

# Q3 2021 Results

**Scott Thomson**

President and CEO

**Greg Palaschuk**

EVP and CFO

November 9, 2021

See slides 10 and 11 for important information on forward-looking information, currency, and non-GAAP financial measures

# Highlights

## Executing to Demonstrate Earnings Capacity

### Product Support Revenue

Q3 2021 vs Q3 2020

↑ 11%

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

Q3 2021

17.8%

### Inventory

Q3 2021 vs Q4 2020

↑ \$150 M

Solid gross profit margins  
data-driven inventory and pricing decisions

Greater operating leverage  
significant progress toward SG&A target

Working capital improvements  
in constrained supply environment

Reduced finance costs

### ROIC Expansion

14.7%

Q3 2021 Adjusted <sup>(1)</sup>

### Record EPS<sup>(5)</sup>

\$0.61

Q3 2021

Q3 2021 EBIT up 13% and EPS up 24% vs adjusted Q3 2019 results<sup>(1)</sup>  
despite 4% lower net revenue<sup>(1)(3)</sup>



## Energy Transition Opportunities<sup>(2)</sup>



### CATERPILLAR Product Portfolio

- CAT® 3512E Dynamic Gas Blending Tier 4 engine
- Hydrogen-capable generators (hydrogen blending demo in Calgary)
- Battery-powered mining trucks (BHP partnership)
- CAT® R1700 XE LHD underground loader



### Copper and Lithium

Cu 7.2  
2027  
5.7  
2020

Chile copper production<sup>(4)</sup>  
million tons



Natural Gas  
CNG, RNG, Hydrogen

### ComTech Energy

4Refuel  
A FINNING INDUSTRIAL SERVICE

Capabilities to support customers in their transition to low-carbon fuel

US\$74B investment in 49 projects<sup>(4)</sup>  
2020 – 2029; copper, gold, lithium, iron ore

<sup>(1)</sup> This is a non-GAAP financial measure. See slide 11 for more information. <sup>(2)</sup> This is forward-looking information. See slide 10 for more information. <sup>(3)</sup> Q3 2021 revenue of \$1,904 million represents a 3% decrease from Q3 2019 revenue of \$1,959 million

<sup>(4)</sup> The Chilean Copper Commission (Cochilco) - Proyección de la producción de cobre en Chile 2020 – 2031; <https://www.cochilco.cl/Paginas/Sala-de-Prensa/Noticias.aspx?ID=439> <sup>(5)</sup> Compared to adjusted historical quarters

# Q3 2021 Results

vs Q3 2020 (Adjusted) <sup>(1)</sup>

<p>Net Revenue</p> <p><b>\$1.7B</b></p>	<p><b>↑ 21 %</b></p>
<p>EBITDA<sup>(1)</sup></p> <p><b>\$230M</b></p>	<p><b>↑ 29 %</b></p>
<p>EPS</p> <p><b>\$0.61</b></p>	<p><b>↑ 65 %</b></p>

## Q3 2021 Summary

- Record third quarter EPS
- Strong execution and improved operating leverage
- Product support revenue growth across all regions and market sectors
- Higher new equipment sales led by strong construction markets
- Proactive management of supply chain constraints and inflationary pressures

## Q3 2021 Financial Statistics

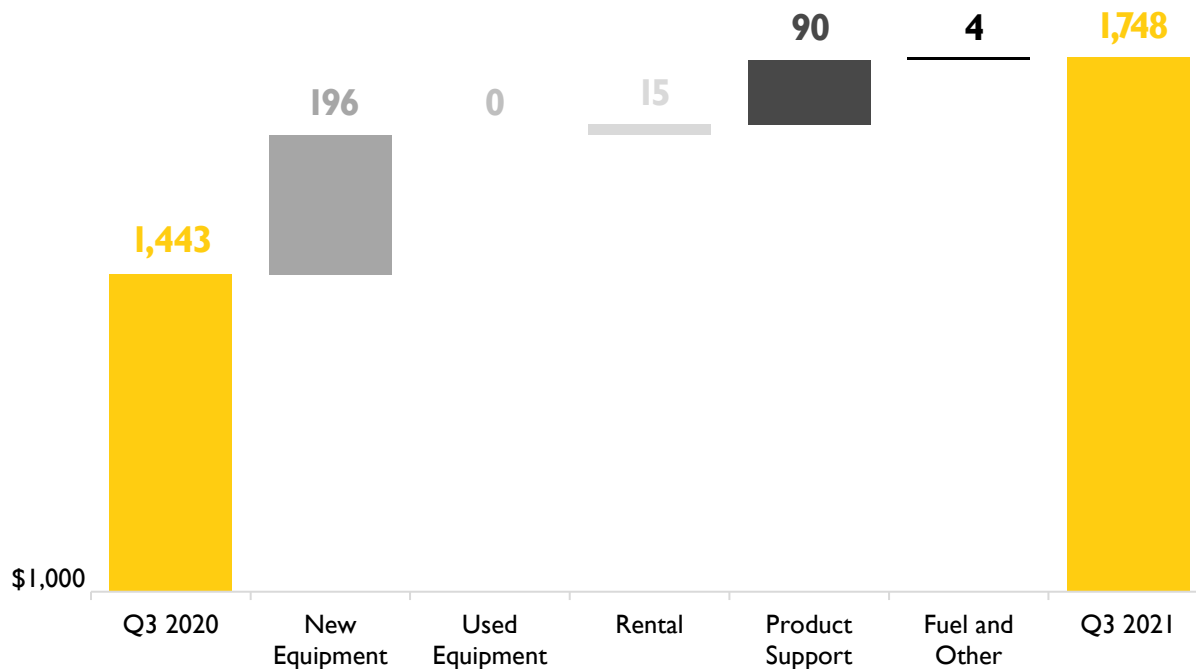
\$ millions, except EPS		Key Ratios	
Revenue	1,904	Invested capital turnover <sup>(1)</sup>	2.01 times
Net revenue	1,748	Working capital to net revenue <sup>(1)</sup>	23.0 % ✓
EBIT	150 ✓	Inventory turns <sup>(1)</sup>	3.09 times ✓
EPS	\$0.61 ✓	ROIC <sup>(1)</sup>	15.6 %
EBITDA	230 ✓	Adjusted ROIC	14.7 %
Free cash flow <sup>(1)</sup>	176	Net debt to Adjusted EBITDA <sup>(1)</sup>	1.3 times ✓

✓ All time record (vs adjusted historical results)    ✓ Record since 2012 and 2014, respectively

<sup>(1)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

# Q3 2021 Net Revenue

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



**Net Revenue Mix**  
Q3 2021 vs Q3 2020

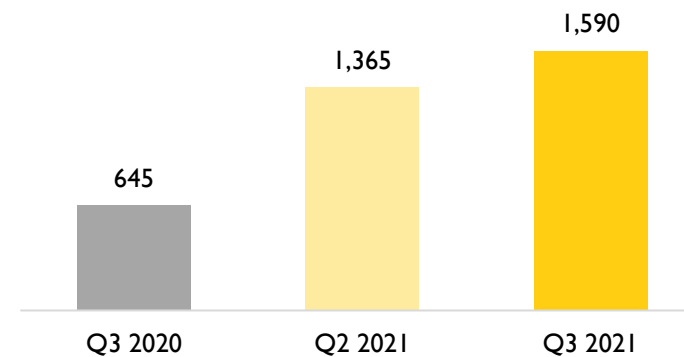
New Equipment  
**600 bps**  
 36% of total

Product Support  
**500 bps**  
 53% of total

## Q3 2021 Revenue Drivers

- Higher new equipment sales driven by strong demand in construction markets in all regions, mining deliveries in Chile, and HS2 deliveries in the UK
- Product support revenue growth reflected improved customer activity across all sectors as well as continued strategic focus to capture market share in construction
- Backlog<sup>(1)</sup> increased from Q2 2021 driven by the UK & Ireland and Canada; strong backlog supports revenue outlook<sup>(2)</sup>

**New Equipment Backlog**  
~\$ Millions

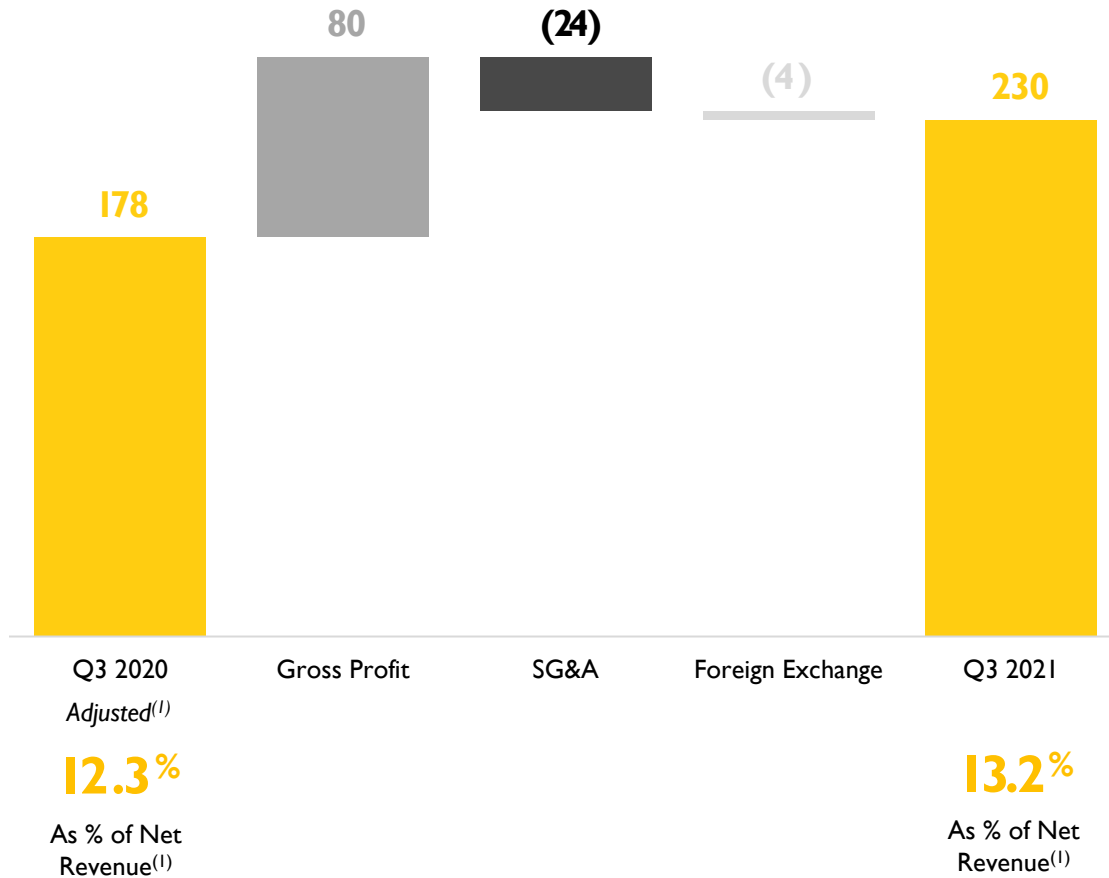


<sup>(1)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

<sup>(2)</sup> This is forward-looking information. See slide 10 for more information.

# Q3 2021 EBITDA

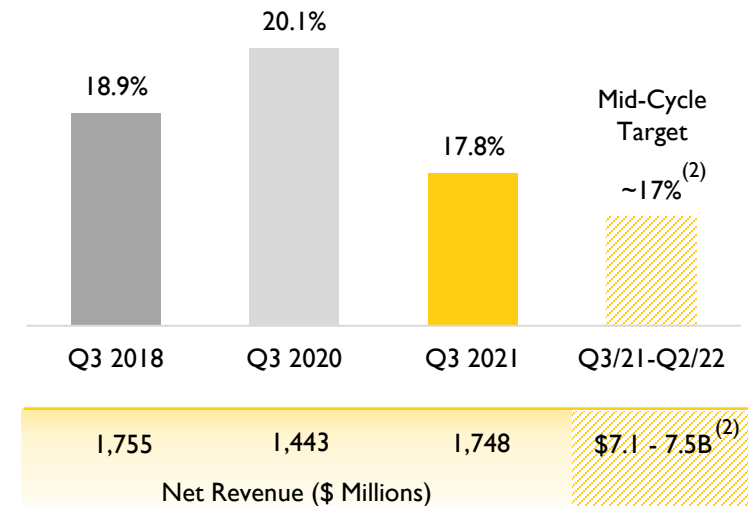
**EBITDA**  
\$ Millions



## Q3 2021 EBITDA Drivers

- Increase in gross profit driven by higher net revenue, higher used equipment margins, and improved rental utilization
- SG&A up 7% on a 21% increase in net revenue from Q3 2020, reflecting cost savings and continued focus to improve employee and facility productivity
- Significant progress toward SG&A as % of net revenue mid-cycle target; compared to similar mid-cycle net revenue levels in Q3 2018, quarterly SG&A as % of net revenue is down 110 basis points

## SG&A as % of Net Revenue



<sup>(1)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

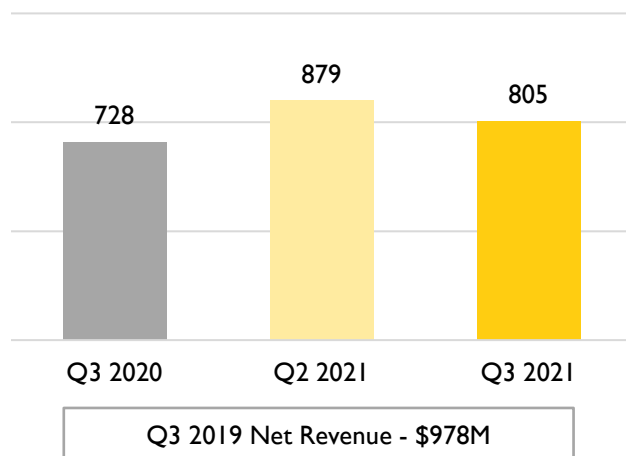
<sup>(2)</sup> This is forward-looking information. See slide 10 for more information.



# Q3 2021 Financial Results – Canada

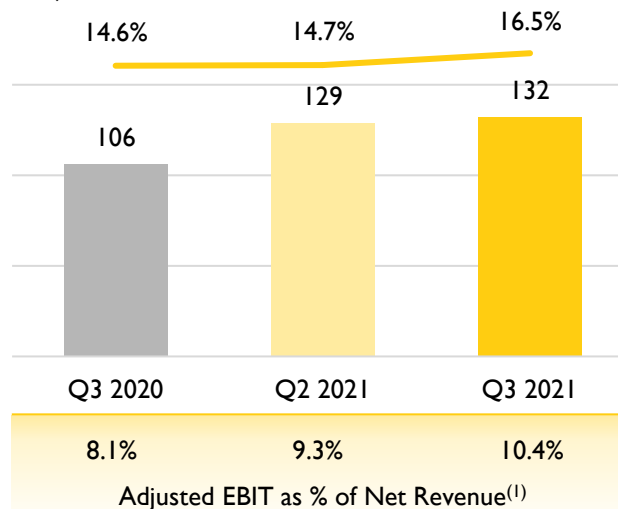
## Net Revenue

\$ Millions



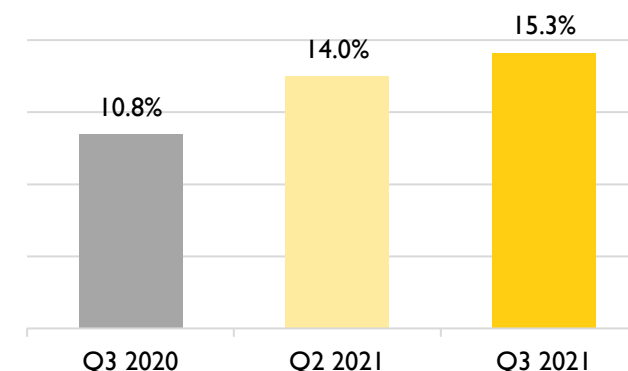
## EBITDA

Adjusted, \$ Millions, as % of Net Revenue



## Return on Invested Capital

Adjusted, 4 Quarter Average



### Q3 2021 Commentary

- Product support revenue up 12% from Q3 2020 driven by improved market activity in all sectors and significantly higher number of construction rebuilds
- Used equipment sales up 35% and rental revenue up 27% from Q3 2020 reflecting strong demand in all sectors
- New equipment sales down 3% from Q3 2020 due to lower mining deliveries; construction equipment sales up 13% in a constrained supply environment
- Profitability improvements and capital efficiencies driving higher ROIC

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

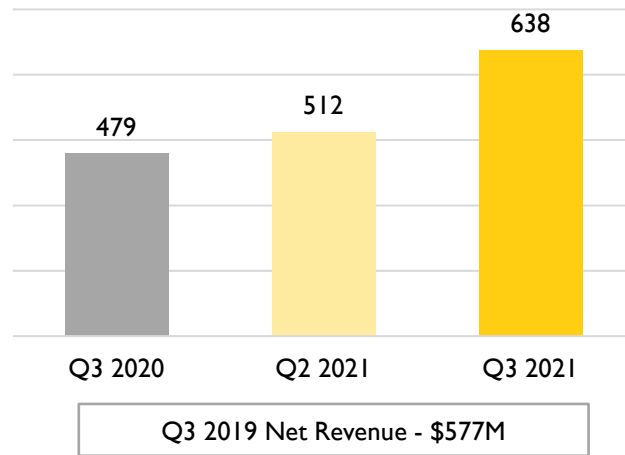
- Public and private investments in infrastructure drive continued strong construction activity
- Focused on accelerating growth in construction product support
- Broad-based strength in commodity markets supports positive outlook in Western Canada
- Oil sands customers are focused on improving production efficiency, reducing costs, and lowering emissions; large and mature equipment population in the oil sands provides stable demand for product support, including rebuilds, and opportunities for future fleet renewals

<sup>(1)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

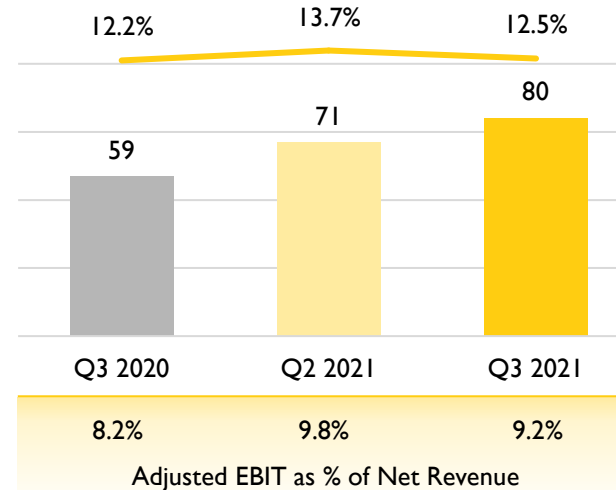
<sup>(2)</sup> This outlook information is forward-looking information. See slide 10 for more information.

# Q3 2021 Financial Results – South America

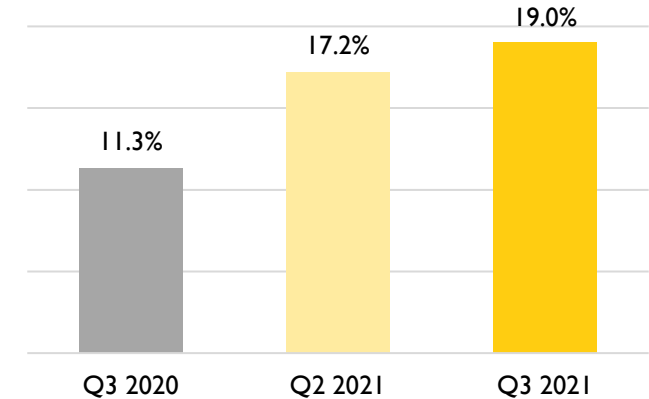
## Net Revenue \$ Millions



## EBITDA Adjusted, \$ Millions, as % of Net Revenue



## Return on Invested Capital Adjusted, 4 Quarter Average



### Q3 2021 Commentary

- New equipment sales up 126% from Q3 2020 in functional currency, driven by deliveries to Chilean mining customers and improved demand for construction equipment to support mining infrastructure and general construction projects
- Product support revenue up 16% from Q3 2020 in functional currency, with stronger demand in all market sectors
- Streamlined cost structure drives solid profitability
- Best ROIC performance since 2012

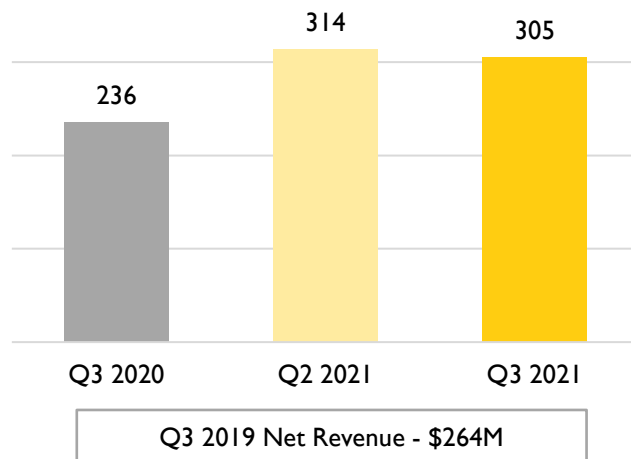
### Market Outlook<sup>(1)</sup>

- Monitoring political and economic reform process in Chile
- Constructive view on copper mining growth; outlook assumes a moderate increase in mining royalties
- Improved demand for mining product support driven by projected increase in copper production<sup>(2)</sup>, mature equipment population, and declining ore grades
- Continued delivery of large mining backlog over the next two quarters
- Strong outlook for construction industry in Chile with higher demand for mining infrastructure and the government's investment in public works

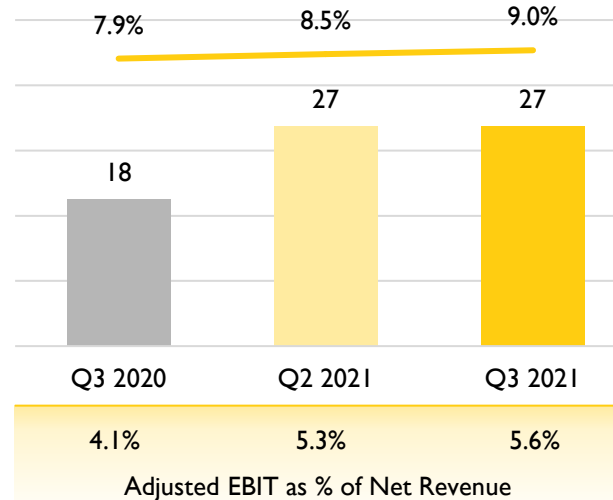
<sup>(1)</sup> This outlook information is forward-looking information. See slide 10 for more information. <sup>(2)</sup> Cochilco

# Q3 2021 Financial Results – UK & Ireland

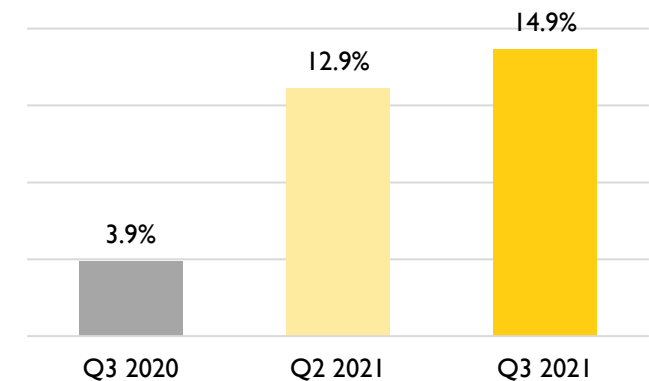
## Net Revenue \$ Millions



## EBITDA Adjusted, \$ Millions, as % of Net Revenue



## Return on Invested Capital Adjusted, 4 Quarter Average



### Q3 2021 Commentary

- New equipment sales up 45% from Q3 2020 in functional currency, driven by deliveries to HS2 and strong demand in construction markets
- Product support revenue up 8% from Q3 2020 in functional currency, attributable to improved activity in construction and power systems and our strategic focus to capture a higher share of product support
- Delivering CUBIQ Construction digital solutions to HS2 customers
- Growing revenues, improved execution, and discipline on cost and capital driving strong ROIC performance

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

- Strong outlook for construction equipment markets driven by economic recovery and HS2
- Demand for power systems solutions, particularly in the data centre market<sup>(2)</sup>, expected to continue
- Record backlog includes ~£110 million orders related to HS2 and large power systems projects with deliveries extending into 2022

<sup>(1)</sup> This outlook information is forward-looking information. See slide 10 for more information. <sup>(2)</sup> UK Data Center Market – Investment Analysis and Growth Opportunities Publication (2020-2025); Ireland Data Center Market – Growth, Trends and Forecasts Publication (2020-2025)



## Ahead of Schedule on EPS and ROIC Targets<sup>(1)</sup>

Investor Day Mid-Cycle Targets (Q3 2021 – Q2 2022)	
Net Revenue (\$B)	\$7.1 - \$7.5
Product Support Revenue CAGR	8%
SG&A (% of Net Revenue)	17%
Reinvestment Capacity <sup>(2)</sup> (\$M)	\$250
<b>EPS</b>	<b>&gt;\$2.00</b>
<b>ROIC</b>	<b>&gt;15%</b>
<i>Canada</i>	<i>17%</i>
<i>South America</i>	<i>18%</i>
<i>UK &amp; Ireland</i>	<i>15%</i>

**Simple Execution Plan**

**REBUILT AND READY.**

**DRIVE PRODUCT SUPPORT. REDUCE COSTS. REINVEST TO COMPOUND.**

**LET'S DO THE WORK.™**

<sup>(1)</sup> This information is forward-looking information. See slide 10 for more information.

<sup>(2)</sup> Reinvestment capacity for expansion or complementary services acquisitions and share repurchases while maintaining net debt to adjusted EBITDA ratio below 2.0 times

# 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: energy transition opportunities on slide 2 (which include assumptions that copper and lithium production will grow as predicted, and 4Refuel will successfully integrate ComTech’s capabilities); our revenue outlook on slide 4 (depends on delivery of our strong backlog); our mid-cycle targets on slide 5; our market outlook for Canada, South America and the UK & Ireland on slides 6, 7 and 8; and our progress and timing to deliver our mid-cycle targets on slide 9. 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, 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 those mentioned above and 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 impacts of COVID-19; that we will be able to capitalize on further productivity initiatives underway in 2021 and 2022; and we are assuming an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest. 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.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 us. 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.