

# INVESTOR PRESENTATION

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TD Securities Engineering & Construction Conference

March 31, 2021

# Finning Overview

- Largest Caterpillar dealer
- Unrivalled service since 1933
- Diversified by geography, customer base, product and sector
- ~12,000 employees

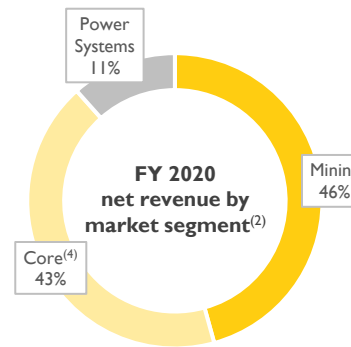
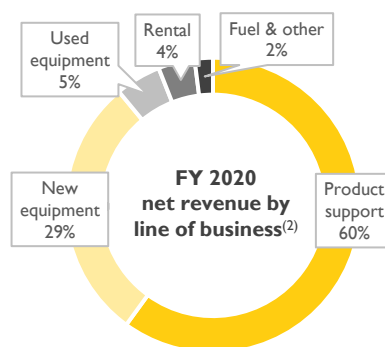
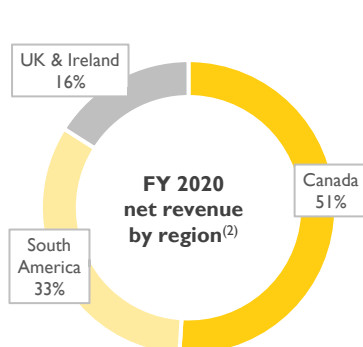


## Market Statistics<sup>(1)</sup> - FTT (TSX)

Share price	33.10
Market Cap	5.4B
S&P/DBRS rating	BBB(+*/high)
Annual dividend / share	0.82
Dividend yield	2.5%

## 2020 Financial Statistics<sup>(2)</sup>

Revenue	6.2B
Net revenue <sup>(3)</sup>	5.8B
EBIT	392M
EBITDA <sup>(3)</sup>	700M
Adjusted EBITDA <sup>(3)</sup>	636M
EPS	1.43
Adjusted EPS <sup>(3)</sup>	1.14
Invested capital <sup>(3)</sup>	3.1B
ROIC <sup>(3)</sup>	11.4%
Adjusted ROIC <sup>(3)</sup>	9.6%



**Best Safety Performance  
On Record in 2020**



*Total Incident Frequency*

<sup>(1)</sup> At March 26, 2021

<sup>(2)</sup> Year ended December 31, 2020

<sup>(3)</sup> This is a non-GAAP financial measure. See slide 16 for more information

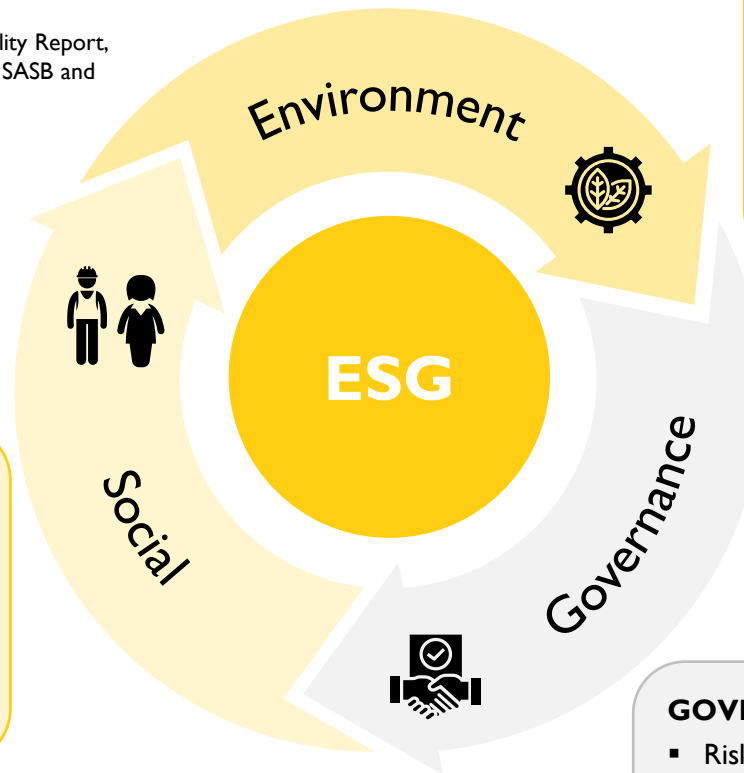
<sup>(4)</sup> Core market segment includes construction, some coal and metals mining, forestry, agriculture, and government

# Sustainability at Finning



TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

Visit our website for our 2020 Sustainability Report, which describes our alignment with GRI, SASB and TCFD frameworks



## ENVIRONMENT

- GHG emissions and energy use
- Waste management
- Spills and wastewater
- Customer safety, performance, and loyalty
- Product stewardship
- Responsible supply chain

## SOCIAL

- Safety and health
- Inclusion and diversity
- Employee development
- Labour relations
- Community investment

## GOVERNANCE

- Risk management
- Integrity and ethics
- Accountability
- Strong management team
- Cybersecurity

# Helping Customers Reduce Environmental Footprint

## Component Remanufacturing

2020 Statistics

Components remanufactured

**14,359**

Components remanufactured vs 2017

**↑ 12%**

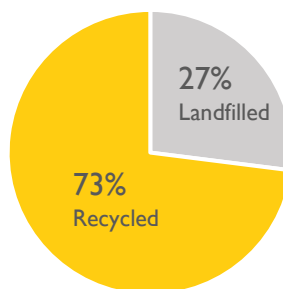
Tons of metal recycled

**2,903**

Equivalent to 34 Boeing 747 airplanes

Learn more about our remanufacturing facility in Canada

**Non-Hazardous Waste**  
by Disposal Type



## Environmental Benefits of Remanufacturing

- Reduces waste
- Recycles thousands of tons of iron each year
- Reduces the need for raw material, energy, and water
- Extends the value of the energy and water consumed in the original manufacturing process
- Keeps non-renewable resources in circulation longer

**10**  
engine rebuilds



**21** years  
**150,000** hours



Operating at peak performance at Syncrude's Aurora Mine

## Caterpillar Product Portfolio

- Dynamic Gas Blending
- Autonomy
- Electrification
- Hydrogen Research
- CAT® Microgrids: solar & energy storage systems



## Digital Performance Solutions

- Machine Condition Monitoring
- Integrated Knowledge Centres
- Improved Fleet Efficiencies

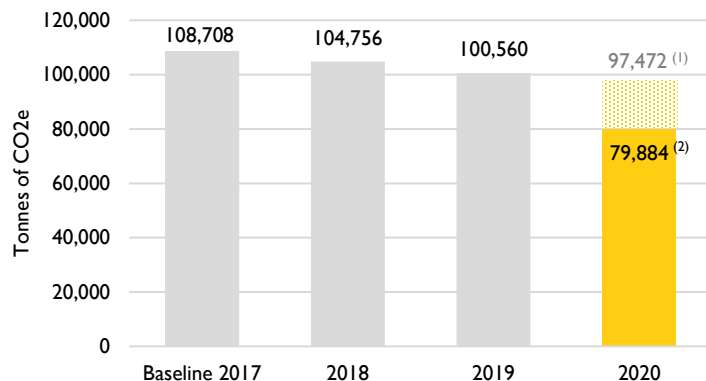


Fuel Consumption  
GHG Emissions



# Greenhouse Gas Emissions Reduction Initiatives

## Absolute GHG Emissions



<sup>(1)</sup> Estimated emissions without business impacts of COVID-19, estimated based on 2019 actual emissions less emission reduction projects carried out in 2020.

<sup>(2)</sup> 2020 emissions are significantly lower due to business impacts of COVID-19. Some emissions are likely to return as business impacts lessen.

## Emissions Reduction Initiatives

Tonnes CO<sub>2</sub>e avoided in 2020



Green Electricity

**1,068**



LED Lighting

**916**



Energy Conservation

**681**



Fleet Efficiencies

**423**

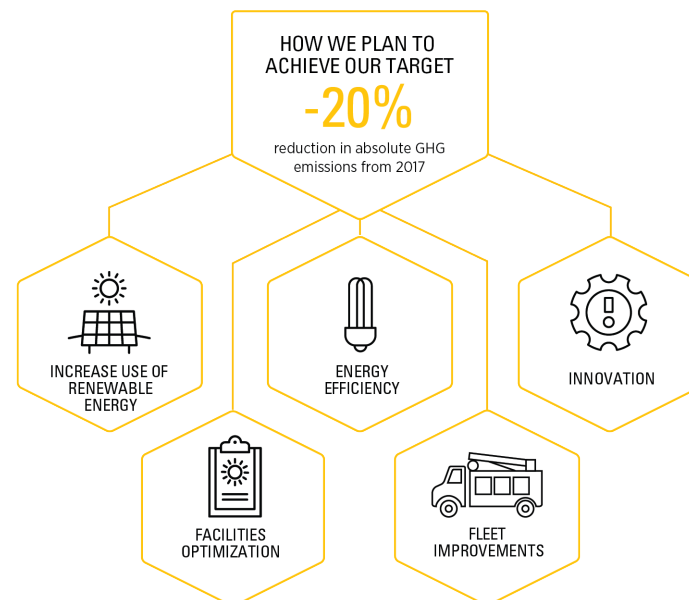
## Absolute GHG Emissions Reduction Target



**↓ 20%**

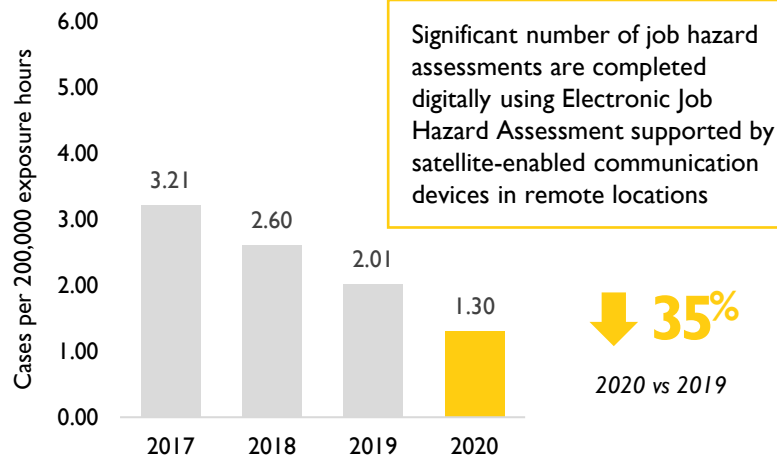
2017 to 2027

## Drivers of Lower Emissions



# Employee Health and Safety

## Total Injury Frequency



## Critical Safety Standards Training

2020 refresher training

Critical Safety Standard	# of Employees
⊕ Lifesaving Rules	4,348
⚡ Energy Isolation	6,053
🌀 Lifting and Hoisting	1,747
🚫 Line of Fire	5,697

## Effective Response To COVID-19

- Transitioned ~50% of workforce to working from home without interruption
- Implemented COVID-19 prevention activities to protect those who remain at work
- Leveraging communication technologies to deliver training and on-going communication
- Prioritized mental health support and provided specialized training to leaders
- Benefitted from CEWS program and preserved over 500 technical jobs across Canada

**89%** Feel well connected, included, and part of a team

**95%** Collaborate easily with co-workers while working from home





# Employee Training and Development

## Canada

- *Think Big*, 20-month diploma-based program offered by Grande Prairie Regional College in partnership with Finning and Caterpillar
- *Think Big* - 2020 statistics
  - 36 new students started
  - 32 apprentices graduated
  - 20% of graduates hired by Finning

## South America

- *Technicians for Latin America* training program delivered by Caterpillar and supported by Finning
- *Finning Instruccion Tecnica* in Chile - 2020 statistics
  - 46,589 hours of training offered
  - 2,493 Finning apprentices and employees participated

## UK & Ireland

- *Apprenticeship Academy*, 4-year program that offers training for service engineering and electrical power generation technicians
- *Controller Apprenticeships* program enrolled 58 students in 2020

## Professional Development for all Roles

2020 average training hours per employee and spending on training



**16**

**Technical**

**\$4.7M**



**58**

**Sales**

**\$0.3M**



**19**

**Leadership**

**\$0.3M**



In 2020, Finning was recognized by the UK government's Education and Skills Funding Agency as one of the Top 100 Apprenticeship Employers



In 2021, Finning was named one of BC's Top Employers for the second year in a row



# Community Investment

## 2020 Community Investment Highlights



In collaboration with partner organizations, we delivered ~100,000 hours of training to 1,000 individuals in Chile



We engaged more than 100,000 youth through STEM partnerships



We rolled out Indigenous Guiding Principles in Canada



## STEM Education

Financial and practical support for programs that inspire students to participate in STEM careers and technical trades



5 scholarships awarded in 2020 to provide equitable access to STEM-related post-secondary education

Finning employees volunteered for STEM events for youth, underserved communities, and girls



Finning works with *Chicas en Tecnología* and *Inspiring Girls in South America* to help improve access to STEM courses and mentoring



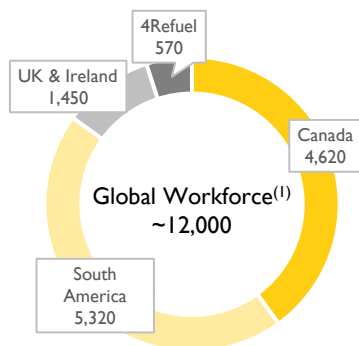
Finning employees volunteer at events hosted by *STEM Ambassadors* in the UK that connected over 800 students to engineers in different fields

**We believe in supporting and giving back to our communities**



# Inclusion and Diversity

## Measuring and Promoting Workforce Diversity



Specialized tradespeople as % of our workforce

**~45%** Mechanics, welders, technicians, parts staff

Women as % of overall workforce

**16%**

Women in leadership roles, 2020 statistics

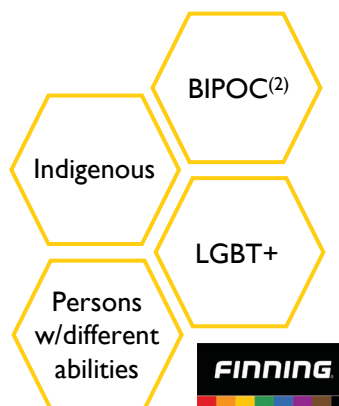
Board	Executive	Senior Level Leaders	Mid-Level Leaders	Front Level Leaders
<b>33%</b>	<b>21%</b>	<b>31%</b>	<b>21%</b>	<b>16%</b>



Globe & Mail named Finning to its 2021 *Women Lead Here* list to recognize our gender diversity at the executive level

## Broadening Inclusion

- *Indigenous Guiding Principles* guide us in recruitment, procurement, new business, strategic relations, and community investment
- Planning to expand voluntary self disclosure options for employees in 2021
- Establishing *Employee Resource Groups*
- Planning to audit HR processes and programs to be more inclusive



## Driving Leader Accountability

- CEO sponsored global programming led by regional executives
- Executives champion *Courage to Care*, expanding safety discussions to include mental health, respect, and inclusion
- Our *Employee Experience Inclusive Culture Index* exceeds manufacturing, construction, and high performing company norms

**9points** above high performing company norm

2020 employee experience survey

# Governance

## Strong Execution in a Challenging Year

### 2020 achievements

- Improved safety performance and customer loyalty
- Improved execution and profitability in South America
- Reduced cost and improved productivity in Canada
- Equipment and project wins in the UK & Ireland
- Strong free cash flow generation and balance sheet

### Strong Governance

- Risk management
- Integrity and ethics
- Accountability
- Strong management team
- Cybersecurity

% of employees in Canada  
who are shareholders

~ **85%**

2020, excludes 4Refuel

### Ownership Requirement

*Multiple of salary*

President and CEO 5.0

Executive Vice President 2.5

Senior Vice President 1.5

Vice President 1.0

## Selected Board and Governance Information

Size of board	12
Average age of directors	64
Number of independent directors	11
Separate chair and CEO	Yes
Independent chair	Yes
Average board tenure	6y, 4m
Code of Conduct for directors, officers, and employees	Yes
Stock ownership guidelines for directors and executive officers	Yes
Say on Pay advisory vote	Yes
Five-year average support of our approach to executive compensation	90.2%
Board Inclusion and Diversity Policy	Yes
In-camera sessions held with independent directors only at every Board and committee meeting	Yes

As at December 31, 2020. For more details about our Board, please refer to our most recent Management Proxy Circular.

# Energy Transition Opportunities – Electrification Trend

 Cu  
 ~1/3<sup>rd</sup>  
 of world's copper  
 reserves in Chile<sup>(1)</sup>

Chile Copper  
 Production<sup>(1)</sup>  
 2029 **7.1**  
 2020 **5.8**  
 million tons



 LI-ION  
 ~55%  
 of world's lithium reserves  
 in The Lithium Triangle<sup>(2)</sup>

Global Lithium  
 Production<sup>(3)</sup>  
 2025 ~25%  
 2020 average annual  
 growth rate

Copper mining as %  
 Finning total revenue ~25%  
 2020; mostly in Chile

Chile Mining Investment<sup>(1)</sup>  
 2020–2029; USD; copper, gold, lithium, iron, cobalt  
**~\$74B / 49 projects**

% of global lithium  
 production in Chile  
 and Argentina<sup>(3)</sup> ~37%  
 2020

## Copper Growth Opportunities

## CAT Ultra Class Trucks in Chile<sup>(4)</sup>

## Lithium Growth Opportunities



Mining equipment replacement cycle  
(autonomy, electric drive truck)



Product support recovery and ramp up  
(large and aging equipment population)



Underground mining opportunities

Population

**227**

Trucks

Average Age

**11.5**

Years



Caterpillar equipment (e.g. excavators,  
backhoes, dozers, loaders, drills)



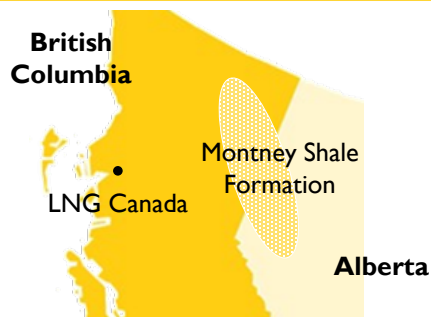
Equipment and services for processing  
and transporting lithium (e.g. pumps,  
pipes, transport trucks)



Value-added services

# Energy Transition Opportunities – Nat Gas and Infrastructure

## Natural Gas – Montney Shale Formation



Montney Projects Investment<sup>(4)</sup>  
2019–2025  
**~\$48B / 8 projects**

Includes LNG Canada / Coastal GasLink Pipeline ~\$40B

**449Tcf**  
Montney Shale  
Formation Reserves<sup>(1)</sup>

**~50%**  
of Canada's Natural  
Gas Resources<sup>(2)</sup>

Montney Shale  
Production<sup>(1)</sup>

2030

**9.6**

2020

**6.5**

Bcf / day

**Reduces GHG Emissions<sup>(3)</sup>**

**~40%**  
lower than coal

**~30%**  
lower than diesel

### Growth Opportunities



Construction equipment,  
sales and rental



Product support



Power systems



Refueling

## Climate – Resilient Infrastructure

### Canada

**~\$2B**

Disaster Mitigation and  
Adaptation Fund<sup>(5)</sup>

*addresses natural disaster related risk  
by building / modifying infrastructure*

**~\$1.7B**

Investment to reclaim aging  
oil and gas wells<sup>(5)</sup>

*from 2020*

**~\$1.5B**

Investment in agriculture  
irrigation projects<sup>(6)</sup>

*2021-2023*

### UK

Up to **£4.8B**

Additional investment  
required per year<sup>(7)</sup>

*over the next 100 years*

# Improved Earnings Capacity in a Recovery

## 2021 Considerations

- 2021 outlook remains positive, led by strong recovery in Chile and UK, and improvements in order intake<sup>(1)</sup> and backlog<sup>(1)</sup>
- Expect revenue growth in 2021, however remaining below 2019 levels
- On track to deliver more than \$100 million of annualized cost savings
- Expect 2021 earnings to exceed 2019
  - Assuming undisrupted market recovery and successful execution of profitability drivers
- Expect strong annual free cash flow<sup>(1)</sup> in 2021
  - EBITDA to FCF conversion<sup>(1)</sup> modestly below 50% due to increased inventory purchases

## 2021 Profitability Drivers



Operating leverage in a recovering market



Product support growth in all regions



Significant progress towards SG&A target



Effective allocation of capital

## Mid-Cycle Targets

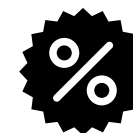
**EBITDA to FCF  
Conversion**



**~50%**

*2013 - 2020 average*

**SG&A as % of  
Net Revenue<sup>(1)</sup>**



**~17%**



# Free Cash Flow, Balance Sheet, Capital Allocation

## 2020 Highlights

- Improved working capital management
- Inventory turns<sup>(1)</sup> up 10% vs 2019
- 2020 net capex and rental fleet spend ~\$100 million
- Well positioned to make strategic investments early in the recovery

**Free Cash Flow**  
2020

**\$870<sup>M</sup>**

**Net Debt to Adj. EBITDA<sup>(1)</sup>**  
Dec 31, 2020

**1.4**

**EBITDA to FCF Conversion**  
2020

**~125%**

## Capital Allocation Priorities

Organic Growth

Dividend Growth

Opportunistic Share Repurchases

Acquisition Opportunities

Further Debt Repayment

Inventory Purchasing

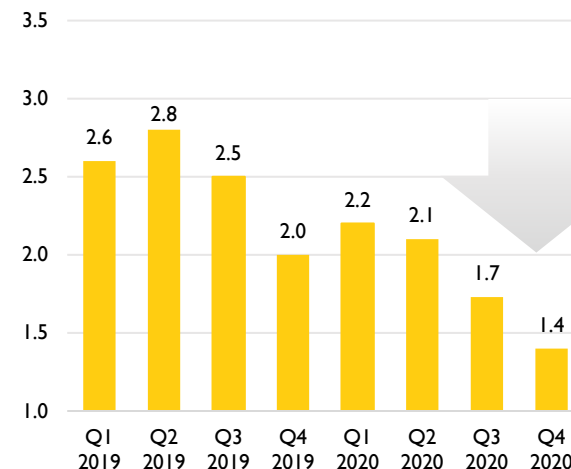
Strategic Investments

- Network
- Digital

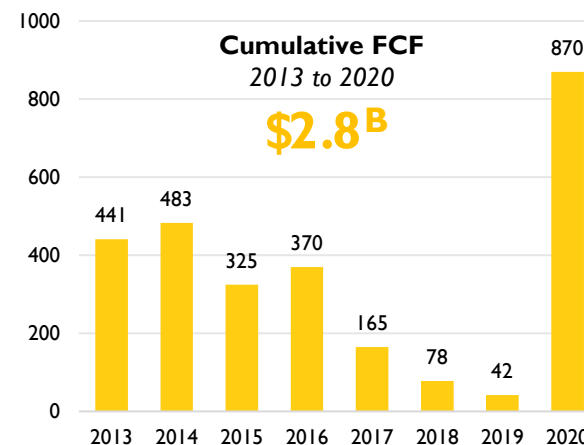
4Refuel FCF in 2 years since acquisition **\$50<sup>M</sup>**

Saskatchewan paid back in full **5 yrs**

## Net Debt to Adjusted EBITDA (Ratio)



## Free Cash Flow (\$ Millions)



# 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 target to reduce our absolute GHG emissions by 20% by 2027 (from a 2017 baseline) and that some absolute GHG emissions reductions in 2020 are likely to return as business impacts of COVID-19 lessen; drivers of lower emissions and how we plan to achieve our absolute GHG emissions target through increased use of renewable energy, energy efficiency initiatives, innovation, facilities optimization and fleet improvements; plans to expand voluntary self-disclosure options for employees in 2021; plans to audit HR processes and programs in 2021 to be more inclusive; all information on slide 11 under “Copper Growth Opportunities” and “Lithium Growth Opportunities”; on slide 12, our estimate of investment and projects in Montney Projects over 2019-2025 and all information under “Growth Opportunities”; all information on slide 13 on our outlook for 2021 under “2021 Considerations”, our expected 2021 profitability drivers and our mid-cycle targets for EBITDA to FCF conversion and SG&A as a percentage of net revenue; that we are well positioned to make strategic investments early in the recovery; and our capital allocation priorities listed on slide 14. No assurances can be given that the information in this presentation will result in sustained or improved financial performance, and past performance is not a guarantee of future 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, whether as a result of new facts becoming known, future events occurring or otherwise.

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, which may cause our actual results, performance or achievements to 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 assumptions that: we will be able to execute on our strategic plans, take advantage of growth opportunities, control our costs, drive continuous cost efficiency in a recovering market, and manage the impact of COVID-19, and we are assuming an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest, and successful execution of our profitability drivers listed on slide 7. 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)) or under our profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

We caution readers that the risks described in the AIF and MD&A are not the only risks that could impact the company. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our services, due in part to the uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the steps our customers or suppliers may take in current circumstances, including slowing or halting operations, the duration of travel and quarantine restrictions imposed by governments of affected countries and other steps that may be taken by such governments to respond to the pandemic. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operations.

# Disclosures

## 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).

## Non-GAAP financial measures

This presentation includes certain “non-GAAP financial measures”, which are called out the first time they are used. The non-GAAP financial measures do not have a standardized meaning under International Financial Reporting Standards (IFRS) and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under Generally Accepted Accounting Principles, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” in our most recent MD&A. We believe that providing certain non-GAAP financial measures provides users of our consolidated financial statements with important information regarding the operational performance and related trends of our business. By considering these measures in combination with the comparable IFRS measures set out in the MD&A, 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 IFRS measures alone.

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