

A photograph of a male worker in a white hard hat and safety glasses, looking intently at a piece of industrial machinery in a factory. The background shows a complex network of pipes and structural elements.

# FINNING<sup>®</sup>

## INVESTOR PRESENTATION

Greg Palaschuk, VP Treasurer

Mauk Breukels, VP Investor Relations & Corporate Affairs

CIBC Whistler Institutional Investor Conference  
January 22, 2015

# Forward Looking Information



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; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization, inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected target range of the Company's dividend payout 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 reflect Finning's expectations at January 22, 2015. 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; 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 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, availability and benefits from information technology and the data processed by that technology. 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 this 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 Section 4 of the Company's current AIF.

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.

*Monetary amounts are in Canadian dollars and from continuing operations unless noted otherwise*

# Overview of Finning International



- World's largest Caterpillar dealer
  - We sell, rent and provide parts and service for Caterpillar equipment and engines
- Serving customers for over 80 years and delivering value to public shareholders for 45 years
- Operating in 7 countries: Canada (west), Chile, Argentina, Bolivia, Uruguay, UK and Ireland
- Main industries: mining (oil sands, copper, coal), construction, forestry and power systems (prime power, petroleum, marine)
- ~14,500 employees worldwide (~65% technicians/mechanics)



## Financial Statistics - LTM<sup>(1)</sup>

Revenue	6.9B
EBITDA <sup>(3)</sup>	0.7B
FCF	0.5B
EPS <sup>(3)</sup>	1.85
Invested Capital	3.3B
Net Debt	1.3B
ROIC <sup>(3)</sup>	15.9%

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

Ticker	FTT (TSX)
Share Price	21.25
% 52-Week High	62%
Market Cap	3.7B
Enterprise Value	5.0B
S&P/DBRS Rating	BBB+/A(low)
Dividend Yield	3.3%
Dividend 10yr CAGR	13.1%

<sup>(1)</sup> Last twelve months ended September 30, 2014

<sup>(2)</sup> At January 14, 2015

<sup>(3)</sup> Adjusted for ERP write-off in South America in Q3 2014 (\$12.2 million or \$0.06 per share) and ERP write-off in the UK in Q4 2013 (\$5.5 million or \$0.02 per share).

# Broadest Range of Quality Products

Over 300 equipment product lines

**FINNING**

**FINNING. CAT**



Construction



WHEEL LOADERS



BACKHOE LOADERS



SKID STEER LOADERS



COMPACTORS



Forestry



FOREST MACHINES



GRADERS



SKIDDERS



FELLER BUNCHERS



Power Systems



ELECTRICAL POWER GEN.



INDUSTRIAL OEM



MARINE POWER



Mining



OFF-HIGHWAY TRUCKS



DOZERS



HYDRAULIC SHOVEL



ELECTRIC ROPE SHOVEL



UNDERGROUND TRUCKS



Petroleum



PIPE LAYERS



DOZERS



EXCAVATORS



POWER SYSTEMS



FORBES Top 100  
Most Valuable  
Brands

Record 2012  
R&D Investment

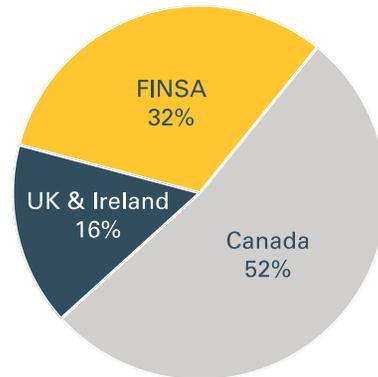
**\$2.5B**

- Highly diversified business
  - Geography: Three unique, high-quality OECD regions
  - End markets: Serving a diversified spectrum of sectors and customers
  - Revenue mix: Balance between new equipment sales and product support
- Remain focused on what we can control: costs, working capital and capital investment
  - Full focus on the Five Priorities
    - Safety and Talent Management
    - Market Leadership
    - Service Excellence
    - Supply Chain
    - Asset Utilization
- Prepared for both volatility and opportunity in a very dynamic business environment
  - Strong full-cycle growth supported by a diverse customer base, large in-region equipment population and resilient product support business
  - Decisive action taken to manage recent downturn in South America
  - Accelerating Five Priority strategy in Canada to ensure our cost structure matches lower activity levels
- Robust financial position
  - Profitable in all years of operation
  - Significant free cash flow generation
  - Strong balance sheet
  - Track record of consistent dividend growth
  - Significant capital allocation flexibility

# Highly Diversified Business

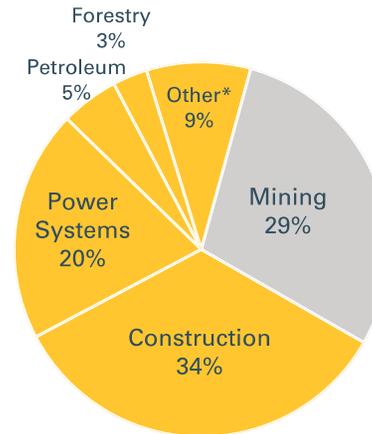


## Geographic Diversification

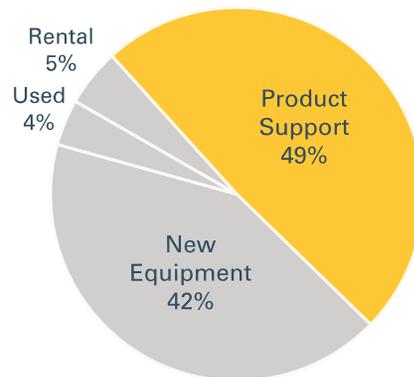


Revenue by Region  
YTD Sept 30, 2014

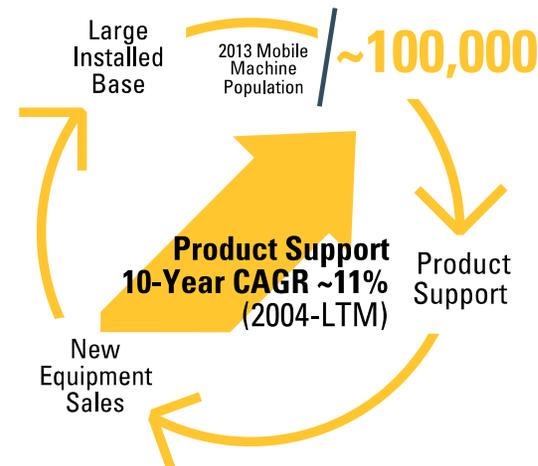
## End Market Diversification



New Equipment Deliveries by Industry  
YTD Sept 30, 2014



Revenue by Line of Business  
YTD Sept 30, 2014



## Embedded Product Support Growth

\*Other: agriculture, industrial and government segments

# Operational Priorities

Priorities will drive improved Return on Invested Capital (ROIC)



## Service Excellence

- Drives lowest equipment owning and operating costs
- Maximizes equipment uptime and improves customer loyalty
- Increases service profitability
- Attracts and retains technical talent

Service Excellence	Target $\Delta$ 2013-2016
Consolidated EBIT \$	\$40 – 60M $\uparrow$

## Supply Chain

- Competitive advantage as a world-class distributor
- Efficient supply chain drives customer loyalty
- Reduces costs and invested capital
- Improves cash generation

Supply Chain	Target $\Delta$ 2013-2016	Working Capital Reduction
Inventory Turns	0.5 – 0.9x $\uparrow$	0.1 turn = \$50M inventory $\downarrow$

## Market Leadership

- Builds machine population and drives future product support
- Aligns with Caterpillar's focus on market share growth
- Expands focus to entire product line

Market Leadership	Target $\Delta$ 2013-2016	Revenue Opportunity*
Core Equipment Market Share	2-4% $\uparrow$	1% share = \$35M
Parts Market Share	2-4% $\uparrow$	1% share = \$45M
Power Systems Revenue (Canada)	10-15% $\uparrow$	5% growth = \$20M

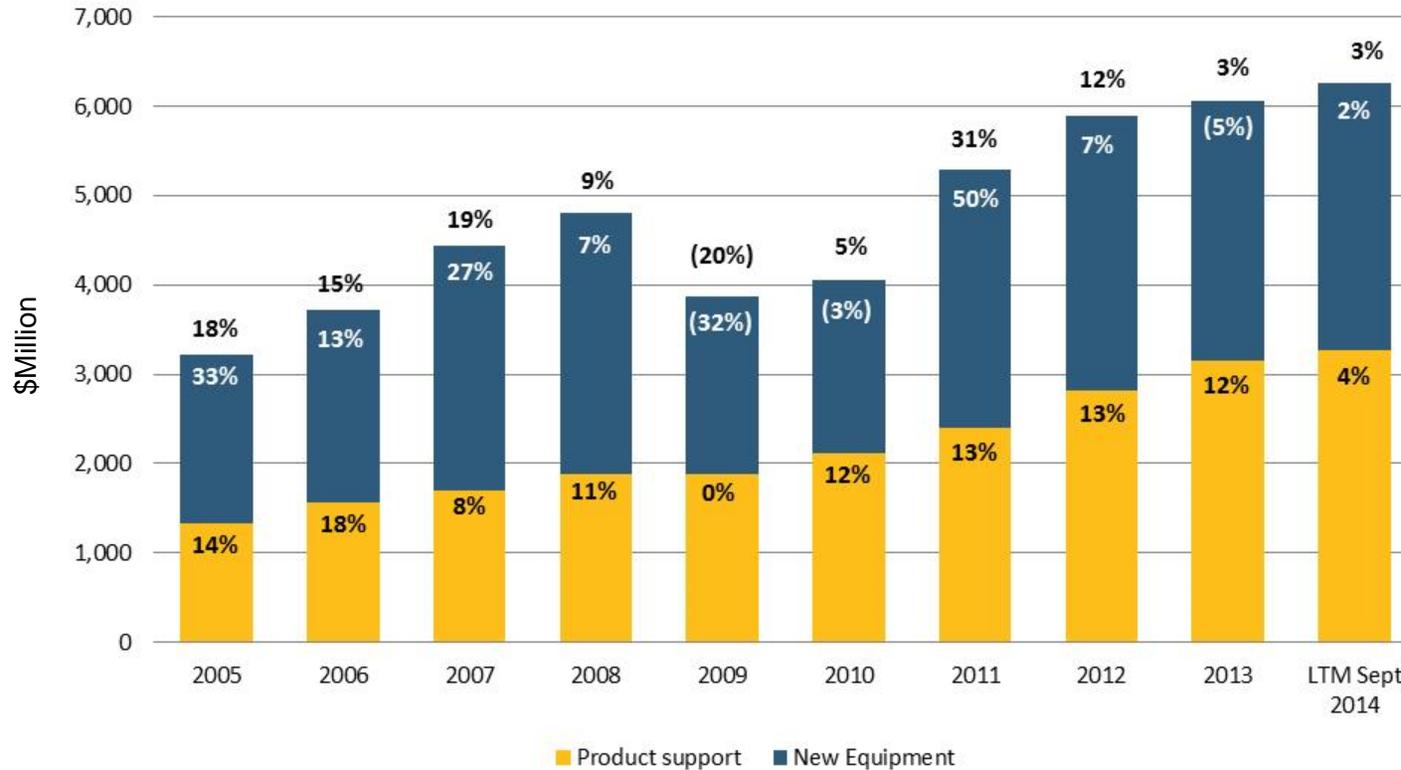
\* Assumes no industry growth

## Asset Utilization

- Optimizes footprint and distribution of activities
- Maximizes return on investments made
- Improves service delivery
- Reduces costs and invested capital

# Consolidated – Strong Full-Cycle Growth

## Consolidated New Equipment & Product Support Revenue



### New Equipment

CAGR 5%  
 Average \$2,547m  
 Min \$1,899m

### Product Support

CAGR 11%

**Product support provides resilient revenue stream through the cycle**

Percentage values above the bars indicate combined growth rate of new equipment sales and product support

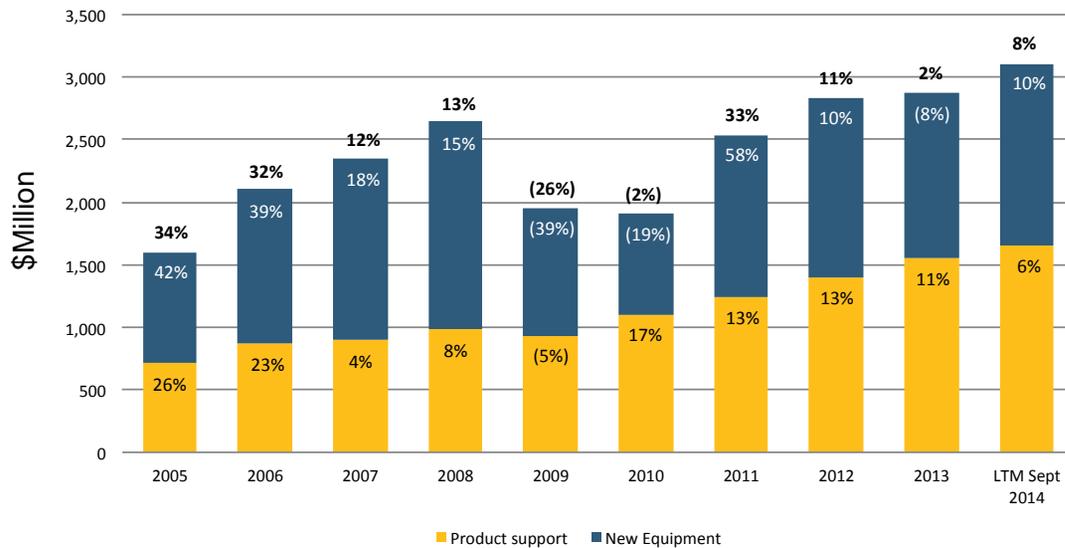
# Canada – Strong Full-Cycle Growth

## New Equipment & Product Support Revenue

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### 2008 – 2014

Machine Population – Canada  
Compound Annual Growth Rate: 4%



**New Equipment**  
CAGR 6%  
Average \$1,255m  
Min \$818m

**Product Support**  
CAGR 10%



797 Off-Highway Trucks  
172 → 287



Medium Wheel Loaders  
3,040 → 3,702



Medium Track Type Tractors  
6,624 → 7,940

	2005	2006	2007	2008	2009	2010	2011	2012	2013	LTM Sept 2014
% Oil Sands	15%	18%	21%	34%	40%	31%	32%	28%	30%	31%
AB GDP growth <sup>(1)</sup>	4.4%	6.2%	1.7%	1.7%	-4.1%	3.3%	5.2%	4.5%	3.8%	4.1% <sup>(2)</sup>
BC GDP growth <sup>(1)</sup>	5.0%	4.3%	3.1%	1.1%	-2.5%	3.3%	2.8%	2.4%	1.9%	2.8% <sup>(2)</sup>
WTI <sup>(3)</sup>	\$57	\$66	\$72	\$100	\$62	\$79	\$95	\$94	\$98	\$93

### 2008 – 2014 Power Systems



3600 Series Gas Engines  
82 → 340

(1) BC Statistics : GDP annual change, chained 2007 \$; Statistics Canada: AB GDP annual change 2010 & 2011, chained 2002 \$

(2) RBC estimate

(3) US Energy Information Administration: average annual cushioning WTI spot price

Percentage values above the bars indicate combined growth rate of new equipment sales and product support

# South America – Case Study

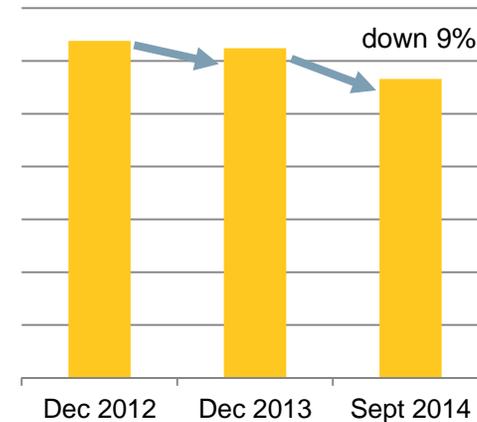
## Responding to Market Downturn

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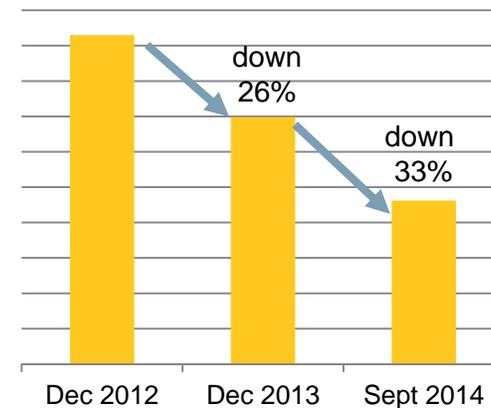
YTD ended Sep 30, 2014 vs. YTD ended Sep 30, 2013<sup>(1)</sup>

- Total revenue ↓17%
- Workforce ↓8% to 6,900 people
- SG&A ↓13%
- EBIT margin of 9.2%<sup>(2)</sup> vs. 9.4%
- Equipment margin maintained
- Net Capital Expenditure ↓17%
- Net Rental Additions ↓56%
- FCF generation ~\$200 million for YTD ended Sep 30, 2014
- Core equipment market share ↑9 points

Part & Components Inventory



Equipment Inventory



<sup>(1)</sup> All numbers are in USD

<sup>(2)</sup> Adjusted for ERP write-off

# Canada

## Progress Scorecard

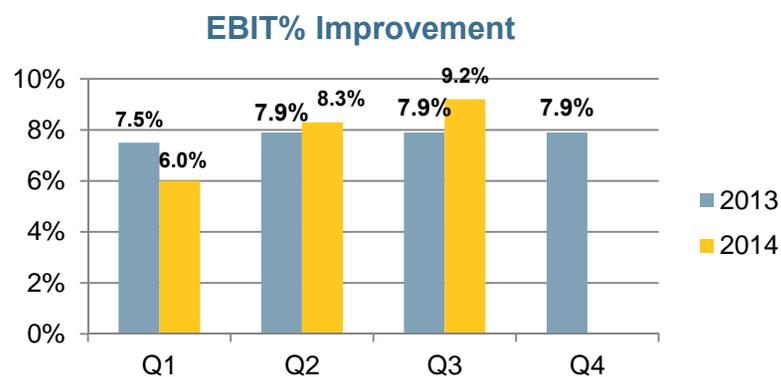


EBIT <sup>(1)</sup> and ROIC <sup>(1)</sup>	LTM 2014 <sup>(2)</sup>	LTM 2013 <sup>(2)</sup>			
EBIT (\$ millions)	279	257			
EBIT margin (%)	7.8	7.8			
<i>Return on invested capital (%)</i>	16.8	15.3			
Invested Capital	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Invested capital <sup>(3)</sup> (\$ millions)	1,714 ↔	1,756	1,682	1,488	1,716
Invested capital turnover (times)	2.15 ↑	2.20	2.11	2.03	1.95

(1) Adjusted for gain on sale of investment property in Q4 2012 (\$9.7 million). Reported LTM 2013 ROIC was 15.9%

(2) Last twelve months ended September 30

(3) Calculated at end of period

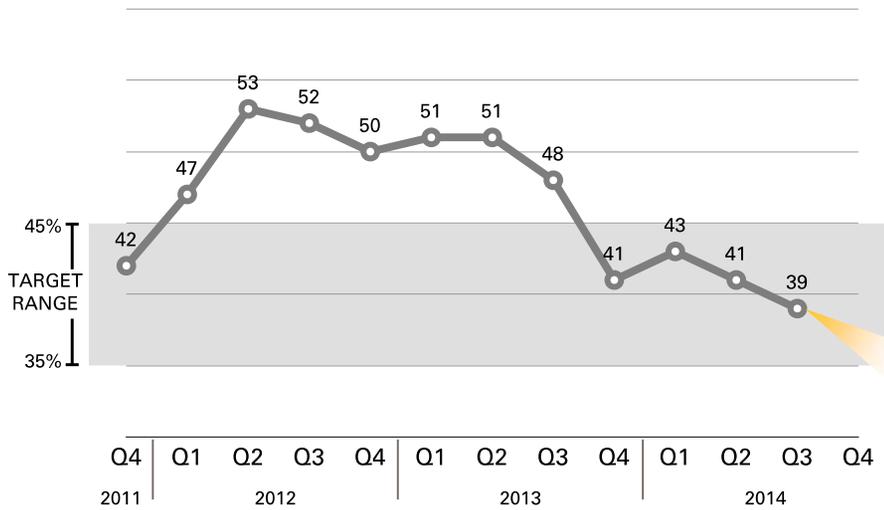


**Five imperatives driving improved ROIC; strong margin improvement trajectory**

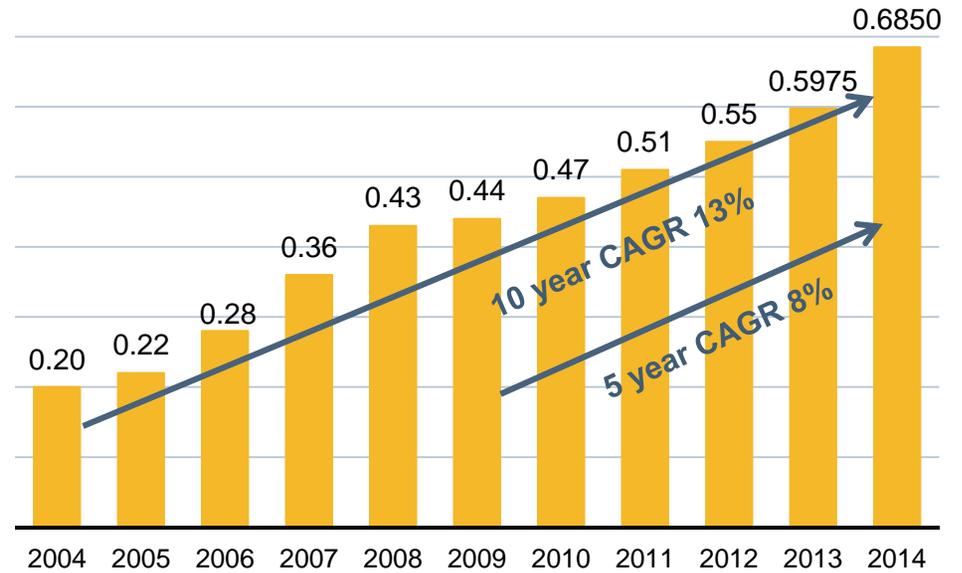
# Strengthening Balance Sheet



## Net Debt to Invested Capital Ratio (%)



## Annual Dividends



A photograph of a male worker in a white hard hat and safety glasses, looking intently at a piece of industrial machinery in a factory. The background shows a complex network of pipes and structural elements.

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APPENDIX - CANADA PROGRESS UPDATE





## Balanced 'develop and attract' talent strategy – fresh ideas and continuity

- Executive team – 2 new recruits, 3 transfers from broader Finning, 4 long-service Finning Canada
- Executive reports – 45% are new to role, 25% are new to Finning
- Conscious effort to build succession bench-strength

## Increased focus on talent management and development

- 100% growth in employees participating in talent management and development planning

## Committed to building technical excellence

- Over 275 apprentices: one for every 5 technicians
- 2 accelerated apprentice programs – ThinkBIG and FINNtech

## Recent EOS Survey

Executive  
Management  
Score

↑ 14%

## Canada

- Growing market share in non-mining through better execution; margins maintained
  - Better sales coverage – higher participation and closing of deals
  - Restructured incentive schemes motivate sales force
  - Improved forecasting capability and inventory quality: #1 CAT dealer in North America for forecasting accuracy
- Canada Power Systems growth driven by new leadership and market segmentation

Market Leadership – KPIs	Canada 2014 vs. 2013 <sup>(1)</sup>
Participation rate (%)	↑ 11 points
Core equipment market share (%)	↑ 3 points
Power systems revenue (\$)	↑ 28%

<sup>(1)</sup> All numbers are YTD ended Sept 30

# Service Excellence

New service model is being installed and sustained

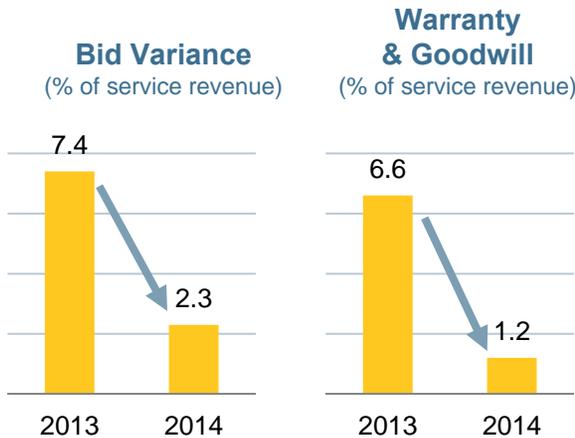


Service model install execution  
– will be completed in 2015

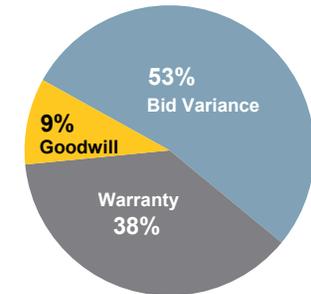
Operational In Progress Scheduled

2014	
Operational	Grande Prairie Branch
Operational	Grande Prairie Power Systems
Operational	Peace River
Operational	Mildred Lake
Operational	Fort McKay
Operational	Red Deer OH
Operational	Red Deer NEP
Operational	Red Deer Used Parts
Operational	Red Deer Used Equipment
Operational	Calgary
Operational	Prince George
In Progress	Fort McMurray Branch
In Progress	Fort McMurray Power Systems
In Progress	Oil Sands – Customer Sites
2015	
Scheduled	Fort St. John
Scheduled	Fort McMurray Shovel & Drills
Scheduled	Edmonton Power Systems
Scheduled	Sparwood
Scheduled	Ekati
Scheduled	Oil Sands – Customer Sites
Scheduled	35 Small to Mid-Size Branches

Prince George: large branch results (YTD ended Oct 31, 2014)



Main Drivers of Service EBIT improvement



Canada service EBIT profitability improvement reflected in Q3 & Q4 2014

## Inventory Management

- Parts service levels running at or above targets
- Significant reduction in emergency orders
- Significant improvement in Parts Net Promoter Score and customer satisfaction
- Improved inventory velocity as a result of fewer touch points and trips
  - Direct shipment from Spokane to 9 branches in southern BC and Alberta
  - Typical lead time reduced from 11 days to 3.5 days

Supply Chain – Parts KPIs	2014	2013
24 hour availability (%)	87	80
72 hour availability (%)	96	93
Emergency orders (%)	27	36
Parts Net Promoter Score	63	53

2013 is FY; 2014 is YTD ended Nov 30

## Network Optimization

- Executing and sustaining best in class practices in 22 warehouses
- Integrating 5 regional parts distribution centers into corporate supply chain group by end of Q1/15
  - West Edmonton, Prince George, Calgary, Surrey, Mildred Lake
- New Equipment Preparation centralization

## Transportation Efficiency

- Lower transportation costs despite higher parts volumes
  - ~\$4.5 million in annual savings from elimination of redundant truck trips
  - ~\$4 million in annual savings from routing optimization and elimination of truck trips for equipment
  - Number of transportation providers down 25% from 2013; target 50% reduction

## Procurement

- ~\$4.3 million in annual cost savings and \$8 million in cost avoidance through sourcing and contracts management
- Number of non-CAT vendors down by 22% due to rationalization and consolidation of spend

**Service Excellence and Supply Chain initiatives are fully aligned**

## Allocating work and assets across facilities

- Completed to date:
  - Shovels and Drills moved from its Fort McMurray location into Mildred Lake branch; vacated building subleased
  - Power Systems Fort McMurray moved into local branch; location vacated
  - Edmonton used equipment, power systems, machining and welding moved from West Edmonton branch into former Shovels and Drills location – utilization improved significantly
- To be completed in 2015:
  - Prince George rental store moving to local branch by Q1 2015
  - West Edmonton branch bays freed up for customer repairs by Q2 2015
  - New equipment preparation centralized at Centre of Excellence in Red Deer

Asset Utilization– KPIs	2014 vs. 2013 <sup>(1)</sup>
Mining asset utilization (%)	↑ 6 points
Service vehicle fleet	↓ 20%
Absorption (%)	↑ 5 points

<sup>(1)</sup> All numbers are YTD ended Sept 30