

# Q2 2023 Results

Kevin Parkes  
President and CEO

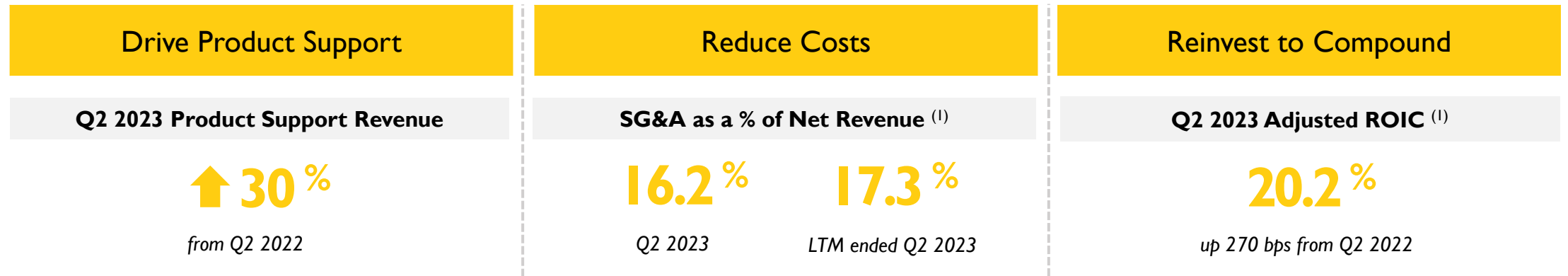
Greg Palaschuk  
EVP and CFO

August 9, 2023

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

**90**  
**YEARS**  
1933-2023

# Disciplined Execution and Strategic Priorities



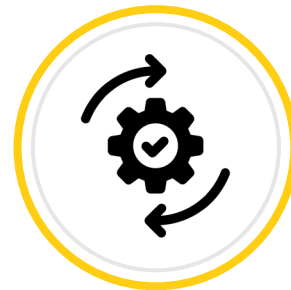
## Strategic Priorities

### Product Support



Continued share growth in aftermarket

### Full Cycle Resilience



Performance through all market conditions

### Sustainable Growth



Targeted addressable market growth

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

# Building on Strong Momentum

## Winning with Customers

- Strong customer confidence and capital spending
- Healthy order intake and equipment backlog build for 2024 delivery; significant mining orders received in Q3 2022
- Strong demand for product support, including growing book of rebuilds

**Equipment Backlog for Delivery in 2024** <sup>(1)(2)</sup>

**\$0.9<sup>B</sup>**

## Full Cycle Resilience

- Reduced corporate overhead
- Driving employee and facility productivity
- Optimizing working capital while supporting strong business growth
- Continued focus on ROIC

**LTM Q2 2023 Absorption** <sup>(3)</sup>

**↑ 18** percentage points

*from full year 2018*

## Continued Business Momentum

- Expanding equipment population
- Executing product support growth strategy
  - Hiring technicians
  - Service work in progress balance up 20% vs. June 2022

**Technicians**

**↑ 18%**

*from Dec 31, 2021*

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

<sup>(2)</sup> This is a specified financial measure. See slide 11 for more information.

<sup>(3)</sup> Absorption ratio is calculated as gross profit from product support divided by total SG&A

# Q2 2023 Results

vs Q2 2022

Net Revenue



**\$2.6B**

**↑ 28%**

EBIT



**\$242M**

**↑ 28%**

EPS



**\$1.00**

**↑ 24%**

Q2 2023 LTIP expense higher by \$25 million and finance cost higher by \$21 million vs Q2 2022

Q2 2023 Summary

- Strong revenue growth in Canada and South America, led by mining
- Continued disciplined execution of product support growth strategy
- South America's and Canada's Adjusted ROIC exceeded 26% and 20%, respectively
- Positive free cash flow generation with significant equipment backlog deliveries which were up 40% from Q1 2023

Q2 2023 Financial Statistics

*\$ millions, except EPS*

Revenue	2,779
Net revenue <sup>(1)</sup>	2,559
EBIT	242
EPS	\$1.00
Free cash flow <sup>(2)</sup>	31

*Key Ratios*

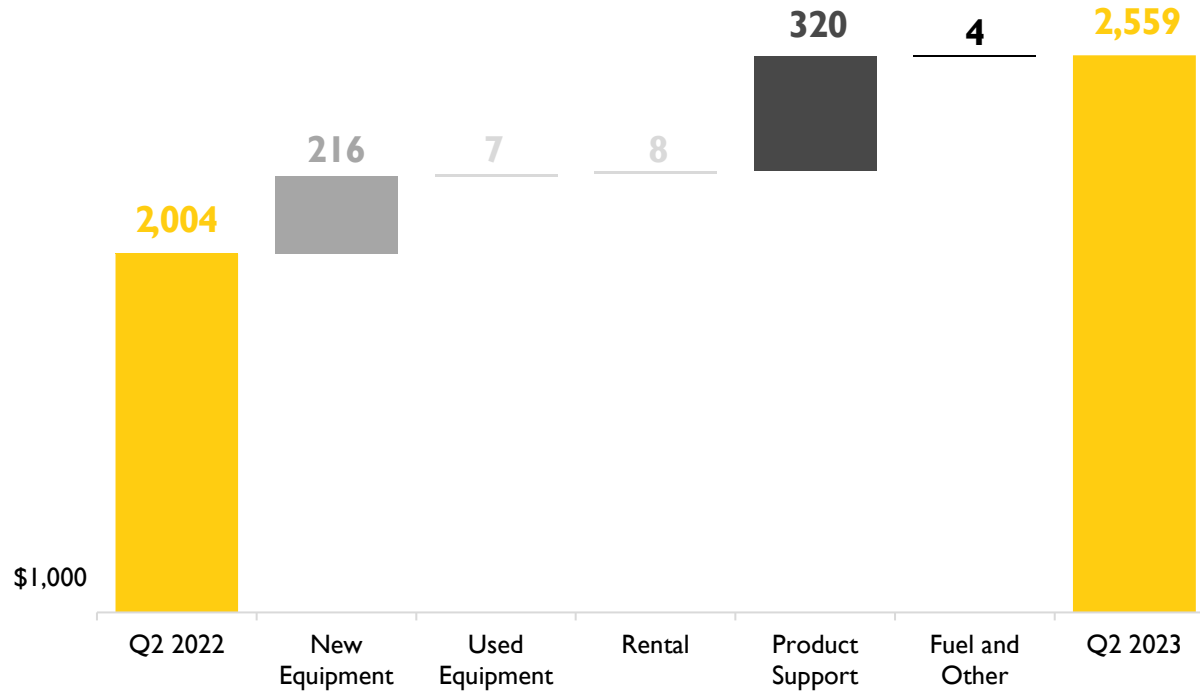
Invested capital turnover <sup>(1)</sup>	2.07 times
Working capital to net revenue <sup>(1)</sup>	27.5%
Inventory turns (dealership) <sup>(1)</sup>	2.49 times
Adjusted ROIC	20.2%
Net debt to Adjusted EBITDA <sup>(1)</sup>	1.8 times

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

<sup>(2)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

# Q2 2023 Net Revenue

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

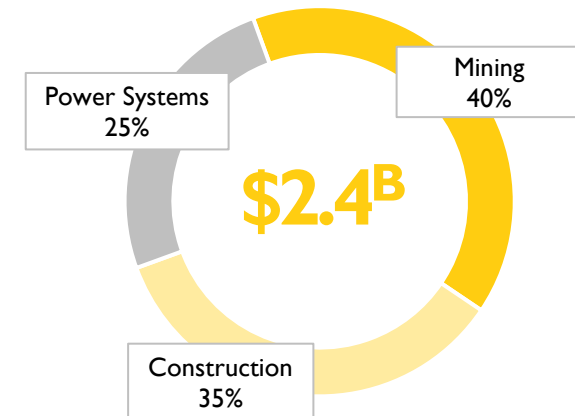


All comparisons are to Q2 2022 results unless indicated otherwise

## Q2 2023 Revenue Highlights

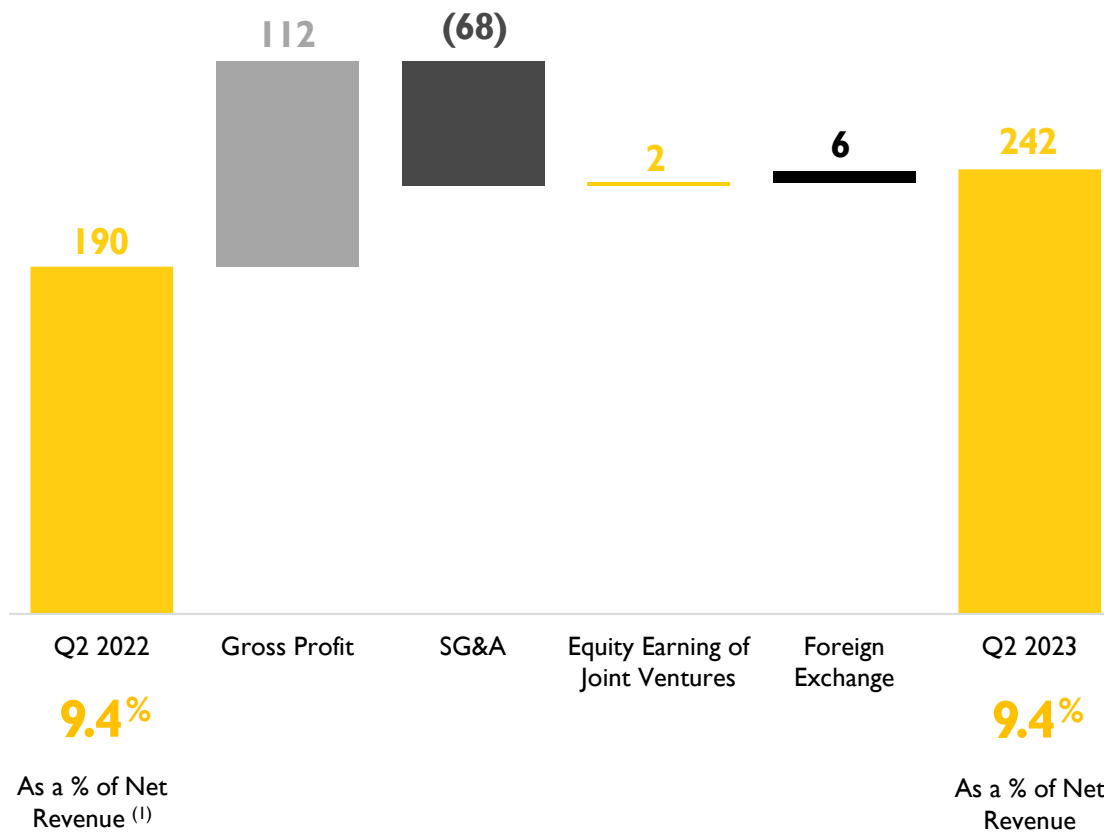
- Higher revenues across all lines of business
- Broad based growth in product support revenue in all regions, especially in mining
- Increase in new equipment sales led by mining deliveries in Canada and higher power systems sales in all regions
- Equipment backlog down from \$2.7B at March 31, 2023 due to higher deliveries, up from \$2.1B at June 30, 2022 driven by mining and power systems

**Equipment Backlog**  
At Jun 30, 2023



# Q2 2023 EBIT

**EBIT**  
\$ millions



All comparisons are to Q2 2022 results unless indicated otherwise

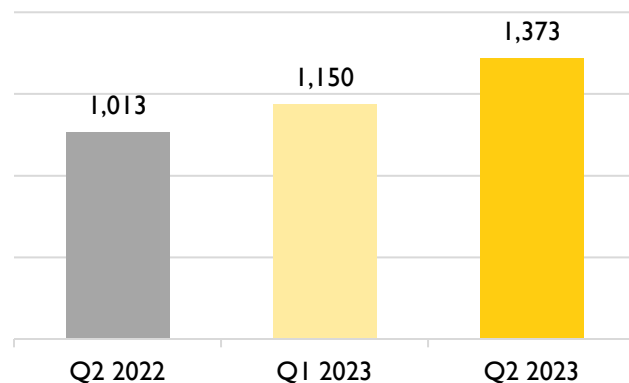
## Q2 2023 EBIT Highlights

- Gross profit up 24% on strong product support and new equipment volumes
- Gross profit as a % of net revenue <sup>(1)</sup> down 70 basis points primarily due to higher proportion of mining deliveries in the revenue mix
- SG&A included \$25 million higher LTIP expense compared to LTIP recovery in Q2 2022; SG&A as a % of net revenue was 16.2%

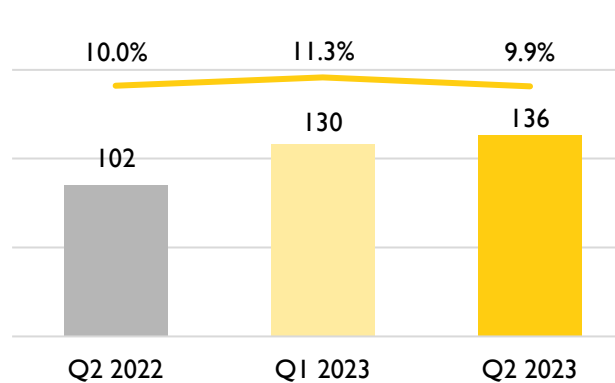
<sup>(1)</sup> This is a specified financial measure. See slide 11 for more information.

# Q2 2023 Results – Canada

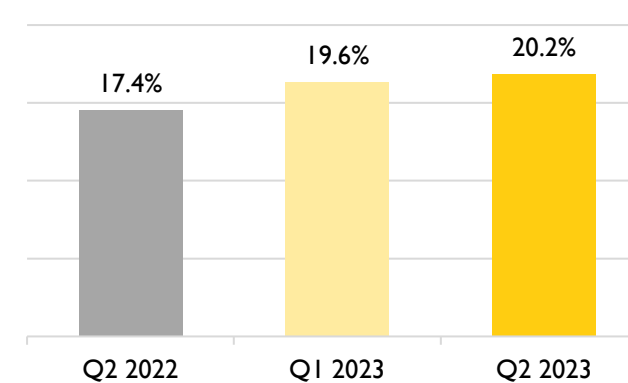
## Net Revenue \$ Millions



## Adjusted EBIT<sup>(2)</sup> \$ Millions, as a % of Net Revenue<sup>(3)</sup>



## Adjusted ROIC Adjusted, 4 Quarter Average



All comparisons are to Q2 2022 results unless indicated otherwise

### Q2 2023 Commentary

- New equipment sales up 84%, led by mining deliveries
- Equipment backlog up 4% from Q1 2023, reflecting strong order intake, including addition of the remaining Artemis Gold order
- Product support revenue up 24%, led by mining, including increasing rebuild activity
- Strong revenue growth in power system, with revenue up ~70% and equipment backlog up nearly 4 times
- Adjusted ROIC exceeded 20%, up 280 basis points, driven primarily by profitability improvements

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

- Positive outlook: healthy order activity and record equipment backlog, continued strong demand for product support
- Mining and energy: constructive commodity prices and improved capital budgets
- Construction: committed public and private sector investments in infrastructure
- Power systems and oil & gas: strong customer activity and order intake, high utilization of drilling and well servicing equipment driving demand for maintenance and rebuilds

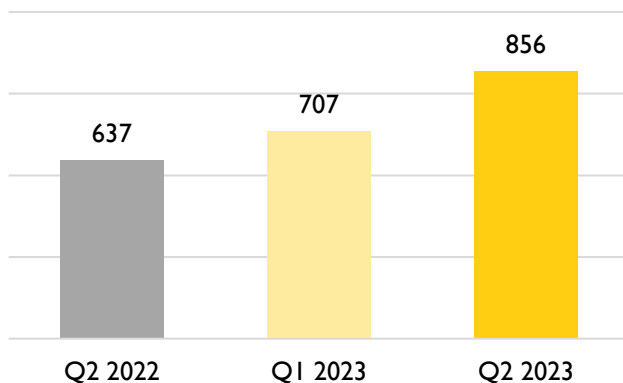
<sup>(1)</sup> This is forward-looking information. See slide 10 for more information.

<sup>(2)</sup> This is a non-GAAP financial measure. See slide 11 for more information.

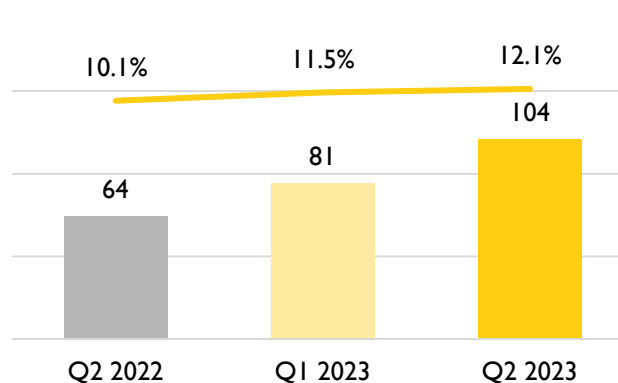
<sup>(3)</sup> This is a specified financial measure. See slide 11 for more information.

# Q2 2023 Results – South America

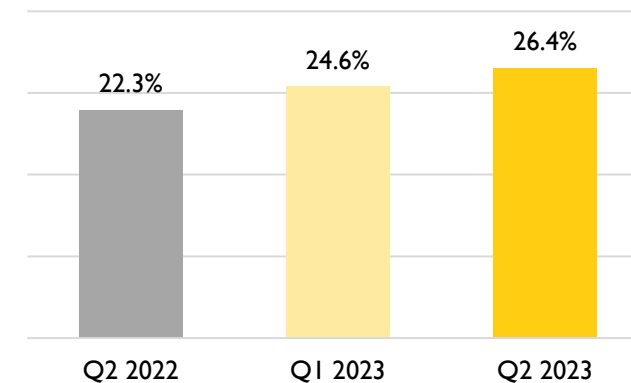
**Net Revenue**  
\$ Millions



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



**Adjusted ROIC**  
4 Quarter Average



All comparisons are to Q2 2022 results in functional currency unless indicated otherwise

## Q2 2023 Commentary

- New equipment sales up 18%, driven by sales to large contractors supporting mining operations in Chile
- Product support revenue up 34%, led by strong mining activity in Chile
- EBIT as a % of net revenue up 200 basis points on strong growth in product support and improved operating leverage
- Adjusted ROIC of 26.4% at a record level, up 410 basis points, driven primarily by profitability improvements

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

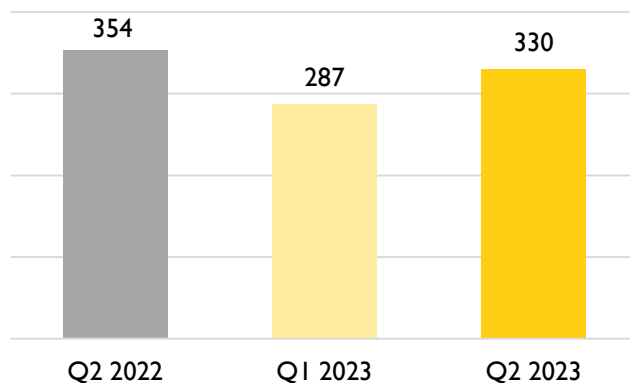
- Strong outlook for Chile mining: growing demand for copper, improving political clarity, recent government approvals of large-scale brownfield expansions, increasing customer confidence to invest
- Robust quoting activity with significant orders from mining customers expected to be added to Q3 2023 equipment backlog
- Positive outlook for large contractors supporting mining infrastructure (~50% of construction business) and stable construction activity in Chile
- Continued risk and volatility in Argentina as the election process beginning in August adds uncertainty to an already challenging fiscal, regulatory, and currency environment

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

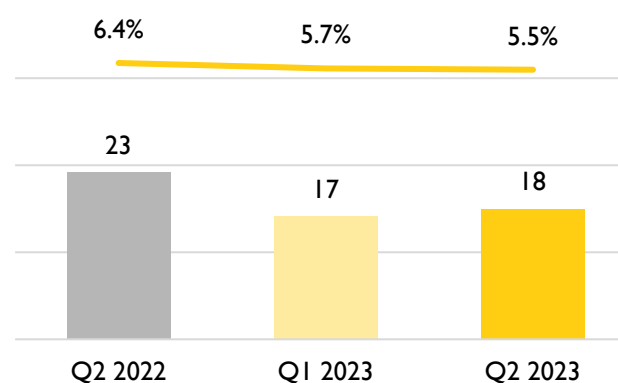


# Q2 2023 Results – UK & Ireland

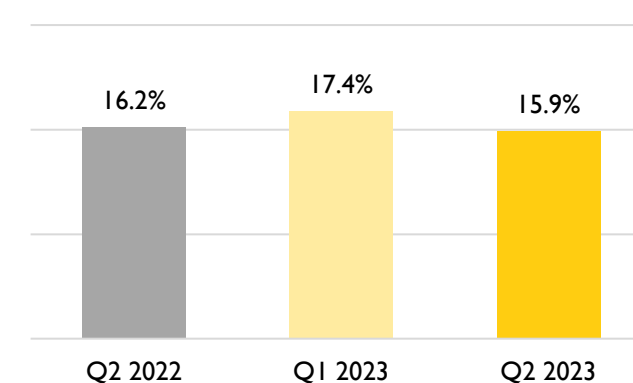
## Net Revenue \$ Millions



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



## Adjusted ROIC 4 Quarter Average



All comparisons are to Q2 2022 results in functional currency unless indicated otherwise

### Q2 2023 Commentary

- New equipment sales down 25% due to lower sales in construction (HS2 deliveries in Q2 2022 drove record new equipment sales and EBIT)
- Used equipment sales more than doubled
- Product support revenue up 14%, driven by strong customer activity and equipment utilization across all sectors
- Solid profitability and Adjusted ROIC reflect continued focus on growing product support

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

- Construction activity remains stable and demand for equipment has been resilient, construction order intake up 60% from Q1 2023
- Expect lower construction new equipment sales in 2023 vs 2022 due to completion of HS2 deliveries
- Continued strong product support activity is driven by high machine utilization and growing contribution from Hydraquip
- Growing demand in power systems markets and significant backlog of power systems projects for delivery in 2023 and 2024

<sup>(1)</sup> This is forward-looking information. See slide 10 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: the portion of our equipment backlog for delivery in 2024 on slide 3; our market outlook for Canada on slide 7 (based on our healthy order activity and record equipment backlog, and on assumptions of continued strong demand for product support, constructive commodity prices, improved customer capital budgets, public and private investments in infrastructure and high utilization of drilling and well servicing equipment driving demand for maintenance and rebuilds); our market outlook for South America on slide 8, including strong outlook for Chile mining (based on assumptions of continued growth in demand for copper, improving political clarity, government approvals of large-scale brownfield expansions, and increasing customer confidence to invest), the addition of orders from significant mining customers expected to be added to Q3 2023 equipment backlog, a positive outlook for large contractors supporting mining infrastructure and stable construction activity in Chile, and continued risk and volatility for Argentina (based on assumptions of added uncertainty from the election process beginning in August); and our market outlook for the UK and Ireland on slide 9, including stable construction activity, lower construction new equipment sales in 2023 compared to 2022, continued strong product support activity (based on assumptions of continued high machine utilization rates and growing contribution from Hydraquip), growing demand in power systems markets, and the strength of power systems project backlog for delivery in 2023 and 2024). 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, successfully manage our business through volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war; and 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). 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)).

# 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). 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 Q2 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 Q2 2023 MD&A.

## 2023 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>
Q3 2023	November 7, 2023	November 8, 2023	10:00 AM
Q4 2023	February 6, 2024	February 7, 2024	10:00 AM

Other Events	Date	Time
2023 Investor Day and Tour (Antofagasta, Chile)	September 25-27, 2023	All Day