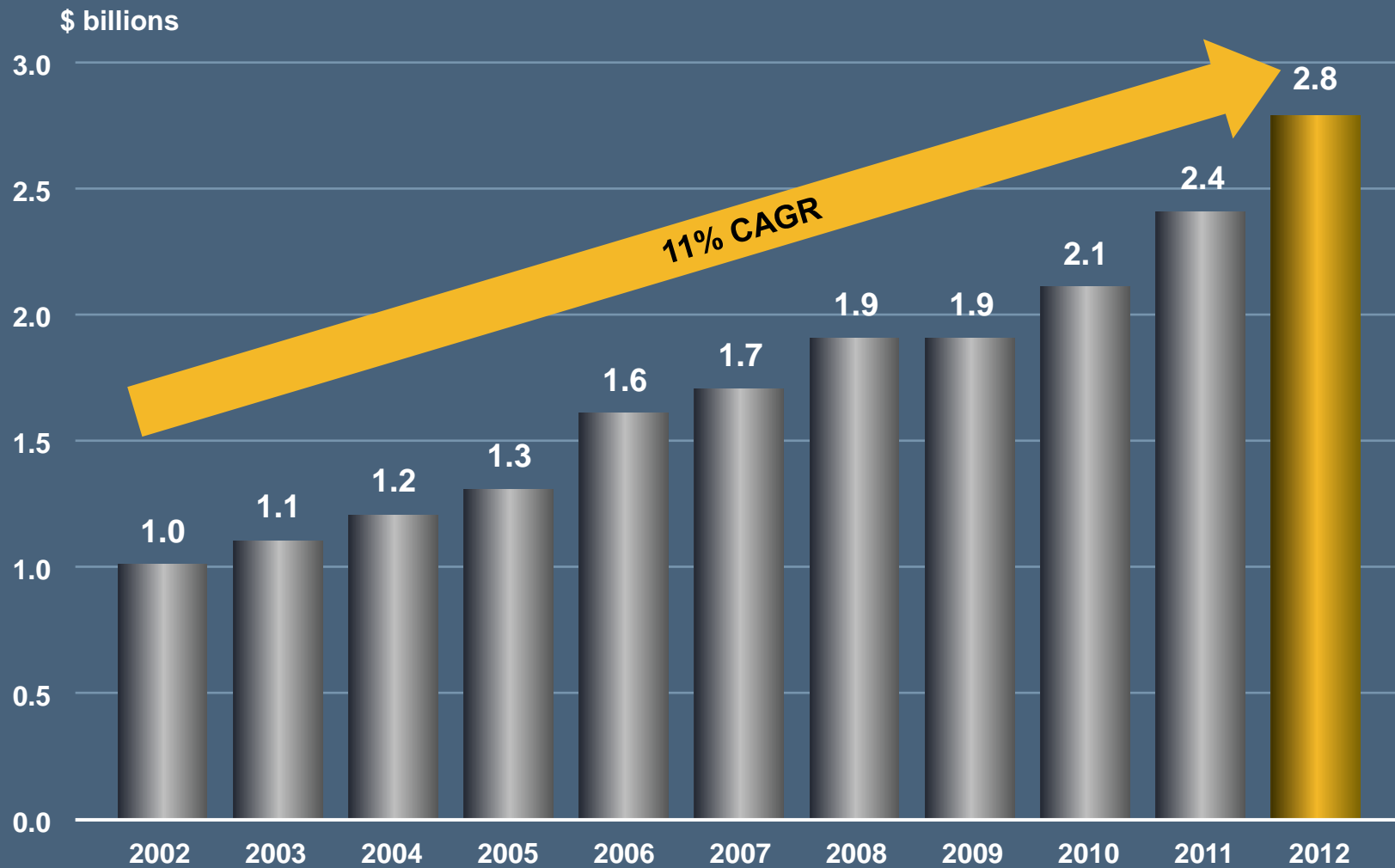
## New Equipment Sales by Industry



\* Includes government, industrial and agriculture

# Resilient Product Support Revenue

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- 2013 revenues expected to be modestly higher than in 2012, but at very low end of 0 to 10% range
- Expect lower new equipment sales in 2013 compared to 2012
  - Soft market conditions for mining equipment (including oil sands)
  - Active construction and power systems markets
- Expect continued growth in product support
  - Large installed machine population
  - Full-year's contribution from expanded mining product line (former Bucyrus)
  - Stable equipment utilization levels
- Net debt to total capital ratio is projected to decline to within target range by end of 2013
  - Expect improved free cash flow for the balance of 2013 driven by anticipated decrease in inventories



# Q2 2013 Results

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C\$ millions	<u>Q2 2013</u>	<u>Q2 2012*</u>	<u>% change</u>
Revenue	1,620	1,764	(8)
Gross profit	513	509	1
<i>GP margin</i>	31.7%	28.9%	
SG&A	(392)	(391)	(0)
<i>SG&amp;A as % of revenue</i>	(24.2)%	(22.1)%	
Equity earnings	4	3	
Other income (expenses)	(2)	(1)	
EBIT	123	120	2
<i>EBIT margin</i>	7.6%	6.8%	
Net income	83	79	5
Basic EPS	0.48	0.46	4
EBITDA	176	175	0
Free cash flow	6	(31)	121

\* Restated to reflect the adoption of the amendments to International Accounting Standard 19 (*Employee Benefits*)

- Slowdown in mining impacting equipment sales and product support
  - Pleased with progress on Bucyrus
- Slightly stronger activity in construction and forestry compared to 2012
- Significant opportunities to improve profitability and customer loyalty
  - Supply chain
  - Service operations
  - Asset utilization
  - Market share in non-mining
- Expect flat EBIT margin performance in the second half of 2013 relative to the first half
  - Sustainable operational improvements will take time
  - Higher equipment sales anticipated in the second half of 2013



- Mining activity softening
  - Producers are reducing operating costs, delaying equipment purchasing decisions
  - Equipment utilization remains solid as production levels maintained
  - Expect growth in product support but at a slower rate compared to 2012
  - Bidding on a number of mining projects
- Bucyrus tracking lower than projected
- Opportunities to increase market share in both mining and construction in Chile
- Argentina's business impacted by import restrictions

- Continued macroeconomic challenges
- Market share opportunities in construction and power systems
- Soft market conditions and uncertainty around product support in coal mining
- Cost controls in place
- Profitability upside when market conditions improve