



WAJAX CORPORATION
News Release

TSX Symbol: WJX

**WAJAX REPORTS 2018 THIRD QUARTER RESULTS
AND ANNOUNCES APPOINTMENT OF NEW DIRECTOR**

Toronto, Ontario – November 5, 2018 – Wajax Corporation (“Wajax” or the “Corporation”) today announced improved 2018 third quarter results compared to the previous year. Wajax also announced the appointment of Anne Bélec to its Board of Directors effective November 5, 2018.

(Dollars in millions, except per share data)

CONSOLIDATED RESULTS

Revenue

Equipment sales

Equipment rental

Industrial parts

Product support

Other

Net earnings

Basic earnings per share⁽¹⁾⁽²⁾

Adjusted net earnings⁽³⁾⁽⁴⁾

Adjusted basic earnings per share⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Three Months Ended September 30		Nine Months Ended September 30	
2018	2017 ⁽⁵⁾ (As restated)	2018	2017 ⁽⁵⁾ (As restated)
\$367.4	\$297.9	\$1,092.9	\$943.2
\$135.8	\$96.9	\$404.7	\$304.4
\$8.9	\$7.4	\$25.7	\$23.5
\$88.6	\$80.5	\$271.2	\$257.1
\$117.4	\$96.5	\$343.4	\$316.2
\$16.6	\$16.5	\$47.8	\$42.0
\$10.3	\$8.7	\$32.4	\$22.8
\$0.52	\$0.45	\$1.65	\$1.16
\$10.7	\$8.7	\$34.2	\$22.6
\$0.54	\$0.45	\$1.74	\$1.15

Third Quarter Highlights

- Revenue in the third quarter of 2018 increased 23.3%, or \$69.5 million, to \$367.4 million from \$297.9 million in the third quarter of 2017. The following factors contributed to the increase in revenue:
 - Regionally, revenue increased 42% in western Canada, 16% in eastern Canada and 1% in central Canada over the same period in the prior year. On a national basis, sales gains were driven by a broad range of categories including mining, construction, power generation, engines and transmissions and industrial parts.
 - Equipment sales have increased due primarily to higher construction sales in all regions, higher mining sales in western Canada and higher power generation sales in eastern Canada.

- Revenue from industrial parts has increased due primarily to higher bearings and hydraulics sales in all regions.
- Product support sales have increased due primarily to higher mining sales in all regions and higher engine and transmission sales in western Canada.
- EBIT increased \$1.7 million, or 11.4%, to \$16.5 million in the third quarter of 2018 versus \$14.8 million in the same period of 2017.⁽³⁾⁽⁵⁾ The year-over-year improvement is attributable to increased revenue and lower selling and administrative expenses as a percentage of revenue, offset partially by restructuring and other related costs of \$0.6 million in the current period.
- Based on improved EBIT results and lower finance costs, the Corporation generated net earnings of \$10.3 million, or \$0.52 per share, in the third quarter of 2018 versus \$8.7 million, or \$0.45 per share, in the same period of 2017.⁽³⁾ The Corporation generated adjusted net earnings of \$10.7 million, or \$0.54 per share, in the third quarter of 2018 versus \$8.7 million, or \$0.45 per share, in the same period of 2017. Adjusted net earnings in the third quarter of 2018 excludes the after-tax restructuring and other related costs.⁽³⁾⁽⁵⁾
- The Corporation's backlog at September 30, 2018 of \$240.2 million decreased \$16.7 million, or 6%, compared to June 30, 2018 due primarily to the fulfillment of construction, material handling and mining orders. Compared to the third quarter of 2017, backlog increased \$69.9 million, or 41%, due primarily to higher mining, power generation and forestry orders.⁽³⁾
- Inventories of \$370.0 million at September 30, 2018 increased \$15.9 million from June 30, 2018 due primarily to higher material handling, mining and forestry equipment inventory and higher parts inventory.
- Working capital of \$350.6 million at September 30, 2018 increased \$14.6 million from June 30, 2018 due primarily to higher inventory levels offset partially by higher accounts payable and accrued liabilities. Working capital at September 30, 2018 as a percentage of the trailing 12-month sales was 22.1%, a decrease of 10 basis points from June 30, 2018.
- The Corporation's leverage ratio decreased to 2.16 times at September 30, 2018 compared to 2.18 times at June 30, 2018.⁽¹⁾⁽²⁾ The decrease in the leverage ratio was primarily due to the higher trailing 12-month adjusted EBITDA offset partially by a higher debt level.

Subsequent to the third quarter, on October 16, 2018, the Corporation completed the acquisition of all the issued and outstanding shares of Montréal, Quebec-based Groupe Delom Inc. ("Delom"). The aggregate purchase price for the shares was \$51.8 million, with \$2.0 million of such purchase price remaining subject to the achievement of certain performance targets post-closing.

On October 16, 2018, the Company also announced amendments to its senior secured credit facilities. Pursuant to such amendments, the aggregate commitments of the lenders under such facilities have been increased from \$300 million to \$400 million, and the maturity date has been extended from 2021 to 2023 representing a five year commitment from lenders.

On November 5, 2018, the Corporation declared a dividend of \$0.25 per share for the fourth quarter of 2018, payable on January 3, 2019 to shareholders of record on December 14, 2018.

Commenting on the Corporation's third quarter results, President and Chief Executive Officer Mark Foote stated, "We are pleased to see a strong year-over-year improvement in our third quarter results. Gains in our targeted growth categories of construction, material handling and ERS continue to reflect strengthening execution of our strategy. We are also pleased with the strong increases shown broadly across other categories. Power generation delivered strong revenue performance in the third quarter due to project deliveries. In mining, increases in equipment sales were complimented by very strong increases in product support.⁽³⁾ Regional strength was balanced and we are very pleased with our growth in eastern and western Canada and we continue to work towards stable growth in central Canada. The Wajax team continues to operate with safety as its highest priority,

resulting in a third quarter TRIF rate of 0.84. We continue to focus on our goal of zero injuries and working to ensure that every member of our team goes home safely at the end of every day.”⁽⁶⁾

Mr. Foote continued, “In 2018, Wajax expects year-over-year adjusted net earnings to increase, due primarily to organic revenue growth and before the impact of the October 16, 2018 acquisition of Delom.”⁽¹⁾ Given the Corporation’s plans to increase market share in highly competitive categories, gross margins are expected to be under pressure. While Wajax will make planned investments in programs that advance the Corporation’s strategy, an ongoing focus on overall cost productivity is expected to assist Wajax in managing expected margin pressure. Viewed over the full year and across all categories, market conditions in 2018 have been generally stable in central Canada. On the same basis, market conditions in western and eastern Canada have been positive and have assisted growth due primarily to certain resource industry improvements and general equipment demand. The Corporation continues to work closely with major manufacturing partners to secure supply in new equipment and replacement parts in order to satisfy customer demand.”

Appointment of New Director

Ms. Bélec is a senior executive with over 33 years of experience in sales, marketing and customer service. She had an extensive career at Ford Motor Company, holding successively senior positions, including Director, Global Marketing and President and Chief Executive Officer, Volvo Cars N.A., Volvo Cars Corporation. Ms. Bélec subsequently went on to hold several additional senior executive roles in the automotive and recreational products sectors, including Vice President and Chief Marketing Officer of Navistar, Inc. and Senior Vice President, Global Brand, Communications and Parts, Accessories and Clothing at Bombardier Recreational Products, Inc. Ms. Bélec is the co-founder and presently serves as Chief Executive Officer of Mosaic Group, LLC, a firm offering outsourced marketing services for brands in Canada, the United States and globally. She holds a Bachelor of Business Administration and Commerce degree from the University of Ottawa, and a Masters in Business Administration from the Fuqua School of Business at Duke University.

“I am very pleased to welcome Ms. Bélec as a director,” said Robert Dexter, Chairman of Wajax’s Board of Directors. “Her extensive experience in marketing and business development, brand strategy and customer experience will contribute significantly to helping Wajax achieve its strategic objectives.” In addition to her appointment as a director, Ms. Bélec was also appointed a member of the Audit Committee and the Human Resources and Compensation Committee of the Board of Directors.

Wajax Corporation

Founded in 1858, Wajax (TSX: WJX) is one of Canada’s longest-standing and most diversified industrial products and services providers. The Corporation operates an integrated distribution system providing sales, parts and services to a broad range of customers in diverse sectors of the Canadian economy, including: construction, forestry, mining, industrial and commercial, oil sands, transportation, metal processing, government and utilities and oil and gas.

The Corporation’s goal is to be Canada’s leading industrial products and services provider, distinguished through its three core capabilities: sales force excellence, the breadth and efficiency of repair and maintenance operations, and the ability to work closely with existing and new vendor partners to constantly expand its product offering to customers. The Corporation believes that achieving excellence in these three areas will position it to create value for its customers, employees, vendors and shareholders.

Wajax will webcast its Third Quarter Financial Results Conference Call. You are invited to listen to the live webcast on Tuesday, November 6, 2018 at 1:00 p.m. ET. To access the webcast, please visit our website wajax.com, under “Investor Relations”, “Events and Presentations”, “2018 Third Quarter Results” and click on the “Webcast” link.

Notes:

- (1) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the three months ended September 30, 2018 was 19,769,733 (2017 – 19,504,107) and 20,241,986 (2017 – 20,072,979), respectively.
- (2) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the nine months ended September 30, 2018 was 19,598,065 (2017 – 19,640,183) and 20,069,441 (2017 – 20,179,739), respectively.
- (3) “Adjusted net earnings”, “Adjusted basic earnings per share”, “EBIT” and “backlog” do not have standardized meanings prescribed by generally accepted accounting principles (“GAAP”). See the Non-GAAP and Additional GAAP Measures section of the Q3 2018 Management’s Discussion and Analysis.
- (4) Net earnings excluding the following:
 - a. after-tax restructuring and other related costs of \$0.4 million (2017 – nil), or basic and diluted earnings per share of \$0.02 (2017 – nil), for the three months ended September 30, 2018.
 - b. after-tax restructuring and other related costs of \$2.8 million (2017 – recoveries of \$0.2 million), or basic and diluted earnings per share of \$0.14 (2017 – \$(0.01) per share), for the nine months ended September 30, 2018.
 - c. after-tax gain recorded on sales of properties of \$0.9 million (2017 – nil), or basic and diluted earnings per share of \$(0.05) (2017 – nil) for the nine months ended September 30, 2018.
- (5) The Corporation has restated its comparative 2017 earnings and financial position as a result of the adoption on January 1, 2018 of IFRS 15 *Revenue from Contracts with Customers*. See the Changes in Accounting Policies section of the Q3 2018 Management’s Discussion and Analysis.
- (6) Total Recordable Incident Frequency (TRIF) is a methodology for measuring injury frequency commonly used by industrial companies. It is calculated as the total number of recordable incidents times 200,000 hours of work divided by the actual number of hours worked. A recordable incident is one that requires medical treatment beyond first aid.

Cautionary Statement Regarding Forward-Looking Information

This news release contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, “forward-looking statements”). These forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “anticipates”, “intends”, “predicts”, “expects”, “is expected”, “scheduled”, “believes”, “estimates”, “projects” or “forecasts”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation’s ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this news release are made as of the date of this news release, reflect management’s current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this news release includes forward looking statements regarding, among other things, our expectations and outlook for 2018, including with respect to year-over-year adjusted net earnings and gross margins, as well as our expectation that an ongoing focus on cost productivity will assist us in managing planned investments in our strategy and expected margin pressure; our outlook on regional market conditions in Canada and specifically, central, western and eastern Canada; our goal of becoming Canada’s leading industrial products and services provider, distinguished through our core capabilities; and our belief that achieving excellence in our areas of core capability will position Wajax to create value for its customers, employees, vendors and shareholders. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information

technology platforms, systems and software; our ability to realize the full benefits from our 2016 strategic reorganization, including cost savings and productivity gains; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in our Annual Information Form for the year ended December 31, 2017, filed on SEDAR. The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Additional information, including Wajax's Annual Report, is available on SEDAR at www.sedar.com.

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Wajax Corporation

Management's Discussion and Analysis – Q3 2018

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the quarter ended September 30, 2018. This MD&A should be read in conjunction with the information contained in the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended September 30, 2018, the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 that are prepared in accordance with International Financial Reporting Standards ("IFRS") and the associated MD&A. Information contained in this MD&A is based on information available to management as of November 5, 2018.

Management is responsible for the information disclosed in this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. Wajax's Board of Directors has approved this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax and has reviewed this MD&A and the unaudited condensed consolidated interim financial statements and accompanying notes.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except ratio calculations, share, share rights and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Wajax Corporation Overview

Founded in 1858, Wajax (TSX: WJX) is one of Canada's longest-standing and most diversified industrial products and services providers. The Corporation operates an integrated distribution system, providing sales, parts and services to a broad range of customers in diverse sectors of the Canadian economy, including: construction, forestry, mining, industrial and commercial, oil sands, transportation, metal processing, government and utilities and oil and gas.

The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through its three core capabilities: sales force excellence, the breadth and efficiency of repair and maintenance operations and the ability to work closely with existing and new vendor partners to constantly expand its product offering to customers. The Corporation believes that achieving excellence in these three areas will position it to create value for its customers, employees, vendors and shareholders.

Strategic Direction and Outlook

In 2017, the Corporation completed a comprehensive review and update of its Strategic Plan, which defines objectives for organic growth, acquisitions and operations. The key points of the updated Strategic Plan are as follows:

- Organic growth priorities have been adjusted to increase the focus on product and service categories where Wajax has market share opportunities, and where customers are less affected by commodity prices. Historically, Wajax's peak and trough financial performance has been primarily related to categories that are sensitive to commodity prices. While nothing in the updated strategy lessens the potential upside from growth in these very important areas, the investment focus will be in product and service categories that are more durable through the cycle.
- Wajax will continue to integrate its historically decentralized infrastructure and will make increased technology investments to lower its cost-to-serve, improve customer access to its full range of products and services, and open new sales channels. Wajax will also continue to consolidate its physical branch network and make

investments in customer support and multi-purpose facilities in order to improve the consistency of customer service levels and to broaden local access to the Corporation's full range of products and services.

- Wajax will increase investment in its customer-facing teams, focusing on sales professionals and technicians. The strategic reorganization commenced by the Corporation in 2016 was effective in right-sizing the company to the then-current business conditions and simultaneously enabling the implementation of stronger sales and shop management practices. Using the foundation now built, the Corporation plans to increase hiring to grow its sales and service teams while continuing to focus on the efficiency of personnel costs in support areas.
- The majority of Wajax's growth is expected to result from organic programs. However, Wajax will continue to review acquisition opportunities that allow the Corporation to increase its ability to serve existing and new customers through expanded geographic reach and extensions to its product and service portfolio.

Wajax expects 2018 year-over-year adjusted net earnings to increase, due primarily to organic revenue growth and before the impact of the October 16, 2018 acquisition of Groupe Delom Inc. ("Delom").⁽¹⁾ Given the Corporation's plans to increase market share in highly competitive categories, gross margins are expected to be under pressure. While Wajax will make planned investments in programs that advance the Corporation's strategy, an ongoing focus on overall cost productivity is expected to assist Wajax in managing the expected margin pressure. Viewed over the full year and across all categories, market conditions in 2018 have been generally stable in central Canada. On the same basis, market conditions in western and eastern Canada have been positive and have assisted growth due primarily to certain resource industry improvements and general equipment demand. The Corporation continues to work closely with major manufacturing partners to secure supply in new equipment and replacement parts in order to satisfy customer demand. See the Non-GAAP and Additional GAAP Measures and Cautionary Statement Regarding Forward-Looking Information sections.

Highlights for the Quarter

- Revenue in the third quarter of 2018 increased \$69.5 million, or 23%, to \$367.4 million from \$297.9 million in the third quarter of 2017.⁽²⁾ Regionally:
 - Revenue in western Canada of \$177.5 million increased 42% over the prior year due to sales gains in construction, mining, engines and transmissions and industrial parts.
 - Revenue in central Canada of \$71.2 million increased 1% from the prior year.
 - Revenue in eastern Canada of \$119.5 million increased 16% over the prior year due to sales gains in the majority of product categories, including improved results in construction, power generation and industrial parts.
- Selling and administrative expenses as a percentage of revenue decreased 120 basis points to 14.8% in the third quarter of 2018 from 16.0% in the same period of 2017. Selling and administrative expenses increased by \$6.7 million compared to the third quarter of 2017 due mainly to higher personnel costs, including higher incentive accruals, and higher sales-related expenses.
- Adjusted EBITDA margin decreased to 6.6% in the third quarter of 2018 from 6.9% in the same period of 2017. Adjusted EBITDA excludes the restructuring and other related costs.⁽¹⁾⁽²⁾
- EBIT increased \$1.7 million, or 11.4%, to \$16.5 million in the third quarter of 2018 versus \$14.8 million in the same period of 2017.⁽¹⁾⁽²⁾ The year-over-year improvement is attributable to increased revenue and lower selling and administrative expenses as a percentage of revenue, offset partially by restructuring and other related costs of \$0.6 million in the current period.
- Based on improved EBIT results and lower finance costs, the Corporation generated net earnings of \$10.3 million, or \$0.52 per share, in the third quarter of 2018 versus \$8.7 million, or \$0.45 per share, in the same period of 2017. The Corporation generated adjusted net earnings of \$10.7 million, or \$0.54 per share, in the third quarter of 2018 versus \$8.7 million, or \$0.45 per share, in the same period of 2017. Adjusted net earnings in the third quarter of 2018 excludes the after-tax restructuring and other related costs.⁽¹⁾⁽²⁾

- The Corporation's backlog at September 30, 2018 of \$240.2 million decreased \$16.7 million, or 6%, compared to June 30, 2018 due primarily to the fulfillment of construction, material handling and mining orders. Compared to the third quarter of 2017, backlog increased \$69.9 million, or 41%, due primarily to higher mining, power generation and forestry orders.⁽¹⁾
- Inventories of \$370.0 million at September 30, 2018 increased \$15.9 million from June 30, 2018 due primarily to higher material handling, mining and forestry equipment inventory, and higher parts inventory.
- Working capital of \$350.6 million at September 30, 2018 increased \$14.6 million from June 30, 2018 due primarily to higher inventory levels offset partially by higher accounts payable and accrued liabilities. Working capital at September 30, 2018 as a percentage of the trailing 12-month sales was 22.1%, a decrease of 10 basis points from June 30, 2018.⁽¹⁾⁽²⁾
- The Corporation's leverage ratio decreased to 2.16 times at September 30, 2018 compared to 2.18 times at June 30, 2018.⁽¹⁾⁽²⁾ The decrease in the leverage ratio was primarily due to the higher trailing 12-month adjusted EBITDA offset partially by a higher debt level.
- Subsequent to the third quarter, on October 16, 2018, the Corporation completed the acquisition of all of the issued and outstanding shares of Montréal, Québec-based Delom. The aggregate purchase price for the shares was \$51.8 million, with \$2.0 million of such purchase price remaining subject to the achievement of certain performance targets post-closing.
- On October 16, 2018, the Corporation also announced amendments to its senior secured credit facilities. Pursuant to such amendments, the aggregate commitments of the lenders under such facilities have been increased from \$300 million to \$400 million, and the maturity date has been extended from 2021 to 2023 representing a five year commitment from lenders.
- On November 5, 2018, the Corporation announced the appointment of Anne Bélec to its board of directors effective that same date.

(1) "Backlog", "Leverage ratio", "Adjusted net earnings", "EBITDA margin", "Adjusted EBITDA" and "Adjusted EBITDA margin" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). "EBIT" and "Working capital" are additional GAAP measures. See the Non-GAAP and Additional GAAP Measures section.

(2) The Corporation has restated its comparative 2017 earnings and financial position as a result of the adoption on January 1, 2018 of IFRS 15 *Revenue from Contracts with Customers*. See the Changes in Accounting Policies section.

Summary of Operating Results

Statement of earnings highlights	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017 (As restated) ⁽⁵⁾	2018	2017 (As restated) ⁽⁵⁾
Revenue	\$ 367.4	\$ 297.9	\$ 1,092.9	\$ 943.2
Gross profit	\$ 71.3	\$ 62.4	\$ 209.4	\$ 186.1
Selling and administrative expenses	\$ 54.3	\$ 47.6	\$ 154.9	\$ 146.9
Restructuring and other related costs (recoveries)	\$ 0.6	\$ —	\$ 3.8	\$ (0.3)
Earnings before finance costs and income taxes ⁽¹⁾	\$ 16.5	\$ 14.8	\$ 50.6	\$ 39.5
Finance costs	\$ 2.2	\$ 2.6	\$ 5.9	\$ 7.8
Earnings before income taxes ⁽¹⁾	\$ 14.3	\$ 12.2	\$ 44.7	\$ 31.7
Income tax expense	\$ 3.9	\$ 3.5	\$ 12.3	\$ 8.9
Net earnings	\$ 10.3	\$ 8.7	\$ 32.4	\$ 22.8
- Basic earnings per share ⁽²⁾⁽³⁾	\$ 0.52	\$ 0.45	\$ 1.65	\$ 1.16
- Diluted earnings per share ⁽²⁾⁽³⁾	\$ 0.51	\$ 0.43	\$ 1.61	\$ 1.13
Adjusted net earnings ⁽¹⁾⁽⁴⁾	\$ 10.7	\$ 8.7	\$ 34.2	\$ 22.6
- Adjusted basic earnings per share ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	\$ 0.54	\$ 0.45	\$ 1.74	\$ 1.15
- Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	\$ 0.53	\$ 0.43	\$ 1.70	\$ 1.12
Adjusted EBITDA ⁽¹⁾	\$ 24.2	\$ 20.5	\$ 71.9	\$ 55.7
Key ratios:				
Gross profit margin	19.4%	21.0%	19.2%	19.7%
Selling and administrative expenses as a percentage of revenue	14.8%	16.0%	14.2%	15.6%
EBIT margin ⁽¹⁾	4.5%	5.0%	4.6%	4.2%
Adjusted EBITDA margin ⁽¹⁾	6.6%	6.9%	6.6%	5.9%
Effective income tax rate	27.6%	28.3%	27.6%	28.0%

Statement of financial position highlights	September 30		December 31	
	2018	June 30 2018	2017 (As restated) ⁽⁴⁾	
As at				
Trade and other receivables	\$ 221.0	\$ 218.1	\$ 203.9	
Inventories	\$ 370.0	\$ 354.0	\$ 313.2	
Accounts payable and accrued liabilities	\$ (250.7)	\$ (241.5)	\$ (229.5)	
Other working capital amounts ⁽¹⁾	\$ 10.3	\$ 5.4	\$ 13.0	
Working capital ⁽¹⁾	\$ 350.6	\$ 335.9	\$ 300.8	
Rental equipment	\$ 67.1	\$ 64.2	\$ 61.3	
Property, plant and equipment	\$ 44.2	\$ 42.1	\$ 43.9	
Funded net debt ⁽¹⁾	\$ 197.1	\$ 188.6	\$ 154.9	
Key ratio:				
Leverage ratio ⁽¹⁾	2.16	2.18	2.08	

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.

(2) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the three months ended September 30, 2018 was 19,769,733 (2017 – 19,504,107) and 20,241,986 (2017 – 20,072,979), respectively.

- (3) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the nine months ended September 30, 2018 was 19,598,065 (2017 – 19,640,183) and 20,069,441 (2017 – 20,179,739), respectively.
- (4) Net earnings excluding the following:
- after-tax restructuring and other related costs of \$0.4 million (2017 – nil), or basic and diluted earnings per share of \$0.02 (2017 – nil), for the three months ended September 30, 2018.
 - after-tax restructuring and other related costs of \$2.8 million (2017 – recoveries of \$0.2 million), or basic and diluted earnings per share of \$0.14 (2017 – \$(0.01) per share), for the nine months ended September 30, 2018.
 - after-tax gain recorded on sales of properties of \$0.9 million (2017 – nil), or basic and diluted earnings per share of \$(0.05) (2017 – nil) for the nine months ended September 30, 2018.
- (5) The Corporation has restated its comparative 2017 earnings and financial position as a result of the adoption on January 1, 2018 of IFRS 15 *Revenue from Contracts with Customers*. See the Changes in Accounting Policies section.

Results of Operations

Revenue

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
		(As restated)		(As restated)
Equipment sales	\$ 135.8	\$ 96.9	\$ 404.7	\$ 304.4
Industrial parts	88.6	80.5	271.2	257.1
Product support	117.4	96.5	343.4	316.2
Other	16.6	16.5	47.8	42.0
Revenue from contracts with customers	358.5	290.4	1,067.2	919.8
Equipment rental	8.9	7.4	25.7	23.5
Total revenue	\$ 367.4	\$ 297.9	\$ 1,092.9	\$ 943.2

Revenue in the third quarter of 2018 increased 23.3%, or \$69.5 million, to \$367.4 million from \$297.9 million in the third quarter of 2017. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due primarily to higher construction sales in all regions, higher mining sales in western Canada and higher power generation sales in eastern Canada.
- Revenue from industrial parts has increased due primarily to higher bearings and hydraulics sales in all regions.
- Product support sales have increased due primarily to higher mining sales in all regions and higher engine and transmission sales in western Canada.

For the nine months ended September 30, 2018, revenue increased 15.9%, or \$149.6 million, to \$1,092.9 million, from \$943.2 million in 2017. The following factors contributed to the increase in revenue:

- Equipment sales have increased due to higher construction, power generation and material handling sales in all regions and higher mining sales in western and eastern Canada. These increases were partially offset by a decrease in crane and utility sales in central Canada.
- Revenue from industrial parts has increased due primarily to increased bearings and hydraulics sales in western and eastern Canada.
- Product support sales have increased on strength in mining parts and service sales in all regions.
- Other sales have increased due to higher engineered repair services (“ERS”) revenues in all regions.

Backlog

Backlog of \$240.2 million at September 30, 2018 decreased \$16.7 million compared to June 30, 2018 due primarily to decreases in construction, material handling and mining orders. Backlog increased \$69.9 million compared to September 30, 2017 due primarily to higher mining, power generation and forestry orders.

Gross profit

Gross profit increased \$8.9 million, or 14.3%, in the third quarter of 2018 compared to the same quarter last year, due to increased volumes offset partially by lower gross profit margins. Gross profit margin percentage of 19.4% in the third quarter of 2018 decreased from 21.0% in the same quarter last year due mainly to lower product support margin rates and a higher proportion of equipment volumes offset partially by higher equipment margin rates.

For the nine months ended September 30, 2018, gross profit increased \$23.3 million, or 12.5%, compared to the same period last year, primarily as a result of increased volumes. Gross profit margin of 19.2% decreased slightly from 19.7% in the prior year.

Selling and administrative expenses

Selling and administrative expenses as a percentage of revenue decreased to 14.8% in the third quarter of 2018 from 16.0% in the third quarter of 2017. Selling and administrative expenses increased \$6.7 million in the third quarter of 2018 compared to the same quarter last year due mainly to higher personnel costs, including higher incentive accruals, and higher sales-related expenses.

For the nine months ended September 30, 2018, selling and administrative expenses increased \$8.0 million, compared to the same period last year. This increase was primarily due to higher personnel costs, including higher incentive accruals, and higher sales-related expenses partially offset by a \$1.1 million gain recorded on sales of properties in the first quarter of 2018. Selling and administrative expenses as a percentage of revenue decreased to 13.9% in 2018 from 15.4% in 2017.

Restructuring and other related costs (recoveries)

In the first quarter of 2018, the Corporation commenced a redesign of its finance function to better align with the “One Wajax” operating model. The redesign is anticipated to cost approximately \$5.6 million in severance, project management and interim duplicate labour costs, of which \$3.2 million has been recognized in the nine months ended September 30, 2018. The remaining \$2.4 million in anticipated costs, primarily relating to project management and interim duplicate labour costs, will be expensed as incurred over the project period. Management anticipates that the majority of the project will be completed by the first half of 2019.

During the first quarter of 2018, the Corporation also commenced a leadership re-alignment within its ERS function, which is also intended to better align such function with the “One Wajax” model. The costs of the re-alignment are estimated at \$0.5 million of which \$0.3 million has been recognized in the nine months ended September 30, 2018. Management anticipates that the majority of the estimated costs will be incurred by the fourth quarter of 2018.

During the second quarter of 2018, the Corporation incurred \$0.4 million of additional severance related costs associated with the 2016 strategic reorganization which were expensed and paid during the three months ended June 30, 2018. No additional severance related costs associated with the 2016 strategic reorganization were recognized during the three months ended September 30, 2018 and the Corporation does not anticipate any future costs to be incurred.

Finance costs

Finance costs of \$2.2 million in the third quarter of 2018 decreased \$0.4 million compared to the same quarter last year due primarily to lower average interest rates relating to the senior notes redemption in the fourth quarter of 2017 offset partially by higher average debt levels. See the Liquidity and Capital Resources section.

For the nine months ended September 30, 2018, finance costs of \$5.9 million decreased \$1.9 million compared to the same period in 2017 due primarily to lower average interest rates relating to the senior notes redemption in the fourth quarter of 2017 offset partially by higher average debt levels. See the Liquidity and Capital Resources section.

Income tax expense

The Corporation's effective income tax rate of 27.6% for the third quarter of 2018 (2017 – 28.3%) was higher compared to the statutory rate of 26.9% (2017 – 26.9%) due to the impact of expenses not deductible for tax purposes.

The Corporation's effective income tax rate for the nine months ended September 30, 2018 of 27.6% (2017 – 28.0%) was higher compared to the statutory rate of 26.9% (2017 – 26.9%) due to the impact of expenses not deductible for tax purposes.

Net earnings

In the third quarter of 2018, the Corporation had net earnings of \$10.3 million, or \$0.52 per share, compared to \$8.7 million, or \$0.45 per share, in the third quarter of 2017. The \$1.6 million increase in net earnings resulted primarily from higher volumes, lower selling and administrative expenses as a percentage of revenue and lower finance costs offset partially by restructuring and other related costs of \$0.4 million after-tax.

For the nine months ended September 30, 2018, the Corporation had net earnings of \$32.4 million, or \$1.65 per share, compared to \$22.8 million, or \$1.16 per share, in the same period of 2017. The \$9.6 million increase in net earnings resulted primarily from higher volumes, lower selling and administrative expenses as a percentage of revenue, lower finance costs and a gain recorded on sales of properties of \$0.9 million after-tax in the current year. These increases were partially offset by restructuring and other related costs of \$2.8 million after-tax in the current year compared to restructuring recoveries of \$0.2 million after-tax in the prior year.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)

Adjusted net earnings for the three months ended September 30, 2018 excludes restructuring and other related costs of \$0.4 million after-tax, or \$0.02 per share (2017 – nil).

As such, adjusted net earnings increased \$2.0 million to \$10.7 million, or \$0.54 per share, in the third quarter of 2018 from \$8.7 million, or \$0.45 per share, in the same period of 2017. The \$2.0 million increase in adjusted net earnings resulted primarily from higher volumes, lower selling and administrative expenses as a percentage of revenue and lower finance costs.

Adjusted net earnings for the nine months ended September 30, 2018 excludes restructuring and other related costs of \$2.8 million after-tax, or \$0.14 per share (2017 – restructuring recoveries of \$0.2 million after-tax, or \$0.01 per share) and a gain recorded on sales of properties of \$0.9 million after-tax, or \$0.05 per share (2017 – nil).

As such, adjusted net earnings increased \$11.7 million to \$34.2 million, or \$1.74 per share, for the nine months ended September 30, 2018 from \$22.6 million, or \$1.15 per share, in the same period of 2017. The \$11.7 million increase in adjusted net earnings resulted primarily from higher volumes, lower selling and administrative expenses as a percentage of revenue and lower finance costs.

Comprehensive income

Total comprehensive income of \$10.1 million in the third quarter of 2018 included net earnings of \$10.3 million and other comprehensive loss of \$0.2 million. In the third quarter of 2017, total comprehensive income of \$8.9 million consisted of net earnings of \$8.7 million and other comprehensive income of \$0.2 million.

For the nine months ended September 30, 2018, the total comprehensive income of \$33.0 million included net earnings of \$32.4 million and other comprehensive income of \$0.6 million. The other comprehensive income of \$0.6 million in the current year resulted primarily from \$0.7 million of gains on derivative instruments designated as cash flow hedges outstanding at the end of the period. For the nine months ended September 30, 2017, the total comprehensive income of \$22.4 million included net earnings of \$22.8 million and an other comprehensive loss of \$0.4 million. The other comprehensive loss of \$0.4 million in the prior year resulted from \$0.7 million of losses on derivative instruments designated as cash flow hedges outstanding at the end of the period offset partially by \$0.3 million of losses on derivative instruments designated as cash flow hedges in prior periods reclassified to finance costs during the current period.

Acquisition of Delom

On October 16, 2018, the Corporation completed the acquisition of all of the issued and outstanding shares of Delom. The aggregate purchase price for the shares was \$51.8 million, with \$2.0 million of such purchase price remaining subject to the achievement of certain performance targets post-closing. Founded in 1963, Delom specializes in the maintenance and repair of critical electromechanical and rotating equipment for continuous process industries, and has annual sales of approximately \$70 million. Serving customers in diverse end markets, including hydroelectric, wind and nuclear power generation, mining, pulp and paper, petrochemical, aluminum smelting, and rail and marine transportation, Delom has six branches across Eastern Canada and employs more than 350 people. Consistent with the Corporation's strategy, the acquisition of Delom is expected to provide meaningful growth in the Corporation's ERS business.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters.

	2018				2017 (As restated)				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Revenue	\$ 367.4	\$ 382.7	\$ 342.7	\$ 375.5	\$ 297.9	\$ 325.9	\$ 319.4	\$ 313.7	
Net earnings	\$ 10.3	\$ 12.2	\$ 9.9	\$ 7.7	\$ 8.7	\$ 7.7	\$ 6.3	\$ 8.9	
Net earnings per share									
- Basic	\$ 0.52	\$ 0.62	\$ 0.51	\$ 0.39	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.45	
- Diluted	\$ 0.51	\$ 0.60	\$ 0.49	\$ 0.38	\$ 0.43	\$ 0.38	\$ 0.31	\$ 0.44	

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak energy sector activity, the first quarter will tend to have seasonally lower results. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

Fourth quarter 2017 net earnings of \$7.7 million included an after-tax gain recorded on sales of properties of \$1.2 million and after-tax senior notes redemption costs of \$4.0 million. Excluding the gain recorded on sales of properties and senior notes redemption costs, fourth quarter 2017 adjusted net earnings were \$10.5 million. The first quarter 2018 net earnings of \$9.9 million included after-tax restructuring and other related costs of \$1.4 million and after-tax gain recorded on sales of properties of \$0.9 million. Excluding the restructuring and other related costs and gain recorded on sales of properties, first quarter 2018 adjusted net earnings were \$10.4 million. The second quarter 2018 net earnings of \$12.2 million included after-tax restructuring and other related costs of \$0.9 million. Excluding the restructuring and other related costs, second quarter 2018 adjusted net earnings were \$13.1 million. The third quarter 2018 net earnings of \$10.3 million included after-tax restructuring and other related costs of \$0.4 million. Excluding the restructuring and other related costs, third quarter 2018 adjusted net earnings were \$10.7 million. See the Non-GAAP and Additional GAAP Measures section.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A available on SEDAR at www.sedar.com.

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	September 30 2018	June 30, 2018	December 31 2017 (As restated)
Shareholders' equity	\$ 312.4	\$ 300.4	\$ 285.3
Funded net debt ⁽¹⁾	197.1	188.6	154.9
Total capital	\$ 509.5	\$ 489.0	\$ 440.2
Funded net debt to total capital ⁽¹⁾	38.7%	38.6%	35.2%
Leverage ratio ⁽¹⁾	2.16	2.18	2.08

(1) See the Non-GAAP and Additional GAAP Measures section.

The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside this range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. The Corporation's current leverage ratio above target has been driven by recent investments made in inventory to satisfy customer demands. See the Funded Net Debt section below.

Shareholders' Equity

The Corporation's shareholders' equity at September 30, 2018 of \$312.4 million increased \$12.0 million from June 30, 2018, due to proceeds of \$11.1 million net of tax resulting from the sale of 440,000 shares previously held in trust and net earnings of \$10.3 million exceeding dividends declared of \$5.0 million and a \$4.6 million reduction due to a liability recorded on the change in settlement of the Corporation's Mid-Term Incentive Plan ("MTIP") restricted share units ("RSUs") from share-settled to cash-settled. For the nine months ended September 30, 2018 the Corporation's shareholders' equity increased \$27.1 million, as earnings of \$32.4 million and the sale of shares held in trust of \$11.1 million net of tax exceeded dividends declared of \$14.8 million.

The Corporation's share capital, included in shareholders' equity on the balance sheet, consists of:

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2017	20,026,819	\$ 180.6
Common shares issued to settle share-based compensation plans	40,843	\$ 0.4
Issued and outstanding, September 30, 2018	20,067,662	\$ 180.9
Shares held in trust, December 31, 2017	(522,712)	\$ (4.7)
Net shares sold by trust	440,000	\$ 4.0
Shares held in trust, September 30, 2018	(82,712)	\$ (0.7)
Issued and outstanding, net of shares held in trust, September 30, 2018	19,984,950	\$ 180.2

At the date of this MD&A, the Corporation had 19,984,950 common shares issued and outstanding, net of shares held in trust.

At September 30, 2018, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the MTIP (with MTIP awards being composed of performance share units ("PSUs") and restricted share units ("RSUs")) and the Deferred Share Unit Plan ("DSUP").

As of September 30, 2018, there were 377,045 (2017 – 370,791) SOP and DDSUP (treasury share settled) rights outstanding and 283,422 (2017 – 538,252) MTIP PSUs and DSUP (market-purchased share settled) rights outstanding. As at August 10, 2018, the Corporation changed the settlement terms of the MTIP RSUs from share-settled to cash-settled, resulting in a fair value liability of \$4.6 million. At September 30, 2018 and September 30, 2017, all SOP and DDSUP rights were vested. Depending on the actual level of achievement of the performance targets associated with the outstanding MTIP PSUs and the outstanding DSUP grants, the number of market-purchased shares required to satisfy the Corporation's obligations could be higher or lower.

Wajax recorded compensation expense of \$0.8 million for the quarter (2017 – \$0.7 million) and \$2.8 million for the nine months ended September 30, 2018 (2017 – \$2.7 million) in respect of these plans.

Funded Net Debt (See the Non-GAAP and Additional GAAP Measures section)

	September 30 2018	June 30, 2018	December 31 2017
Bank indebtedness	\$ 11.3	\$ 11.1	\$ 1.7
Obligations under finance lease	10.9	8.7	9.5
Long-term debt	174.9	168.8	143.7
Funded net debt⁽¹⁾	\$ 197.1	\$ 188.6	\$ 154.9

(1) See the Non-GAAP and Additional GAAP Measures section.

Funded net debt of \$197.1 million at September 30, 2018 increased \$8.5 million compared to \$188.6 million at June 30, 2018. The increase during the quarter was due primarily to cash used in operating activities of \$9.6 million, primarily driven by the Corporation's decision to increase inventory levels to satisfy future sales, dividends paid of \$4.9 million and finance lease payments of \$1.0 million. These increases were partially offset by proceeds of \$11.5 million resulting from the sale of shares previously held in trust.

Funded net debt of \$197.1 million at September 30, 2018 increased \$42.2 million compared to \$154.9 million at December 31, 2017. The increase during the period was due primarily to cash used in operating activities of \$29.9 million, as a result of increased inventory levels to satisfy customer demands, dividends paid of \$14.6 million and finance lease payments of \$3.1 million. These increases were partially offset by proceeds of \$11.5 million resulting from the sale of shares previously held in trust.

The Corporation's ratio of funded net debt to total capital increased slightly to 38.7% at September 30, 2018 from 38.6% at June 30, 2018, primarily due to the higher funded net debt level in the current period.

The Corporation's leverage ratio of 2.16 times at September 30, 2018 decreased from the June 30, 2018 ratio of 2.18 times due to a higher trailing 12-month adjusted EBITDA offset partially by the higher debt level. See the Non-GAAP and Additional GAAP Measures section.

See the Liquidity and Capital Resources section.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency, interest rate and stock-based compensation exposures. Wajax policy restricts the use of derivative financial instruments for trading or speculative purposes.

Wajax monitors the proportion of variable rate debt to its total debt portfolio and may enter into interest rate hedge contracts to mitigate a portion of the interest rate risk on its variable rate debt. A change in interest rates, in particular related to the Corporation's unhedged variable rate debt, is not expected to have a material impact on the Corporation's results of operations or financial condition over the longer term.

Wajax has entered into interest rate hedge contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate hedge contracts are recorded in the condensed consolidated interim financial statements at fair value. As at September 30, 2018, Wajax had the following interest rate hedge contracts outstanding:

- \$64.0 million, expiring between November 2019 and January 2023, with a weighted average interest rate of 2.15% (December 31, 2017 – \$40.0 million, expiring between November 2019 and November 2022, with a weighted average interest rate of 2.01%).

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at September 30, 2018, Wajax had the following contracts outstanding:

- to buy U.S. \$51.5 million (December 31, 2017 – to buy U.S. \$48.5 million), and
- to sell U.S. \$20.0 million (December 31, 2017 – to sell U.S. \$13.8 million).

The U.S. dollar contracts expire between October 2018 and January 2020, with a weighted average U.S./Canadian dollar rate of 1.2864.

Wajax has entered into total return swap contracts to hedge the exposure to share price market risk on a class of MTIP rights that are cash-settled. All total return swap contracts are recorded in the condensed consolidated interim financial statements at fair value. As at September 30, 2018, Wajax had the following total return swap contracts outstanding:

- contracts totaling 440,000 shares at an initial share value of \$11.5 million, expiring between March 2019 and March 2021.

Contractual Obligations

There have been no material changes to the Corporation's contractual obligations since December 31, 2017. See the Liquidity and Capital Resources section.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords and other equipment related mainly to office equipment. There have been no material changes to the Corporation's total obligations for all operating leases since December 31, 2017.

Although Wajax's consolidated contractual annual lease commitments decline year-by-year, it is anticipated that existing leases will either be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

The Corporation had \$96.4 million (June 30, 2018 – \$96.2 million) of consigned inventory on hand from a major manufacturer at September 30, 2018, net of deposits of \$13.1 million (June 30, 2018 – \$8.9 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold or rented to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facility to finance the purchase of inventory.

Although management currently believes Wajax has adequate debt capacity, Wajax would have to access the equity or debt markets, or reduce dividends to accommodate any shortfalls in Wajax's credit facility. See the Liquidity and Capital Resources section.

Liquidity and Capital Resources

The Corporation's liquidity is maintained through various sources, including bank and non-bank credit facilities and cash generated from operations.

Bank and Non-bank Credit Facilities

At September 30, 2018, Wajax had borrowed \$181.3 million and issued \$6.1 million of letters of credit for a total utilization of \$187.4 million of its \$300 million bank credit facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At September 30, 2018, borrowing capacity under the bank credit facility was equal to \$300 million.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at September 30, 2018. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 4.0 times.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of \$25 million. As such, Wajax has up to \$25 million of demand inventory equipment financing capacity with two non-bank lenders. At September 30, 2018, Wajax had no utilization of the interest bearing equipment financing facilities.

On October 16, 2018, the Corporation amended its bank credit facility, increasing the limit from \$300 million to \$400 million and extending the maturity date from September 20, 2021 to September 20, 2023. There were no changes to the existing financial covenants under the credit facility restricting distributions, acquisitions and investments. The \$0.9 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

As at September 30, 2018, \$112.6 million was unutilized under the bank facility and \$25 million was unutilized under the non-bank facilities. As of November 5, 2018, Wajax maintained a bank credit facility with a limit of \$400 million and an additional \$25 million in credit facilities with non-bank lenders, which is permitted under the bank credit facility. Wajax maintains sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At September 30, 2018, \$64 million of the Corporation's funded net debt, or 32%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Condensed Consolidated Interim Statements of Cash Flows for the three and nine months ended September 30, 2018 and September 30, 2017:

	Three months ended			Nine months ended		
	September 30			September 30		
	2018	2017 (As restated)	Change	2018	2017 (As restated)	Change
Net earnings	\$ 10.3	\$ 8.7	\$ 1.6	\$ 32.4	\$ 22.8	\$ 9.6
Items not affecting cash flow	14.3	12.4	1.9	38.5	36.5	2.0
Net change in non-cash operating working capital	(17.3)	(18.2)	0.9	(61.9)	(36.0)	(25.9)
Finance costs paid	(2.1)	(0.5)	(1.6)	(5.8)	(5.4)	(0.4)
Income taxes paid	(1.5)	(1.5)	0.0	(4.8)	(6.0)	1.2
Rental equipment additions	(11.3)	(5.8)	(5.5)	(27.3)	(12.3)	(15.0)
Other non-current liabilities	(2.0)	—	(2.0)	(1.0)	(0.6)	(0.4)
Cash used in operating activities	\$ (9.6)	\$ (4.8)	\$ (4.8)	\$ (29.9)	\$ (0.9)	\$ (29.0)
Cash used in investing activities	\$ (2.2)	\$ (0.7)	\$ (1.5)	\$ (4.5)	\$ (1.2)	\$ (3.3)
Cash generated from (used in) financing activities	\$ 11.6	\$ 11.4	\$ 0.2	\$ 24.8	\$ (8.0)	\$ 32.8

Cash Used In Operating Activities

Cash flows used in operating activities amounted to \$9.6 million in the third quarter of 2018, compared to \$4.8 million in the same quarter of the previous year. The decrease of \$4.8 million was mainly attributable to an increase in rental equipment additions of \$5.5 million resulting from the Corporation's strategy to increase its rental fleet, offset partially by an increase in cash generated from changes in non-cash operating working capital of \$0.9 million.

Rental equipment additions in the third quarter of 2018 of \$11.3 million (2017 – \$5.8 million) related primarily to lift trucks.

For the nine months ended September 30, 2018, cash flows used in operating activities amounted to \$29.9 million, compared to \$0.9 million for the same period in the previous year. The \$29.0 million decrease was mainly attributable to a decrease in cash generated from non-cash operating working capital of \$25.9 million and an increase in rental equipment additions of \$15.0 million, offset partially by higher net earnings of \$9.6 million and lower income taxes paid of \$1.2 million.

For the nine months ended September 30, 2018, rental equipment additions of \$27.3 million (2017 – \$12.3 million) related primarily to lift trucks.

Significant components of non-cash operating working capital, along with changes for the three and nine months ended September 30, 2018 and September 30, 2017 include the following:

Changes in Non-cash Operating Working Capital ⁽¹⁾	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2018	2017	2018	2017
		(As restated)		(As restated)
Trade and other receivables	\$ (3.0)	\$ (3.3)	\$ (16.9)	\$ 20.3
Contract assets	(0.2)	1.6	(2.6)	4.5
Inventories	(12.3)	(27.9)	(47.0)	(46.9)
Deposits on inventory	(4.3)	(0.4)	(6.8)	11.7
Prepaid expenses	(1.9)	0.6	(3.2)	0.1
Accounts payable and accrued liabilities	5.9	11.6	18.0	(25.0)
Provisions	(1.6)	(0.5)	(3.3)	(0.8)
Total Changes in Non-cash Operating Working Capital	\$ (17.3)	\$ (18.2)	\$ (61.9)	\$ (36.0)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 are as follows:

- Trade and other receivables increased \$3.0 million in 2018 compared to an increase of \$3.3 million in 2017. The increase in 2018 resulted primarily from higher sales activity in the third quarter compared to the previous quarter. The increase in 2017 resulted primarily from higher trade receivables from certain large oil sands customers in the third quarter.
- Inventories increased \$12.3 million in 2018 compared to an increase of \$27.9 million in 2017. The increase in 2018 was due mainly to higher material handling and forestry equipment inventory and higher parts inventory. The increase in 2017 was due to higher construction, mining and material handling equipment inventory.
- Accounts payable and accrued liabilities increased \$5.9 million in 2018 compared to an increase of \$11.6 million in 2017. The increase in 2018 resulted primarily from higher accrued liabilities. The increase in 2017 resulted primarily from higher trade payables.

Significant components of the changes in non-cash operating working capital for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 are as follows:

- Trade and other receivables increased \$16.9 million in 2018 compared to a decrease of \$20.3 million in 2017. The increase in 2018 resulted primarily from higher sales activity in the current year compared to the same period in 2017. The decrease in 2017 resulted primarily from lower mining sales activity.
- Inventories increased \$47.0 million in 2018 compared to an increase of \$46.9 million in 2017. The increase in 2018 was due mainly to higher construction and forestry equipment inventory and higher parts inventory partially offset by lower mining equipment inventory. The increase in 2017 was due to higher equipment and work in process inventory.
- Accounts payable and accrued liabilities increased \$18.0 million in 2018 compared to a decrease of \$25.0 million in 2017. The increase in 2018 resulted primarily from higher trade payables. The decrease in 2017 resulted primarily from lower trade payables due in part to the payment of equipment inventory.

Investing Activities

During the third quarter of 2018, Wajax invested \$1.3 million in property, plant and equipment additions, compared to \$1.0 million in the third quarter of 2017. Proceeds on disposal of property, plant and equipment amounted to \$0.3 million in the third quarter of 2018, compared to \$0.3 million in the same quarter of the previous year. Intangible assets additions of \$1.2 million (2017 – nil) in the third quarter of 2018 resulted primarily from software additions relating to the new enterprise operating system currently being implemented.

For the nine months ended September 30, 2018, Wajax invested \$2.7 million in property, plant and equipment additions, compared to \$2.1 million for the nine months ended September 30, 2017. Proceeds on disposal of property, plant and equipment, consisting primarily of proceeds on disposal of properties, amounted to \$2.0 million for the nine months ended September 30, 2018, compared to \$1.0 million for the nine months ended September 30, 2017. Intangible assets additions of \$3.8 million (2017 – nil) for the nine months ended September 30, 2018 resulted primarily from software additions relating to the new enterprise operating system currently being implemented.

Financing Activities

The Corporation generated \$11.6 million of cash from financing activities in the third quarter of 2018 compared to \$11.4 million in the same quarter of 2017. Financing activities in the quarter included the sale of shares held in trust of \$11.5 million (2017 – nil) and a net bank credit facility borrowing of \$6.0 million (2017 – \$18.0 million) offset by dividends paid to shareholders of \$4.9 million (2017 – \$4.9 million) and finance lease payments of \$1.0 million (2017 – \$1.0 million).

For the nine months ended September 30, 2018, the Corporation generated \$24.8 million of cash from financing activities compared to a use of cash of \$8.0 million in the same period of 2017. Financing activities for the nine months ended September 30, 2018 included a net bank credit facility borrowing of \$31.0 million (2017 – \$18.0 million) and the sale of shares held in trust of \$11.5 million (2017 – purchase of shares held in trust of \$7.5 million) offset by dividends paid to shareholders of \$14.6 million (2017 – \$14.8 million) and finance lease payments of \$3.1 million (2017 – \$3.1 million).

Dividends

Dividends to shareholders were declared as follows:

Record Date	Payment Date	Per Share	Amount
March 15, 2018	April 4, 2018	\$ 0.25	\$ 4.9
June 15, 2018	July 4, 2018	\$ 0.25	\$ 4.9
September 14, 2018	October 2, 2018	\$ 0.25	\$ 5.0
Nine months ended September 30, 2018		\$ 0.75	\$ 14.8

On November 5, 2018, the Corporation declared a dividend of \$0.25 per share for the fourth quarter of 2018, payable on January 3, 2019 to shareholders of record on December 14, 2018.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those judgements, estimates and assumptions. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The areas where significant judgements and assumptions are used to determine the amounts recognized in the financial statements include the allowance for doubtful accounts, inventory obsolescence and goodwill and intangible assets.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's diversified customer base of over 30,000 customers, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales, which covers many business sectors across Canada. In addition, the Corporation's customer base spans large public companies, small independent contractors, OEMs and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an expected credit loss model. The \$0.9 million provision for doubtful accounts at September 30, 2018 increased \$0.1 million from \$0.8 million at December 31, 2017. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to 2017 which would result in an increased charge to earnings.

Inventory obsolescence

The value of the Corporation's new and used equipment and high value parts are evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment and parts are valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete lower value parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for the three months ended September 30, 2018 was \$0.9 million (2017 – \$1.6 million) and for the nine months ended September 30, 2018 was \$3.8 million (2017 – \$4.9 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Goodwill and intangible assets

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next five years. The key assumptions for the estimate are those regarding revenue growth, gross margin, discount rate and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

The Corporation performs an annual impairment test of its goodwill and intangible assets unless there is an early indication that the assets may be impaired in which case the impairment tests would occur earlier. There was no early indication of impairment in the quarter ended September 30, 2018.

Changes in Accounting Policies

Accounting standards adopted during the period

IFRS 15 Revenue from Contracts with Customers – On January 1, 2018, the Corporation adopted IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced which may affect the timing of revenue recognized.

The Corporation records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue from contracts with customers is recognized for each performance obligation as control is transferred to the customer as follows:

Revenue type	Timing of satisfaction of performance obligation
Equipment sales	
Retail sales	When control of the equipment passes to the customer based on shipment terms
Construction contracts	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract
Industrial parts	When control of the product passes to the customer based on shipment terms
Product support	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its product support services because it best reflects the transfer of an asset to the customer which occurs as costs are incurred
Other	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its engineered repair services because it best reflects the transfer of an asset to the customer which occurs as costs are incurred

The transaction price is generally the amount stated in the contract. Certain contracts are subject to discounts which are estimated and included in the transaction price.

The following change has resulted in an adjustment from the adoption of IFRS 15:

- The revenue recognition pattern for Product support and Other has changed to an over-time pattern to best depict performance in transferring control of the repair service, rather than the point in time recognition that was previously used. The key judgement for recognizing revenue on incomplete service orders is estimating the transaction price and the margin that will eventually be realized.

The Corporation has elected to use the retrospective application method and has recorded the cumulative adjustment of the accounting change to retained earnings as at January 1, 2017 and has restated its comparative 2017 financial position and earnings. The Corporation has elected to use a practical expedient when restating its prior year results and not disclose the amounts of the transaction price allocated to remaining performance obligations nor provide an explanation of when it expects to recognize those amounts as revenue.

The effect of adopting IFRS 15 on the condensed consolidated interim statements of financial position is as follows:

	As originally reported December 31, 2016	IFRS 15 adjustment	As restated January 1, 2017
Trade and other receivables	\$ 194.6	\$ (2.9)	\$ 191.7
Contract assets	7.1	15.2	22.3
Inventories	283.4	(9.5)	273.9
Deferred tax assets	4.6	(0.8)	3.8
Retained earnings	90.8	2.1	92.9

	As originally reported December 31, 2017	IFRS 15 adjustment	As restated December 31, 2017
Trade and other receivables	\$ 207.4	\$ (3.4)	\$ 203.9
Contract assets	4.1	15.2	19.3
Inventories	322.8	(9.5)	313.2
Deferred tax liabilities	1.4	0.6	2.0
Retained earnings	97.7	1.7	99.3

The effect of adopting IFRS 15 on the condensed consolidated interim statement of earnings for the three months ended September 30, 2017 is as follows:

	As originally reported	IFRS 15 adjustment	As restated
Revenue	\$ 299.0	\$ (1.1)	\$ 297.9
Cost of sales	236.1	(0.7)	235.5
Income tax expense	3.6	(0.1)	3.5
Net earnings	9.1	(0.3)	8.7
Basic earnings per share	0.46	(0.01)	0.45
Diluted earnings per share	0.45	(0.02)	0.43

The effect of adopting IFRS 15 on the condensed consolidated interim statement of earnings for the nine months ended September 30, 2017 is as follows:

	As originally reported	IFRS 15 adjustment	As restated
Revenue	\$ 942.7	\$ 0.6	\$ 943.2
Cost of sales	756.5	0.7	757.2
Income tax expense	8.9	—	8.9
Net earnings	22.9	(0.1)	22.8
Basic earnings per share	1.16	—	1.16
Diluted earnings per share	1.13	—	1.13

IFRS 9 Financial Instruments – On January 1, 2018, the Corporation adopted IFRS 9 *Financial Instruments* retrospectively with no restatement of comparative periods. The standard includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 largely retains the existing accounting requirements for financial liabilities with the exception of accounting for certain non-substantial modifications of financial liabilities and the accounting treatment of fair value changes attributable to changes in its own credit risk of financial liabilities that are designated as fair value through profit or loss.

Classification and measurement IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification. The adoption of the new classification requirements under IFRS 9 did not result in significant changes to measurement or the carrying amounts of financial assets and liabilities. The following table summarizes the classification impacts upon the adoption of IFRS 9:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative instruments	FV if hedging instrument, or Held-for-trading	FV if hedging instrument, or mandatorily at FVTPL
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Other liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Impairment IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Corporation’s financial assets measured at amortized cost and contract assets.

The Corporation adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL. The ECL models applied to other financial assets and contract assets also required judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and other ECL models applied on adoption of IFRS 9 did not have a material impact on the financial assets of the Corporation.

Impairment losses are recorded in general and administrative expenses with the carrying amount of the financial asset or contract asset reduced through the use of impairment allowance accounts.

General hedging The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. IFRS 9 requires the Corporation to ensure that hedge accounting relationships are aligned with the Corporation’s risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Corporation’s risk management strategy is disclosed in its 2017 Annual Report. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore treated as continuing hedging relationships. Under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedges

reserve are included directly in the initial cost of the inventory item when it is recognized. Otherwise the adoption of the standard did not have an impact on the effectiveness of the Corporation's hedging arrangements.

New standards and interpretations not yet adopted

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right-of-use assets and lease obligations but the impact to earnings has not yet been estimated.

Risk Management and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and committees of the Board of Directors. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2017 which can be found on SEDAR at www.sedar.com. There have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2017.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

As at September 30, 2018, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at September 30, 2018, Wajax's management, under the supervision of its CEO and CFO, had designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

There was no change in Wajax's ICFR that occurred during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Non-GAAP and Additional GAAP Measures

The MD&A contains certain non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

- (i) these measures are commonly reported and widely used by investors and management;
- (ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt;
- (iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital and tax structures; and
- (iv) "Adjusted net earnings" and "Adjusted basic and diluted earnings per share" provide indications of the results by the Corporation's principal business activities prior to recognizing restructuring and other related costs (recoveries), (gain) loss recorded on sales of properties and senior notes redemption costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes restructuring and other related costs (recoveries), (gain) loss recorded on sales of properties and senior notes redemption costs which is consistent with the leverage ratio calculation under the Corporation's bank credit agreement.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, current portion of long-term debt, long-term debt and obligations under finance leases, net of cash. Funded net debt is relevant in calculating the Corporation's Funded Net Debt to Total Capital, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is relevant in calculating the Corporation's Leverage Ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
EBITDA margin	Defined as EBITDA divided by revenue, as presented on the Condensed Consolidated Interim Statements of Earnings.
Adjusted net earnings (loss)	Net earnings (loss) before after-tax restructuring and other related costs (recoveries), (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before after-tax restructuring and other related costs (recoveries), (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBITDA	EBITDA before restructuring and other related costs (recoveries), (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBITDA margin	Defined as Adjusted EBITDA divided by revenue, as presented on the Condensed Consolidated Interim Statements of Earnings.

Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	Backlog is a management measure which includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services. This differs from the remaining performance obligations as defined by IFRS 15.

Additional GAAP measures are identified and defined below:

Earnings (loss) before finance costs and income taxes (EBIT)	Earnings (loss) before finance costs and income taxes, as presented on the Condensed Consolidated Interim Statements of Earnings.
EBIT margin	Defined as EBIT divided by revenue, as presented on the Condensed Consolidated Interim Statements of Earnings.
Earnings (loss) before income taxes (EBT)	Earnings (loss) before income taxes, as presented on the Condensed Consolidated Interim Statements of Earnings.
Working capital	Defined as current assets less current liabilities, as presented on the Condensed Consolidated Interim Statements of Financial Position.
Other working capital amounts	Defined as working capital less trade and other receivables and inventories plus accounts payable and accrued liabilities, as presented on the Condensed Consolidated Interim Statements of Financial Position.

Reconciliation of the Corporation's net earnings to adjusted net earnings and adjusted basic and diluted earnings per share is as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017 (As restated)	2018	2017 (As restated)
Net earnings	\$ 10.3	\$ 8.7	\$ 32.4	\$ 22.8
Restructuring and other related costs (recoveries), after-tax	0.4	—	2.8	(0.2)
(Gain) recorded on sales of properties, after-tax	—	—	(0.9)	—
Adjusted net earnings	\$ 10.7	\$ 8.7	\$ 34.2	\$ 22.6
Adjusted basic earnings per share⁽¹⁾⁽²⁾	\$ 0.54	\$ 0.45	\$ 1.74	\$ 1.15
Adjusted diluted earnings per share⁽¹⁾⁽²⁾	\$ 0.53	\$ 0.43	\$ 1.70	\$ 1.12

(1) At September 30, 2018 the numbers of basic and diluted shares outstanding were 19,769,733 and 20,241,986, respectively for the three months ended and 19,598,065 and 20,069,441, respectively for the nine months ended.

(2) At September 30, 2017 the numbers of basic and diluted shares outstanding were 19,504,107 and 20,072,979, respectively for the three months ended and 19,640,183 and 20,179,739, respectively for the nine months ended.

Reconciliation of the Corporation's net earnings to EBT, EBIT, EBITDA and Adjusted EBITDA is as follows:

	For the three months ended		For the nine months ended		For the twelve months ended		
	September 30 2018	September 30 2017 (As restated)	September 30 2018	September 30 2017 (As restated)	September 30 2018	June 30, 2018	December 31 2017 (As restated)
Net earnings	\$ 10.3	\$ 8.7	\$ 32.4	\$ 22.8	\$ 40.0	\$ 38.4	\$ 30.5
Income tax expense	3.9	3.5	12.3	8.9	15.2	14.7	11.7
EBT	14.3	12.2	44.7	31.7	55.2	53.1	42.1
Finance costs	2.2	2.6	5.9	7.8	7.9	8.3	9.8
Senior notes redemption ⁽¹⁾	—	—	—	—	5.5	5.5	5.5
EBIT	16.5	14.8	50.6	39.5	68.5	66.8	57.4
Depreciation and amortization	7.1	5.7	18.6	16.6	24.4	22.9	22.4
EBITDA	23.7	20.5	69.2	56.0	92.9	89.7	79.8
Restructuring and other related costs (recoveries) ⁽²⁾	0.6	—	3.8	(0.3)	3.8	3.3	(0.3)
(Gain) recorded on sales of properties ⁽³⁾	—	—	(1.1)	—	(2.6)	(2.6)	(1.5)
Adjusted EBITDA	\$ 24.2	\$ 20.5	\$ 71.9	\$ 55.7	\$ 94.1	\$ 90.3	\$ 77.9

(1) For the twelve months ended September 30, 2018, June 30, 2018 and December 31, 2017 – Includes the \$5.5 million senior notes redemption costs recorded in the fourth quarter of 2017.

(2) For the three months ended September 30, 2018 – Includes the \$0.6 million restructuring and other related costs recorded in the third quarter of 2018.

For the nine months ended September 30, 2017 – Includes the \$0.3 million restructuring and other related recoveries recorded in the second quarter of 2017.

For the nine and twelve months ended September 30, 2018 – Includes the \$0.6 million restructuring and other related costs recorded in the third quarter of 2018, the \$1.3 million restructuring and other related costs recorded in the second quarter of 2018 and the \$2.0 million restructuring and other related costs recorded in the first quarter of 2018.

For the twelve months ended June 30, 2018 – Includes the \$1.3 million restructuring and other related costs recorded in the second quarter of 2018 and the \$2.0 million restructuring and other related costs recorded in the first quarter of 2018.

For the twelve months ended December 31, 2017 – Includes the \$0.3 million restructuring and other related recoveries recorded in the second quarter of 2017.

(3) For the nine months ended September 30, 2018 and the twelve months ended September 30, 2018 and June 30, 2018 – Includes the \$1.1 million gain recorded on sales of properties recorded in the first quarter of 2018 and the \$1.5 million gain recorded on sales of properties recorded in 2017. For the twelve months ended December 31, 2017 – Includes the \$1.5 million gain recorded on sales of properties recorded in 2017.

Calculation of the Corporation's funded net debt, debt and leverage ratio is as follows:

	September 30 2018	June 30 2018	December 31 2017 (As restated)
Bank indebtedness	11.3	11.1	1.7
Obligations under finance leases	10.9	8.7	9.5
Long-term debt	174.9	168.8	143.7
Funded net debt	197.1	188.6	154.9
Letters of credit	6.1	8.1	7.3
Debt	203.2	196.7	162.2
Leverage ratio⁽¹⁾	2.16	2.18	2.08

(1) Calculation uses trailing four-quarter Adjusted EBITDA.

This leverage ratio is calculated for purposes of monitoring the Corporation's objective target leverage ratio of between 1.5 times and 2.0 times. The calculation contains some differences from the leverage ratio calculated under the Corporation's bank credit facility agreement. The resulting leverage ratio under the bank credit facility agreement is not significantly different. See the Liquidity and Capital Resources section.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A includes forward looking statements regarding, among other things, our goal of becoming Canada's leading industrial products and services provider, distinguished through our core capabilities; our belief that achieving excellence in our areas of core capability will position Wajax to create value for its customers, employees, vendors and shareholders; the main elements of our updated Strategic Plan, including adjustments to our organic growth priorities, continued integration of our infrastructure, increased technology investments, further consolidation of our physical branch network, and investments in multi-purpose facilities and in customer-facing teams, as well as our focus on cost efficiency in support areas and continued review of acquisition opportunities; our expectations and outlook for 2018, including with respect to year-over-year adjusted net earnings and gross margins, as well as our expectation that an ongoing focus on cost productivity will assist us in managing planned investments in our strategy and expected margin pressure; our outlook on regional market conditions in Canada and specifically, central, western and eastern Canada; the expected cost of the redesign of our finance function and our expectation that the majority of such project will be completed during the first half of 2019; the expected cost of our ERS leadership re-alignment and our expectation that the majority of such costs will be incurred by Q4 2018; our expectation that we will not incur any future costs related to our 2016 strategic reorganization; our expectation that the acquisition of Delom will provide meaningful growth in our ERS business; our target leverage ratio range of 1.5 - 2.0 times; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our estimate of the number of shares required to settle our obligations under certain share-based compensation plans; our expectation that a change in interest rates will not have a material impact on our results of operations or financial condition over the longer term; the adequacy of our debt capacity and sufficiency of our debt facilities; and our intention and ability to access debt and equity markets or reduce dividends should additional capital be required, including the potential that

we may access equity or debt markets to fund significant acquisitions. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, including our ability to develop our core capabilities, execute our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; our ability to realize the full benefits from our 2016 strategic reorganization, including cost savings and productivity gains; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2017, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Additional information, including Wajax's Annual Report, are available on SEDAR at www.sedar.com.

WAJAX CORPORATION

Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2018 and 2017

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note	September 30, 2018	December 31, 2017 As restated (Note 3)	January 1, 2017 As restated (Note 3)
ASSETS				
CURRENT				
Cash		\$ —	\$ —	\$ 4,854
Trade and other receivables		221,033	203,949	191,744
Contract assets		21,914	19,329	22,319
Inventories		369,951	313,240	273,933
Deposits on inventory		13,657	6,874	19,407
Prepaid expenses		7,567	4,329	5,463
Derivative instruments		378	—	553
		634,500	547,721	518,273
NON-CURRENT				
Rental equipment	4	67,070	61,257	58,106
Property, plant and equipment	5	44,239	43,934	45,658
Goodwill and intangible assets		45,032	41,905	41,205
Deferred tax assets		—	—	3,802
		156,341	147,096	148,771
Total assets		\$ 790,841	\$ 694,817	\$ 667,044
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Bank indebtedness		\$ 11,292	\$ 1,724	\$ —
Accounts payable and accrued liabilities	6	250,720	229,458	232,715
Provisions		2,710	6,043	5,839
Dividends payable	10	4,996	4,876	4,956
Income taxes payable		10,102	667	2,287
Obligations under finance leases	7	4,111	3,790	3,701
Derivative instruments		—	396	—
		283,931	246,954	249,498
NON-CURRENT				
Provisions		1,387	2,150	2,305
Deferred tax liabilities		711	2,009	—
Employee benefits		8,799	8,545	8,106
Other liabilities		1,889	435	1,118
Obligations under finance leases	7	6,774	5,721	5,154
Long-term debt	8	174,935	143,667	121,952
		194,495	162,527	138,635
Total liabilities		478,426	409,481	388,133
SHAREHOLDERS' EQUITY				
Share capital	9	180,193	175,863	178,764
Contributed surplus		7,808	10,455	7,137
Retained earnings		124,098	99,312	92,908
Accumulated other comprehensive income (loss)		316	(294)	102
Total shareholders' equity		312,415	285,336	278,911
Total liabilities and shareholders' equity		\$ 790,841	\$ 694,817	\$ 667,044

See accompanying notes to these unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
EARNINGS

		Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
(unaudited, in thousands of Canadian dollars, except per share data)	Note		As restated (Note 3)		As restated (Note 3)
Revenue	12	\$ 367,416	\$ 297,877	\$ 1,092,869	\$ 943,246
Cost of sales		296,079	235,467	883,511	757,155
Gross profit		71,337	62,410	209,358	186,091
Selling and administrative expenses		54,255	47,589	154,916	146,930
Restructuring and other related costs (recoveries)		567	—	3,823	(315)
Earnings before finance costs and income taxes		16,515	14,821	50,619	39,476
Finance costs		2,236	2,642	5,916	7,822
Earnings before income taxes		14,279	12,179	44,703	31,654
Income tax expense	13	3,942	3,450	12,343	8,867
Net earnings		\$ 10,337	\$ 8,729	\$ 32,360	\$ 22,787
Basic earnings per share	14	\$ 0.52	\$ 0.45	\$ 1.65	\$ 1.16
Diluted earnings per share	14	0.51	0.43	1.61	1.13

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
COMPREHENSIVE INCOME

		Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
(unaudited, in thousands of Canadian dollars)			As restated (Note 3)		As restated (Note 3)
Net earnings		\$ 10,337	\$ 8,729	\$ 32,360	\$ 22,787
Items that may be subsequently reclassified to income					
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods reclassified to finance costs during the period, net of tax expense of \$42 (2017 – recovery of \$147) and year to date, net of tax expense of \$25 (2017 – recovery of \$117)		(114)	399	(69)	318
(Losses) gains on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax recovery of \$42 (2017 – recovery of \$74) and year to date, net of tax expense of \$250 (2017 – recovery of \$272)		(114)	(203)	679	(740)
Other comprehensive (loss) income, net of tax		(228)	196	610	(422)
Total comprehensive income		\$ 10,109	\$ 8,925	\$ 32,970	\$ 22,365

See accompanying notes to these unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2018 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
					Cash flow hedges	
December 31, 2017 (as restated)	3	\$ 175,863	\$ 10,455	\$ 99,312	\$ (294)	285,336
Net earnings		—	—	32,360	—	32,360
Other comprehensive income		—	—	—	610	610
Total comprehensive income for the period		—	—	32,360	610	32,970
Shares issued to settle share-based compensation plans	11	366	(366)	—	—	—
Sale of shares held in trust (net of tax)	9	3,964	—	7,184	—	11,148
Change from equity to cash settled RSUs	11	—	(4,578)	—	—	(4,578)
Share-based compensation expense	11	—	2,297	—	—	2,297
Dividends declared	10	—	—	(14,758)	—	(14,758)
September 30, 2018		\$ 180,193	\$ 7,808	\$ 124,098	\$ 316	312,415

See accompanying notes to these unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2017 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings As restated (Note 3)	Accumulated other comprehensive income (loss) Cash flow hedges	Total As restated (Note 3)
December 31, 2016 (as reported)		\$ 178,764	\$ 7,137	\$ 90,812	\$ 102	\$ 276,815
Impact of adopting IFRS 15	3	—	—	2,096	—	2,096
January 1, 2017 (as restated)	3	178,764	7,137	92,908	102	278,911
Net earnings (as restated)		—	—	22,787	—	22,787
Other comprehensive loss		—	—	—	(422)	(422)
Total comprehensive income (loss) for the period		—	—	22,787	(422)	22,365
Shares purchased and held in trust	9	(2,901)	—	(4,598)	—	(7,499)
Share-based compensation expense	11	—	2,541	—	—	2,541
Dividends declared	10	—	—	(14,708)	—	(14,708)
September 30, 2017		\$ 175,863	\$ 9,678	\$ 96,389	\$ (320)	\$ 281,610

See accompanying notes to these unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

		Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
			As restated (Note 3)		As restated (Note 3)
(unaudited, in thousands of Canadian dollars)	Note				
OPERATING ACTIVITIES					
Net earnings		\$ 10,337	\$ 8,729	\$ 32,360	\$ 22,787
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment		4,785	3,366	11,835	10,044
Property, plant and equipment		2,183	2,155	6,031	6,104
Intangible assets		169	138	684	422
Loss (gain) on disposal of property, plant and equipment	5	15	(105)	(1,180)	(59)
Share-based compensation expense	11	812	740	2,789	2,676
Non-cash rental (recovery) expense		(43)	4	(75)	183
Employee benefits expense, net of payments		136	79	254	240
Change in fair value of non-hedge derivative instruments		41	(32)	(75)	230
Finance costs		2,236	2,642	5,916	7,822
Income tax expense	13	3,942	3,450	12,343	8,867
		24,613	21,166	70,882	59,316
Changes in non-cash operating working capital	15	(17,333)	(18,177)	(61,877)	(35,962)
Rental equipment additions	4	(11,334)	(5,775)	(27,324)	(12,272)
Other non-current liabilities		(1,999)	21	(1,000)	(598)
Finance costs paid		(2,065)	(522)	(5,774)	(5,411)
Income taxes paid		(1,485)	(1,499)	(4,758)	(6,016)
Cash used in operating activities		(9,603)	(4,786)	(29,851)	(943)
INVESTING ACTIVITIES					
Property, plant and equipment additions	5	(1,306)	(1,025)	(2,705)	(2,146)
Proceeds on disposal of property, plant and equipment	5	259	339	2,004	962
Intangible assets additions		(1,193)	(11)	(3,811)	(28)
Cash used in investing activities		(2,240)	(697)	(4,512)	(1,212)
FINANCING ACTIVITIES					
Net increase in bank debt	8	6,000	18,000	31,000	18,000
Sale (purchase) of shares held in trust	9	11,475	—	11,475	(7,499)
Deferred financing costs	8	—	(435)	—	(435)
Finance lease payments	7	(1,040)	(1,031)	(3,081)	(3,076)
Settlement of non-hedge derivative instruments		77	(234)	39	(224)
Dividends paid		(4,886)	(4,876)	(14,638)	(14,788)
Cash generated from (used in) financing activities		11,626	11,424	24,795	(8,022)
Change in cash and bank indebtedness		(217)	5,941	(9,568)	(10,177)
(Bank indebtedness) cash - beginning of period		(11,075)	(11,264)	(1,724)	4,854
Bank indebtedness - end of period		\$ (11,292)	\$ (5,323)	\$ (11,292)	\$ (5,323)

See accompanying notes to these unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited, amounts in thousands of Canadian dollars, except share and per share data)

1. COMPANY PROFILE

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 2250 Argentia Road, Mississauga, Ontario, Canada. The Corporation operates an integrated distribution system, providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: construction, forestry, mining, industrial and commercial, oil sands, transportation, metal processing, government and utilities and oil and gas.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the disclosures required for full consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2017. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements, except as disclosed in Note 3.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 5, 2018.

3. CHANGE IN ACCOUNTING POLICIES

Accounting standards adopted during the period

IFRS 15 Revenue from Contracts with Customers - On January 1, 2018, the Corporation adopted IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced which may affect the timing of revenue recognized.

The Corporation records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue from contracts with customers is recognized for each performance obligation as control is transferred to the customer as follows:

Revenue type	Timing of satisfaction of performance obligation
Equipment sales	
• Retail sales	When control of the equipment passes to the customer based on shipment terms
• Construction contracts	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract
Industrial parts	When control of the product passes to the customer based on shipment terms
Product support	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its product support services because it best reflects the transfer of an asset to the customer which occurs as costs are incurred
Other	As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its engineered repair services because it best reflects the transfer of an asset to the customer which occurs as costs are incurred

The transaction price is generally the amount stated in the contract. Certain contracts are subject to discounts which are estimated and included in the transaction price.

The following change has resulted in an adjustment from the adoption of IFRS 15:

- The revenue recognition pattern for Product support and Other has changed to an over-time pattern to best depict performance in transferring control of the repair service, rather than the point in time recognition that was previously used. The key judgement for recognizing revenue on incomplete service orders is estimating the transaction price and the margin that will eventually be realized.

The Corporation has elected to use the retrospective application method and has recorded the cumulative adjustment of the accounting change to retained earnings as at January 1, 2017 and has restated its comparative 2017 financial position and earnings. The Corporation has elected to use a practical expedient when restating its prior year results and not disclose the amounts of the transaction price allocated to remaining performance obligations nor provide an explanation of when it expects to recognize those amounts as revenue.

The effect of adopting IFRS 15 on the condensed consolidated interim statements of financial position is as follows:

	As originally reported December 31, 2016	IFRS 15 adjustment	As restated January 1, 2017
Trade and other receivables	\$ 194,613	\$ (2,869)	\$ 191,744
Contract assets	7,095	15,224	22,319
Inventories	283,421	(9,488)	273,933
Deferred tax assets	4,573	(771)	3,802
Retained earnings	90,812	2,096	92,908

	As originally reported December 31, 2017	IFRS 15 adjustment	As restated December 31, 2017
Trade and other receivables	\$ 207,353	\$ (3,404)	\$ 203,949
Contract assets	4,128	15,201	19,329
Inventories	322,778	(9,538)	313,240
Deferred tax liabilities	1,401	608	2,009
Retained earnings	97,661	1,651	99,312

The effect of adopting IFRS 15 on the condensed consolidated interim statement of earnings for the three months ended September 30, 2017 is as follows:

	As originally reported	IFRS 15 adjustment	As restated
Revenue	\$ 298,988	\$ (1,111)	\$ 297,877
Cost of sales	236,121	(654)	235,467
Income tax expense	3,573	(123)	3,450
Net earnings	9,063	(334)	8,729
Basic earnings per share	0.46	(0.01)	0.45
Diluted earnings per share	0.45	(0.02)	0.43

The effect of adopting IFRS 15 on the condensed consolidated interim statement of earnings for the nine months ended September 30, 2017 is as follows:

	As originally reported	IFRS 15 adjustment	As restated
Revenue	\$ 942,681	\$ 565	\$ 943,246
Cost of sales	756,501	654	757,155
Income tax expense	8,891	(24)	8,867
Net earnings	22,852	(65)	22,787
Basic earnings per share	1.16	—	1.16
Diluted earnings per share	1.13	—	1.13

IFRS 9 Financial Instruments - On January 1, 2018, the Corporation adopted IFRS 9 *Financial Instruments* retrospectively with no restatement of comparative periods. The standard includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 largely retains the existing accounting requirements for financial liabilities with the exception of accounting for certain non-substantial modifications of financial liabilities and the accounting treatment of fair value changes attributable to changes in its own credit risk of financial liabilities that are designated as fair value through profit or loss.

Classification and measurement IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVTPL”). Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification. The adoption of the new classification requirements under IFRS 9 did not result in significant changes to measurement or the carrying amounts of financial assets and liabilities. The following table summarizes the classification impacts upon the adoption of IFRS 9:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative instruments	FV if hedging instrument, or Held-for-trading	FV if hedging instrument, or mandatorily at FVTPL
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Other liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Impairment IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Corporation’s financial assets measured at amortized cost and contract assets.

The Corporation adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL. The ECL models applied to other financial assets and contract assets also required judgement, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and other ECL models applied on adoption of IFRS 9 did not have a material impact on the financial assets of the Corporation.

Impairment losses are recorded in general and administrative expenses with the carrying amount of the financial asset or contract asset reduced through the use of impairment allowance accounts.

General hedging The Corporation has elected to adopt the new general hedge accounting model in IFRS 9. IFRS 9 requires the Corporation to ensure that hedge accounting relationships are aligned with the Corporation’s risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Corporation’s risk management strategy is disclosed in its 2017 Annual Report. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore treated as continuing hedging relationships. Under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedges reserve are included directly in the initial cost of the inventory item when it is recognized. Otherwise the adoption of the standard did not have an impact on the Corporation’s hedging arrangements.

New standards and interpretations not yet adopted

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right-of-use assets and lease obligations but the impact to earnings has not yet been estimated.

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of \$11,334 during the quarter (2017 – \$5,775) and \$27,324 year to date (2017 – \$12,272). Equipment with a carrying amount of \$779 during the quarter (2017 - \$79) and \$1,352 year to date (2017 – \$111) was transferred from inventories to rental equipment. Equipment with a carrying amount of \$4,450 during the quarter (2017 - \$832) and \$11,028 year to date (2017 – \$2,179) was transferred from rental equipment to inventories.

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of \$1,306 during the quarter (2017 – \$1,025) and \$2,705 year to date (2017 – \$2,146). Assets with a carrying amount of \$274 during the quarter (2017 – \$234) and \$824 year to date (2017 – \$903) were disposed of, resulting in a loss on disposal of \$15 during the quarter (2017 – gain of \$105) and a gain of \$1,180 year to date (2017 – gain of \$59).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	\$ 128,134	\$ 114,923
Contract liabilities	420	1,005
Deferred income – other	18,678	16,941
Supplier payables with extended terms	41,997	36,119
Payroll, bonuses and incentives	32,948	29,577
Restructuring accrual	1,031	468
Accrued liabilities	27,512	30,425
Accounts payable and accrued liabilities	\$ 250,720	\$ 229,458

7. OBLIGATIONS UNDER FINANCE LEASES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	\$ 8,677	\$ 7,574	\$ 9,511	\$ 8,855
Changes from financing cash flows				
Finance lease payments	(1,040)	(1,031)	(3,081)	(3,076)
Other changes				
New finance leases	3,248	1,747	4,455	2,511
Balance at end of period	\$ 10,885	\$ 8,290	\$ 10,885	\$ 8,290

8. LONG-TERM DEBT

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	\$ 168,845	\$ 122,324	\$ 143,667	\$ 121,952
Changes from financing cash flows				
Net proceeds of borrowings	6,000	18,000	31,000	18,000
Transaction costs related to borrowings	—	(435)	—	(435)
Other changes				
Amortization of capitalized transaction costs	90	194	268	566
	174,935	140,083	174,935	140,083
Less current portion	—	(123,375)	—	(123,375)
Balance at end of period	\$ 174,935	\$ 16,708	\$ 174,935	\$ 16,708

9. SHARE CAPITAL

	Note	Number of Common Shares	Amount
Issued and outstanding, December 31, 2017		20,026,819	\$ 180,572
Common shares issued to settle share-based compensation plans	11	40,843	366
Issued and outstanding, September 30, 2018		20,067,662	180,938
Shares held in trust, December 31, 2017		(522,712)	(4,709)
Sale of shares held in trust		440,000	3,964
Shares held in trust, September 30, 2018		(82,712)	(745)
Issued and outstanding, net of shares held in trust, September 30, 2018		19,984,950	\$ 180,193

	Note	Number of Common Shares	Amount
Issued and outstanding, December 31, 2016 and September 30, 2017		20,026,819	\$ 180,572
Shares held in trust, December 31, 2016		(200,968)	(1,808)
Purchased for future settlement of certain share-based compensation plans		(321,744)	(2,901)
Shares held in trust, September 30, 2017		(522,712)	(4,709)
Issued and outstanding, net of shares held in trust, September 30, 2017		19,504,107	\$ 175,863

On August 10, 2018, the Corporation amended its Mid-Term Incentive Plan for Senior Executives ("MTIP"), which is comprised of both restricted share units ("RSUs") and performance share units ("PSUs"), such that the RSU portion of the plan which was previously settled in market-purchased common shares shall be settled in cash at the end of the vested term. As a result of the modification to the MTIP program, 440,000 shares previously held in trust for the purpose of the future settlement of the MTIP were sold and subsequently hedged through the use of derivative instruments. The cash consideration received from the sale was \$11,475, resulting in an increase to share capital and retained earnings of \$3,964 and \$7,184 (net of tax in the amount of \$327) respectively.

10. DIVIDENDS DECLARED

During the three months ended September 30, 2018, the Corporation declared cash dividends of \$0.25 per share or \$4,996 (2017 – dividends of \$0.25 per share or \$4,876).

Year to date, the Corporation declared cash dividends of \$0.75 per share or \$14,758 (2017 – dividends of \$0.75 per share or \$14,708).

On November 5, 2018, the Corporation declared a fourth quarter 2018 dividend of \$0.25 per share or \$4,996.

11. SHARE-BASED COMPENSATION PLANS

The Corporation has four share-based compensation plans: the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

a) Treasury share rights plans

The Corporation recorded compensation cost of \$137 for the quarter (2017 – \$140) and \$426 for the year to date (2017 – \$458) in respect of the SOP and DDSUP plans. The following units under the plans are outstanding:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Number of rights	Fair value at time of grant	Number of rights	Fair value at time of grant
Outstanding at beginning of year	388,983	\$ 6,524	345,458	\$ 5,935
Granted in the period – new grants	17,034	426	13,502	300
– dividend equivalents	11,871	—	11,831	—
Settled in the period	(40,843)	(366)	—	—
Outstanding at end of period	377,045	\$ 6,584	370,791	\$ 6,235

At September 30, 2018 and September 30, 2017, all share rights were vested.

b) Market-purchased share rights plans

During the nine months ended September 30, 2018, the Corporation changed the settlement terms of the MTIP RSUs from share-settled to cash-settled. On the date of modification, a liability for the now cash settled MTIP RSUs was recognized at fair value of \$4,578 as a reduction from equity. The Corporation recorded

compensation cost of \$157 for the quarter (2017 - \$672) and \$1,871 for the year to date (2017 – \$2,083) in respect of the market-purchased share rights plans, which includes the cost for the MTIP RSUs before the settlement terms were changed to cash-settled. The following market-purchased share rights under the MTIP and DSUP plans are outstanding:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Number of rights	Fair value at time of grant	Number of rights	Fair value at time of grant
Outstanding at beginning of year	498,440	\$ 9,424	315,916	\$ 5,211
Granted in the period – new grants	204,191	5,699	219,440	5,378
– dividend equivalents	19,119	—	14,257	—
Forfeitures	(57,874)	(1,133)	(11,361)	(204)
	663,876	13,990	538,252	10,385
Less: RSUs now cash-settled	(380,454)	(7,175)	—	—
Outstanding at end of period	283,422	\$ 6,815	538,252	\$ 10,385

At September 30, 2018 and September 30, 2017, no PSUs or DSUs were vested.

c) Cash-settled rights plans

The Corporation recorded compensation cost of \$518 for the quarter (2017 – recovery of \$72) and compensation cost of \$492 for the year to date (2017 – cost of \$135) in respect of the cash-settled MTIP RSUs and DSUP rights. At September 30, 2018, the carrying amount of these liabilities was \$5,306 (September 30, 2017 – \$1,053).

12. DISAGGREGATED REVENUE

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
		As restated (Note 3)		As restated (Note 3)
Equipment sales	\$ 135,847	\$ 96,917	\$ 404,742	\$ 304,435
Industrial parts	88,613	80,489	271,154	257,061
Product support	117,432	96,543	343,419	316,232
Other	16,604	16,482	47,847	42,026
Revenue from contracts with customers	358,496	290,431	1,067,162	919,754
Equipment rental	8,920	7,446	25,707	23,492
Total	\$ 367,416	\$ 297,877	\$ 1,092,869	\$ 943,246

13. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

For the nine months ended September 30	2018	2017
		As restated (Note 3)
Current	\$ 13,866	\$ 4,964
Deferred – Origination and reversal of temporary differences	(1,523)	3,903
Income tax expense	\$ 12,343	\$ 8,867

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.9% (2017 – 26.9%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of the effective income tax rate is as follows:

For the nine months ended September 30	2018	2017
		As restated (Note 3)
Combined statutory income tax rate	26.9%	26.9%
Expected income tax expense at statutory rates	\$ 12,025	\$ 8,514
Non-deductible expenses	377	374
Other	(59)	(21)
Income tax expense	\$ 12,343	\$ 8,867

14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
		As restated (Note 3)		As restated (Note 3)
Numerator for basic and diluted earnings per share:				
– net earnings	\$ 10,337	\$ 8,729	\$ 32,360	\$ 22,787
Denominator for basic earnings per share:				
– weighted average shares, net of shares held in trust	19,769,733	19,504,107	19,598,065	19,640,183
Denominator for diluted earnings per share:				
– weighted average shares, net of shares held in trust	19,769,733	19,504,107	19,598,065	19,640,183
– effect of dilutive share rights	472,253	568,872	471,376	539,556
Denominator for diluted earnings per share	20,241,986	20,072,979	20,069,441	20,179,739
Basic earnings per share	\$ 0.52	\$ 0.45	\$ 1.65	\$ 1.16
Diluted earnings per share	0.51	0.43	1.61	1.13

For the quarter, no anti-dilutive share rights were excluded from the above calculation (2017 – 3,793). For the year to date, 3,310 anti-dilutive share rights were excluded from the above calculation (2017 – 14,252).

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
		As restated (Note 3)		As restated (Note 3)
Trade and other receivables	\$ (3,024)	\$ (3,305)	\$ (16,906)	\$ 20,314
Contract assets	(227)	1,643	(2,585)	4,513
Inventories	(12,270)	(27,852)	(47,035)	(46,867)
Deposits on inventory	(4,300)	(393)	(6,783)	11,657
Prepaid expenses	(1,874)	601	(3,238)	148
Accounts payable and accrued liabilities	5,924	11,587	18,003	(24,953)
Provisions	(1,562)	(458)	(3,333)	(774)
Total	\$ (17,333)	\$ (18,177)	\$ (61,877)	\$ (35,962)

16. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's presentation.

17. SUBSEQUENT EVENTS

On October 16, 2018, the Company acquired 100% of the issued and outstanding shares of Montreal, Quebec-based Groupe Delom Inc. ("Delom"). The aggregate purchase price for the shares was \$51,800 (subject to final working capital adjustments), of which \$2,000 is subject to the achievement of certain performance targets post-closing. Founded in 1963, Delom specializes in the maintenance and repair of

critical electromechanical and rotating equipment for continuous process industries. Serving customers in diverse end markets, including hydroelectric, wind and nuclear power generation, mining, pulp and paper, petrochemical, aluminum smelting, and rail and marine transportation, Delom has six branches across Eastern Canada and employs more than 350 people.

On October 16, 2018, the Company also announced amendments to its senior secured credit facilities. Pursuant to such amendments, the aggregate commitments of the lenders under such facilities have been increased from \$300,000 to \$400,000, and the maturity date has been extended from 2021 to 2023. There have not been any modifications to the existing financial covenants.