Wajax Corporation
Management's Discussion and Analysis – Q2 2022

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 June 30, 2022. 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 June 30, 2022. Information contained in this MD&A is based on information available to management as of August 4, 2022.

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.

Strategic Direction and Outlook

The goal of the One Wajax strategy is to provide customers with access to the Corporation's full range of products and services while delivering a consistently excellent level of customer service. Wajax is focused on delivering a strong experience for its customers and employees through the execution of clear plans in five key areas:

- **Investing in the Wajax team and putting people first** - The safety, well-being and engagement of our approximately 2,900 employees is the foundation of the Corporation. To help its team members thrive, Wajax is taking a holistic approach to health and wellness, spanning physical, mental, and financial well-being, in addition to providing extensive learning and development opportunities.

- **Investing in Wajax customers and creating a differentiated customer experience** - The Corporation has the privilege of supporting approximately 32,000 customers across Canada, ranging from small local contractors to the country's largest industrial and resource organizations. People are the cornerstone of Wajax's brand and value proposition, and the Corporation will continue to invest in the best tools, training and support to deliver the technical expertise and experience that is highly valued by its customers.

- **Executing a clear organic growth strategy** - The Corporation has organic growth opportunities in each of its heavy equipment and industrial parts and services categories. Heavy equipment categories include construction and forestry, mining, material handling and power systems, which serve a broad range of customer capital equipment and related product support needs. Industrial parts and services categories include industrial parts and engineered repair services ("**ERS**"), which serve a broad range of customer fixed plant maintenance, repair and reliability needs.

- **Accretive acquisitions strategy** - Acquisitions are an important aspect of the Corporation’s growth strategy. The Corporation focuses primarily on acquisitions that add to the breadth and scale of its industrial parts and services categories. Wajax’s national infrastructure and extensive customer relationships position it as an aggregator in the highly fragmented ERS and related industrial parts market. Secondarily, the Corporation considers acquisitions in heavy equipment categories where extensions to existing major distribution relationships are enhanced.

- **Investing in Wajax infrastructure** - The Corporation invests in its infrastructure to improve the consistency of customer service and lower costs. The Corporation’s current programs include the ongoing consolidation of its branch network, investing in new information systems and implementing Customer Support Centres to provide 24/7 customer support in all product and service categories.

In addition to the above and to meet the Corporation’s long-term sustainability goals, the Corporation continues to focus and develop its environmental, social and governance programs as outlined below and further discussed in the Corporation’s 2021 Annual Report:

Sustainability Roadmap

Areas	**Goals**
Products and Services	Wajax is committed to a continuous process of understanding customer needs and leveraging technology, its broad in-house expertise and vendor partnerships to deliver sustainable solutions that reduce energy consumption, improve safety and reduce waste.
Environment	Wajax is committed to being a good steward of the environment. The Corporation wants to ensure that its operations are managed with a clear focus on minimizing its environmental impact and will increasingly target initiatives that lower energy intensity and reduce waste.
People	Wajax believes its most important resource is its people. Wajax wants to ensure employees are safe on the job and physically, mentally and financially healthy. Wajax offers employees the ability to learn continuously across a broad range of topics. Wajax wants a diverse workforce that broadly represents Canadian society. Each of these elements is critical to providing world-class service and solutions and the Corporation’s overall, long-term success as an organization.
Governance	Wajax values its reputation for fair dealing and integrity and is committed to upholding high ethical standards in the conduct of its business. Wajax wants its customers to trust the Corporation to help them find solutions across their business, and having high ethical standards and strong governance practices in place are key to maintaining their confidence.
Community	Wajax believes that being a good corporate citizen goes well beyond just providing employment. Wajax wants to invest in and contribute to the communities that it operates in across the country. The Corporation does this through a combination of volunteer hours, fundraising and in-kind donations.

Outlook

Wajax had an excellent first half of 2022, with revenues of $950.7 million and adjusted EBITDA of $84.5 million.[1] The business has performed well, with strong industrial parts sales, as well as strong equipment sales, especially in the construction and forestry category, due in part to the Corporation's new direct relationship with Hitachi. Wajax's leverage ratio of 1.10 times at the end of the second quarter is well below the Corporation's 1.5 - 2.0 times target range due to lower debt levels and strong business performance, providing Wajax with ample capacity to pursue its acquisition programs.[1] Cash flow from operations continues to be robust, which has allowed Wajax to make early repayment of its acquisition credit facility, fund two tuck-in acquisitions during the first half of 2022, continue investments in its business, and provide a consistent return to shareholders.

As it moves into the second half of 2022, Wajax continues to see sound fundamentals in many of its key markets, bolstered by strong commodity prices and capital spending. This positive view of the market is counterbalanced primarily by rising interest rates and supply chain issues, which Wajax expects will be a factor throughout the year ahead, particularly in its heavy equipment business. Wajax continues to manage these challenges through frequent dialogue with key suppliers and customers, pre-ordering new equipment, and utilizing repairs and rebuilds to extend the service life of equipment.

Despite these issues, the Corporation's improved balance sheet and strong quarter end backlog of $534.8 million continues to show momentum in the business.[1] To maintain this momentum and increase shareholder value, Wajax plans to continue its focus on the following priorities: investing in its people and their safety, delivering exceptional customer experiences, organically growing its business, building its acquisition pipeline, supporting its closer relationship with Hitachi, prudently managing its balance sheet, deploying its ERP and remote diagnostic systems, and building sustainability into the business. Looking ahead, Wajax believes its strong balance sheet, ability to generate cash flow, and abundant growth opportunities will allow its business to grow meaningfully over the long term.

See the Cautionary Statement Regarding Forward-Looking Information section.

Highlights for the Quarter

- Revenue in the second quarter of 2022 increased $65.1 million, or 14.6%, to $511.2 million, from $446.1 million in the second quarter of 2021. Regionally:

    - Revenue in western Canada of $225.9 million increased 15.7% over the prior year due to robust construction and forestry equipment sales, and strength in ERS and industrial parts categories attributable to strong sales from Tundra Process Solutions Ltd. ("**Tundra**") and higher organic bearings sales. Higher product support revenue across most categories also contributed. These increases were partially offset by lower mining equipment revenue.
    - Revenue in central Canada of $83.6 million increased 4.0% over the prior year due primarily to higher industrial parts sales, offset partially by slightly lower equipment revenue in most categories.
    - Revenue in eastern Canada of $201.7 million increased 18.4% over the prior year due primarily to higher equipment revenue in the construction and forestry and power systems categories, as well as higher bearings sales driving higher industrial parts revenue.

- Gross profit margin of 20.1% in the second quarter of 2022 increased 0.2% compared to gross profit margin of 19.9% in the same period of 2021. Excluding the Canada Emergency Wage Subsidy ("**CEWS**") recoveries in the second quarter of last year of $0.9 million, gross profit margin in the second quarter of 2022 increased 0.4% compared to the gross profit margin of 19.7% in the same period of 2021. The increase in margin was driven primarily by higher equipment and product support margins.

- Selling and administrative expenses as a percentage of revenue decreased to 13.4% in the second quarter of 2022 from 13.5% in the second quarter of 2021 when excluding the CEWS recoveries of $1.2 million. When including the CEWS recoveries, selling and administrative expenses as a percentage of revenue was 13.2% in the second quarter last year. Selling and administrative expenses in the second quarter of 2022 increased $9.8 million compared to the second quarter of 2021 due mainly to the prior year $1.2 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year, and higher personnel costs as the volume of business increased over the prior year.

- EBIT increased $4.0 million, or 13.4%, to $34.1 million in the second quarter of 2022 versus $30.1 million in the same period of 2021.(1) The year-over-year increase in EBIT is primarily attributable to higher volumes, and higher equipment and product support margins. These increases were offset partially by higher selling and administrative expenses and a prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current period.

- The Corporation generated net earnings of $21.7 million, or $1.01 per share, in the second quarter of 2022 versus $18.1 million, or $0.85 per share, in the same period of 2021. The Corporation generated adjusted net earnings of $19.7 million, or $0.92 per share, in the second quarter of 2022 versus $16.6 million, or $0.77 per share, in the same period of 2021.(1)

- Adjusted EBITDA margin remained unchanged at 8.8% in both the second quarter of 2022 and the second quarter of 2021, excluding the CEWS recoveries in the second quarter of last year of $2.1 million.(1) When including the CEWS recoveries, adjusted EBITDA margin was 9.3% in the second quarter of last year.(1)

- The Corporation's backlog at June 30, 2022 remained strong at $534.8 million compared to the record backlog of $540.1 million at March 31, 2022.(1) Compared to June 30, 2021, backlog increased $218.1 million, or 68.8%, due to higher orders in most categories, most notably construction and forestry.(1)

- Working capital of $307.9 million at June 30, 2022 decreased $11.8 million from March 31, 2022 due to higher accounts payable and higher income taxes payable, offset partially by higher contract assets, higher inventory and lower contract liabilities.[1] Trailing four-quarter average working capital as a percentage of the trailing 12-month sales was 18.1%, a decrease of 1.1% from March 31, 2022, due to the combination of the lower four-quarter average working capital and the higher trailing 12-month sales.[1]

- Cash flows generated from operating activities amounted to $34.0 million in the second quarter of 2022, compared to cash flows generated from operating activities of $36.6 million in the same quarter of the previous year.

- The Corporation's leverage ratio decreased to 1.10 times at June 30, 2022, compared to 1.24 times at March 31, 2022.[1] The decrease in the leverage ratio was due to the lower debt level in the current period and a higher trailing 12-month pro-forma adjusted EBITDA.[1] The Corporation's senior secured leverage ratio was 0.65 times at June 30, 2022, compared to 0.78 times at March 31, 2022.[1]

- In June 2022, the Corporation fully repaid its $50.0 million non-revolving acquisition term credit facility via a drawdown from its revolving term facility. With the repayment, Wajax's bank credit facility now has a $400.0 million credit limit as at June 30, 2022, composed of a $50.0 million non-revolving term facility and a $350.0 million revolving term facility. The bank credit facility matures October 1, 2026.

- Effective June 30, 2022, Tundra, a wholly owned subsidiary of the Corporation, acquired the net operating assets of an Alberta-based division of Powell Canada Inc. ("Powell Valve") specializing in valve sales, service and support. The net operating assets of Powell Valve were acquired for total cash consideration of $5.4 million, subject to post-closing adjustments. Powell Valve's trailing twelve-month revenue at the time of acquisition was approximately $8.8 million.

Notes:

(1) "Backlog", "Leverage ratio", "Senior secured leverage ratio", "Adjusted net earnings", "Adjusted EBITDA", "Adjusted EBITDA margin" and "Pro-forma adjusted EBITDA" 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.

Summary of Operating Results

Statement of earnings highlights	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Revenue	**$ 511.2**	$ 446.1	**$ 950.7**	$ 833.2
Gross profit	**$ 102.8**	$ 88.9	**$ 196.4**	$ 164.9
Selling and administrative expenses	**68.7**	58.9	**135.9**	112.6
Earnings before finance costs and income taxes(1)	**$ 34.1**	$ 30.1	**$ 60.5**	$ 52.3
Finance costs	**4.4**	5.1	**8.9**	10.1
Earnings before income taxes(1)	**$ 29.6**	$ 25.0	**$ 51.6**	$ 42.2
Income tax expense	**7.9**	6.8	**13.8**	11.6
Net earnings	**$ 21.7**	$ 18.1	**$ 37.8**	$ 30.6
– Basic earnings per share(2)	**$ 1.01**	$ 0.85	**$ 1.76**	$ 1.44
– Diluted earnings per share(2)	**$ 0.98**	$ 0.82	**$ 1.71**	$ 1.40
Adjusted net earnings(1)(3)	**$ 19.7**	$ 16.6	**$ 35.4**	$ 29.0
– Adjusted basic earnings per share(1)(2)(3)	**$ 0.92**	$ 0.77	**$ 1.65**	$ 1.36
– Adjusted diluted earnings per share(1)(2)(3)	**$ 0.89**	$ 0.75	**$ 1.60**	$ 1.33
Adjusted EBITDA(1)	**$ 45.2**	$ 41.5	**$ 84.5**	$ 76.5
Key ratios:				
Gross profit margin	**20.1%**	19.9%	**20.7%**	19.8%
Selling and administrative expenses as a percentage of revenue	**13.4%**	13.2%	**14.3%**	13.5%
EBIT margin(1)	**6.7%**	6.7%	**6.4%**	6.3%
Adjusted EBITDA margin(1)	**8.8%**	9.3%	**8.9%**	9.2%
Effective income tax rate	**26.7%**	27.4%	**26.7%**	27.4%

Statement of financial position highlights As at	June 30 2022	March 31 2022	December 31 2021
Trade and other receivables	**$ 236.8**	$ 239.5	$ 223.5
Inventory	**414.0**	409.1	388.7
Accounts payable and accrued liabilities	**(343.9)**	(332.5)	(305.8)
Other working capital amounts(1)	**1.0**	3.7	7.1
Working capital(1)	**$ 307.9**	$ 319.7	$ 313.5
Rental equipment	**$ 43.2**	$ 45.9	$ 45.8
Property, plant and equipment	**$ 43.8**	$ 40.1	$ 39.6
Funded net debt(1)	**$ 129.7**	$ 142.3	$ 143.5
Key ratios:			
Leverage ratio(1)	**1.10**	1.24	1.29
Senior secured leverage ratio(1)	**0.65**	0.78	0.82

(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, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the three months ended June 30, 2022 was 21,424,023 (2021 – 21,409,323) and 22,194,390 (2021 – 22,042,810), respectively.
Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the six months ended June 30, 2022 was 21,419,752 (2021 – 21,245,516) and 22,166,365 (2021 – 21,863,441), respectively.

(3) Net earnings excluding the following:
  a. after-tax gain recorded on the sale of properties of nil (2021 – $0.8 million), or basic and diluted earnings per share of nil (2021 – $0.04) for the three and six months ended June 30, 2022.
  b. after-tax non-cash gains on mark to market of derivative instruments of $2.0 million (2021 – gains of $0.8 million), or basic and diluted earnings per share of $0.10 and $0.09 respectively (2021 – $0.04) for the three months ended June 30, 2022.
  c. after-tax non-cash gains on mark to market of derivative instruments of $2.4 million (2021 – gains of $1.1 million), or basic and diluted earnings per share of $0.11 (2021 – $0.05) for the six months ended June 30, 2022.
  d. after-tax Tundra transaction costs of nil (2021 – $0.3 million), or basic and diluted earnings per share of nil (2021 – $0.01) for the six months ended June 30, 2022.

Results of Operations

Revenue Sources

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Equipment sales	**$ 172.2**	$ 141.1	**$ 289.4**	$ 259.7
Product support	**122.2**	113.4	**246.8**	220.6
Industrial parts	**133.9**	114.3	**263.1**	218.3
ERS	**73.0**	68.4	**132.8**	117.7
Equipment rental	**9.9**	8.9	**18.6**	16.8
Total revenue	**$ 511.2**	$ 446.1	**$ 950.7**	$ 833.2

Revenue in the second quarter of 2022 increased 14.6%, or $65.1 million, to $511.2 million from $446.1 million in the second quarter of 2021. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due mainly to strong construction and forestry revenue in western and eastern Canada, and higher power systems revenue primarily in eastern Canada, offset partially by lower mining sales in western Canada.
- Product support sales have increased due primarily to higher mining, construction and forestry, and power systems revenue in western Canada.
- Industrial parts sales have increased due mainly to organic strength in bearings sales in all regions.

For the six months ended June 30, 2022, revenue increased 14.1%, or $117.5 million, to $950.7 million, from $833.2 million in 2021. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due to higher construction and forestry and material handling revenue in western Canada, as well as higher power systems revenue in eastern Canada, offset partially by lower mining sales in western Canada and lower construction and forestry revenue in central Canada.
- Industrial parts sales have increased due mainly to strong sales from Tundra and organic strength in bearings sales in all regions, but primarily in western and eastern Canada.
- Product support sales have increased due primarily to higher mining as well as higher construction and forestry revenue in western Canada.
- ERS sales have increased due to strength in western Canada. The higher ERS revenue in western Canada was driven by higher Tundra sales and organic growth in ERS.

Backlog
Backlog of $534.8 million at June 30, 2022 decreased $5.3 million, or 1.0%, compared to March 31, 2022 due to lower construction and forestry orders, offset partially by higher orders in the ERS and industrial parts categories. The Corporation's backlog at June 30, 2022 of $534.8 million increased $218.1 million, or 68.8%, compared to June 30, 2021 due to higher orders in most categories, most notably construction and forestry. "Backlog" does not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.

Gross profit
Gross profit increased $13.8 million, or 15.6% in the second quarter of 2022 compared to the same quarter last year due to increased volumes, and higher equipment and product support margins. These increases were offset partially by the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current period.

Gross profit margin of 20.1% in the second quarter of 2022 increased 0.2% compared to the same period of 2021. Excluding the CEWS recoveries in the second quarter of last year of $0.9 million, gross profit margin increased 0.4% to 20.1% compared to the gross profit margin of 19.7% in 2021. The increase in margin was driven primarily by higher equipment and product support margins.

For the six months ended June 30, 2022, gross profit increased $31.5 million, or 19.1%, compared to the same period last year due to increased volume, and higher equipment and product support margins. These increases were offset partially by the prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year.

For the six months ended June 30, 2022, gross profit margin of 20.7% increased 0.9% compared to the same period last year. Excluding the CEWS recoveries for the same period last year of $3.7 million, gross profit margin increased 1.3% to 20.7% compared to the gross profit margin of 19.3% in 2021. The increase in margin was driven primarily by higher equipment and product support margins.

Selling and administrative expenses
Selling and administrative expenses in the second quarter of 2022 increased $9.8 million compared to the second quarter of 2021 due mainly to the prior year recovery of personnel expenses from the CEWS program of $1.2 million without a similar recovery in the current quarter, and higher personnel costs as the volume of business increased over the prior year. Selling and administrative expenses as a percentage of revenue increased to 13.4% in the second quarter of 2022 from 13.2% in the same period of 2021. Excluding the CEWS recoveries in the second quarter of 2021 of $1.2 million, selling and administrative expenses as a percentage of revenue decreased to 13.4% in the second quarter of 2022 from 13.5% in the same period of 2021.

For the six months ended June 30, 2022, selling and administrative expenses increased $23.3 million compared to the same period last year. This increase was due mainly to the prior year $4.7 million recovery of personnel expenses from the CEWS program without a similar recovery in the current year, and higher personnel costs as the volume of business increased over the prior year. Selling and administrative expenses as a percentage of revenue increased to 14.3% in 2022 from 13.5% in 2021. Excluding the CEWS recoveries in the second quarter of last year of $4.7 million, selling and administrative expenses as a percentage of revenue increased to 14.3% in 2022 from 14.1% in 2021.

Finance costs
Finance costs of $4.4 million in the second quarter of 2022 decreased $0.6 million compared to the same quarter last year due primarily to lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

For the six months ended June 30, 2022, finance costs of $8.9 million decreased $1.2 million compared to the same period in 2021 due primarily to lower average borrowings under the bank credit facility. See the Liquidity and Capital Resources section.

Income tax expense
The Corporation's effective income tax rate of 26.7% for the second quarter of 2022 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 27.4% for the same period in 2021 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes.

The Corporation's effective income tax rate of 26.7% for the six months ended June 30, 2022, was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax rate of 27.4% for the same period in 2021 was higher compared to the statutory rate of 26.2% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings
In the second quarter of 2022, the Corporation generated net earnings of $21.7 million, or $1.01 per share, compared to $18.1 million, or $0.85 per share, in the second quarter of 2021. The $3.6 million increase in net earnings resulted primarily from increased volumes, and higher equipment and product support margins. These increases were offset partially by higher selling and administrative expenses and a prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current period.

For the six months ended June 30, 2022, the Corporation generated net earnings of $37.8 million, or $1.76 per share, compared to $30.6 million, or $1.44 per share, in 2021. The $7.2 million increase in net earnings resulted primarily from increased volumes, and higher equipment and product support margins. These increases were offset partially by higher selling and administrative expenses and a prior year recovery of personnel expenses from the CEWS program without a similar recovery in the current year.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)
Adjusted net earnings for the three months ended June 30, 2022 excludes non-cash gains on mark to market of derivative instruments of $2.0 million after-tax, or $0.10 per share (2021 – gains of $0.8 million after-tax, or $0.04 per share). Adjusted net earnings in the same period of 2021 also excludes a gain recorded on the sale of properties of $0.8 million after-tax, or $0.04 per share.

As such, adjusted net earnings increased $3.1 million to $19.7 million, or $0.92 per share, for the three months ended June 30, 2022 from $16.6 million, or $0.77 per share, in 2021.

Adjusted net earnings for the six months ended June 30, 2022 excludes non-cash gains on mark to market of derivative instruments of $2.4 million after-tax, or $0.11 per share (2021 – gains of $1.1 million after-tax, or $0.05 per share). Adjusted net earnings in 2021 also excludes a gain recorded on the sale of properties of $0.8 million after-tax, or $0.04 per share, and Tundra transaction costs of $0.3 million after-tax, or $0.01 per share.

As such, adjusted net earnings increased $6.4 million to $35.4 million, or $1.65 per share, for the six months ended June 30, 2022 from $29.0 million, or $1.36 per share, in 2021.

Comprehensive income
Total comprehensive income of $23.6 million in the second quarter of 2022 included net earnings of $21.7 million and an other comprehensive gain of $1.9 million. The other comprehensive gain of $1.9 million in the current period resulted primarily from $2.1 million of unrealized after-tax gains on derivatives designated as cash flow hedges.

For the six months ended June 30, 2022, the total comprehensive income of $42.3 million included net earnings of $37.8 million and an other comprehensive gain of $4.5 million. The other comprehensive gain of $4.5 million in the current year resulted primarily from $4.3 million of unrealized after-tax gains on derivatives designated as cash flow hedges.

Selected Quarterly Information

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

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 511.2**	$ 439.5	$ 402.8	$ 401.3	$ 446.1	$ 387.1	$ 381.0	$ 340.6
Net earnings	**$ 21.7**	$ 16.1	$ 8.0	$ 14.7	$ 18.1	$ 12.5	$ 10.7	$ 6.7
Earnings per share								
- Basic	**$ 1.01**	$ 0.75	$ 0.37	$ 0.68	$ 0.85	$ 0.59	$ 0.53	$ 0.33
- Diluted	**$ 0.98**	$ 0.73	$ 0.36	$ 0.66	$ 0.82	$ 0.58	$ 0.52	$ 0.33
Adjusted net earnings(1)	**$ 19.7**	$ 15.7	$ 7.0	$ 15.5	$ 16.6	$ 12.4	$ 9.6	$ 10.1
Adjusted earnings per share(1)								
- Basic	**$ 0.92**	$ 0.73	$ 0.33	$ 0.72	$ 0.77	$ 0.59	$ 0.48	$ 0.50
- Diluted	**$ 0.89**	$ 0.71	$ 0.32	$ 0.70	$ 0.75	$ 0.57	$ 0.47	$ 0.49
Dividends declared per share	**$ 0.25**	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Weighted average common shares outstanding - basic (in thousands)	**21,424**	21,415	21,409	21,409	21,409	21,080	20,034	20,034

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

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak resource sector activity, the first quarter will tend to have seasonally lower revenues. However, the project timing of large mining trucks and shovels and power generation packages can shift revenue and net earnings throughout the year. In addition, the sale of large construction units can also impact revenue due to the seasonality in that industry. Starting in 2020, revenues and net earnings have also been impacted by COVID-19, with the impact being felt more significantly in 2020 as compared to 2021 and the current year.

Effective January 13, 2020, the Corporation acquired NorthPoint Technical Services ULC ("**NorthPoint**"), and effective January 22, 2021, the Corporation acquired Tundra. The results of operations and financial position of these acquired businesses have been included in the above figures since their respective dates of acquisition. The acquisition of NorthPoint facilitated year-over-year growth in the Corporation's ERS revenue when comparing 2020 to 2019, which contributed to Wajax's ability to weather the conditions of the COVID-19 pandemic, adding $36.9 million in incremental revenue and $2.1 million in incremental net earnings in 2020. The acquisition of Tundra facilitated year-over-year growth in the Corporation's ERS and industrial parts revenue when comparing 2021 to 2020, adding $125.4 million in incremental revenue and $5.2 million in incremental net earnings in 2021, excluding $1.8 million of after-tax amortization expense relating to intangible assets recognized for the Tundra acquisition.

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

	June 30 2022	March 31 2022	December 31 2021
Shareholders' equity	**$ 421.4**	$ 403.3	$ 389.9
Funded net debt(1)	**129.7**	142.3	143.5
Total capital(1)	**$ 551.0**	$ 545.7	$ 533.4
Funded net debt to total capital(1)	**23.5%**	26.1%	26.9%
Leverage ratio(1)	**1.10**	1.24	1.29
Senior secured leverage ratio(1)	**0.65**	0.78	0.82

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

The Corporation's objective is to manage its working capital and normal-course capital investment programs within a leverage range of 1.5 to 2.0 times and to fund those programs through operating cash flow and its bank credit facilities as required. There may be instances whereby the Corporation is willing to maintain a leverage ratio outside of this range during changes in economic cycles. The Corporation may also maintain a leverage ratio above the stated range as a result of investments in acquisitions and may fund those acquisitions using its bank credit facilities and other debt instruments in accordance with the Corporation's expectations of total future cash flows, financing costs and other factors. The Corporation's leverage ratio is currently below the target range, due to strength in the trailing 12-month pro-forma adjusted EBITDA, combined with a reduction in debt levels on account of significant cash generated from operating activities. See the Funded Net Debt section.

Shareholders' Equity

The Corporation's shareholders' equity at June 30, 2022 of $421.4 million increased $18.0 million from March 31, 2022, due primarily to total comprehensive income of $23.6 million exceeding dividends declared of $5.4 million. For the six months ended June 30, 2022, the Corporation's shareholders' equity increased $31.4 million from December 31, 2021, due primarily to total comprehensive income of $42.3 million, offset partially by dividends declared of $10.7 million.

The Corporation's share capital included in shareholders' equity on the condensed consolidated interim statements of financial position, consists of:

	Number of Common Shares	**Amount**
Issued and outstanding, December 31, 2021 and June 30, 2022	21,531,428	$ 207.8
Shares held in trust, December 31, 2021	(122,105)	(1.1)
Released for settlement of certain share-based compensation plans	23,915	0.2
Purchased for future settlement of certain share-based compensation plans	(33,544)	(0.3)
Shares held in trust, June 30, 2022	(131,734)	$ (1.2)
Issued and outstanding, net of shares held in trust, June 30, 2022	**21,399,694**	**$ 206.6**

At the date of this MD&A, the Corporation had 21,399,694 common shares issued and outstanding, net of shares held in trust.

At June 30, 2022, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan (the "**SOP**"), the Directors' Deferred Share Unit Plan (the "**DDSUP**"), the Mid-Term Incentive Plan for Senior Executives (the "**MTIP**") (with MTIP awards being composed of performance share units ("**PSUs**") and restricted share units ("**RSUs**")) and the Deferred Share Unit Plan (the "**DSUP**").

Each fully vested right under the SOP and DDSUP is settled by the issuance of a common share from treasury. As of June 30, 2022, there were a total of 574,281 rights outstanding under the SOP and DDSUP, of which 547,392 were fully vested. Each fully vested MTIP PSU and certain fully vested deferred share units issued under the DSUP ("**equity settled DSUs**") are settled by the delivery of a market-purchased common share. As of June 30, 2022, a total of 298,920 MTIP PSUs and equity settled DSUs were outstanding, of which 31,283 were fully vested. Each fully vested MTIP RSU and non-equity settled DSUs ("**cash settled DSUs**") are settled in cash. As of June 30, 2022, a total of 517,260 MTIP RSUs and cash settled DSUs were outstanding, of which 10,938 were fully vested. Depending on the actual level of achievement of the performance targets associated with the outstanding MTIP PSUs, the number of market-purchased shares required to satisfy the Corporation's obligations thereunder could be higher or lower.

Wajax recorded compensation expense of $1.4 million for the quarter (2021 – expense of $1.9 million) and compensation expense of $2.4 million for the six months ended June 30, 2022 (2021 – expense of $4.0 million) in respect of these plans.

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

	June 30 2022	March 31 2022	December 31 2021
Cash	**$ (3.5)**	$ (11.4)	$ (10.0)
Debentures	**55.5**	55.4	55.2
Long-term debt	**77.7**	98.4	98.2
Funded net debt	**$ 129.7**	$ 142.3	$ 143.5

Funded net debt of $129.7 million at June 30, 2022 decreased $12.7 million compared to $142.3 million at March 31, 2022. The decrease during the quarter was due primarily to cash generated from operating activities of $34.0 million, offset partially by the payment of lease liabilities of $7.9 million, dividends paid of $5.4 million, and $5.6 million in cash paid as consideration for business acquisitions.

Funded net debt of $129.7 million at June 30, 2022 decreased $13.8 million compared to $143.5 million at December 31, 2021. The decrease during the year to date was due primarily to cash generated from operating activities of $53.4 million, offset partially by the payment of lease liabilities of $15.5 million, dividends paid of $10.7 million, $9.0 million in cash paid as consideration for business acquisitions, and property, plant and equipment additions of $4.2 million.

The Corporation's ratio of funded net debt to total capital decreased to 23.5% at June 30, 2022 from 26.9% at December 31, 2021 due to both the lower funded net debt level in the current year and the higher shareholders' equity level in the current year.

The Corporation's leverage ratio of 1.10 times at June 30, 2022 decreased from the December 31, 2021 ratio of 1.29 times due to both the lower debt level in the current period and a higher trailing 12-month pro-forma adjusted EBITDA. 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 share-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 long term.

Wajax has entered into interest rate swap contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate swap contracts are recorded in the unaudited condensed consolidated interim financial statements at fair value. As at June 30, 2022, Wajax had the following interest rate swap contracts outstanding:

- $150.0 million, expiring in October 2026, with a weighted average interest rate of 2.21% (December 31, 2021 – $150.0 million, expiring in October 2026, with a weighted average interest rate of 2.21%)

Wajax enters into foreign exchange 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 June 30, 2022, Wajax had the following contracts outstanding:

- to buy U.S. $121.5 million (December 31, 2021 – to buy U.S. $96.5 million),
- to buy Euro €0.7 million (December 31, 2021 – to buy Euro €0.5 million),
- to sell U.S. $54.0 million (December 31, 2021 – to sell U.S. $37.0 million), and
- to sell Euro €0.8 million (December 31, 2021 – to sell Euro €0.9 million).

The U.S. dollar contracts expire between July 2022 and March 2024, with an average U.S./Canadian dollar rate of 1.2653.

The Euro contracts expire between August 2022 and August 2023, with an average Euro/Canadian dollar rate of 1.4329.

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 unaudited condensed consolidated interim financial statements at fair value. As at June 30, 2022, Wajax had the following total return swap contracts outstanding:

- contracts totaling 402,000 shares at an initial share value of $7.8 million (December 31, 2021 – contracts totaling 390,000 shares at an initial share value of $6.6 million)

The total return swap contracts expire between March 2023 and March 2025.

Contractual Obligations

There have been no material changes to the Corporation's contractual obligations since December 31, 2021 that have not been discussed elsewhere in this MD&A. See the Liquidity and Capital Resources section.

Off Balance Sheet Financing

The inventory consignment program of a major supplier, and joint venture partner to Hitachi Construction Machinery ("**HCM**"), relating to construction-class excavators, ended October 31, 2021. Effective November 1, 2021, the Corporation began assuming ownership of new stock received from the supplier. Inventory on hand as at October 31, 2021 remained subject to the prior consignment terms, which included the opportunity for the Corporation to purchase the inventory prior to sale to a customer. Due to certain preferential terms offered by the supplier, and as previously announced, the Corporation purchased all consignment inventory on hand during the fourth quarter of 2021. The Corporation also purchased all inventory received from the supplier during the period from January 1, 2022 to February 28, 2022. On March 1, 2022, new payment terms from HCM took effect. As at June 30, 2022, the Corporation has no consignment inventory on hand from the supplier (December 31, 2021 – nil).

Although management currently believes the Corporation has adequate debt capacity, Wajax would have to access the equity or debt capital 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, debentures and cash generated from operations.

Bank and Non-bank Credit Facilities and Debentures

In June 2022, the Corporation fully repaid its $50.0 million non-revolving acquisition term facility via a drawdown from its revolving term facility. With the repayment, Wajax's bank credit facility now has a $400.0 million credit limit as at June 30, 2022, composed of a $50.0 million non-revolving term facility and a $350.0 million revolving term facility. The bank credit facility matures October 1, 2026.

At June 30, 2022, Wajax had borrowed $79.0 million and issued $6.3 million of letters of credit for a total utilization of $85.3 million of its $400.0 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 June 30, 2022, borrowing capacity under the bank credit facility was equal to $398.4 million, of which $313.2 million was accessible to the Corporation.

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 June 30, 2022. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's senior secured leverage ratio, as defined in the bank credit facility agreement, exceeds 4.0 times. At June 30, 2022, the Corporation's senior secured leverage ratio was 0.65 times.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

In addition, Wajax had $57.0 million of senior unsecured debentures outstanding at June 30, 2022, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025. The debentures will not be redeemable before January 15, 2023 (the "**First Call Date**"), except upon the occurrence of a change of control of the Corporation in accordance with the terms of the indenture governing the debentures (the "**Indenture**"). On and after the First Call Date and prior to January 15, 2024, the debentures will be redeemable in whole or in part from time to time at the Corporation's option at a redemption price equal to 103.0% of the principal amount of the debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after January 15, 2024 and prior to the maturity date, the debentures will be redeemable, in whole or in part, from time to time at the Corporation's option at par plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Corporation shall provide not more than 60 nor less than 30 days' prior notice of redemption of the debentures.

The Corporation will have the option to satisfy its obligation to repay the principal amount of the debentures due at redemption or maturity in either cash or freely tradable common shares determined in accordance with the terms of the Indenture. The debentures will not be convertible into common shares at the option of the holders at any time.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $25.0 million. As such, Wajax has up to $25.0 million of demand inventory equipment financing capacity with two non-bank lenders. At June 30, 2022, Wajax had no utilization of the interest bearing equipment financing facilities.

In addition, the Corporation has an agreement with a financial institution to sell 100% of selected trade accounts receivable on a recurring, non-recourse basis. Under this facility, up to $20.0 million of accounts receivable is permitted to be sold to the financial institution and can remain outstanding at any point in time. After the sale, Wajax does not retain any interests in the accounts receivable, but continues to service and collect the outstanding accounts receivable on behalf of the financial institution. As at June 30, 2022, the Corporation continues to service and collect $9.1 million in accounts receivable on behalf of the financial institution.

As at June 30, 2022, $313.2 million was accessible under the bank facility and $25.0 million was unutilized under the non-bank facilities. As of August 4, 2022, Wajax continues to maintain its $400.0 million bank credit facility and an additional $25.0 million in credit facilities with non-bank lenders. 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 capital markets to fund significant acquisitions.

The Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At June 30, 2022, 100.0% of the Corporation's funded net debt 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:

	Three months ended June 30			Six months ended June 30		
	2022	2021	$ Change	**2022**	2021	$ Change
Net earnings	**$ 21.7**	$ 18.1	$ 3.6	**$ 37.8**	$ 30.6	$ 7.2
Items not affecting cash flow	**24.6**	23.2	1.5	**49.0**	46.6	2.5
Net change in non-cash operating working capital	**(5.5)**	6.7	(12.2)	**(14.2)**	60.0	(74.2)
Finance costs paid on debts	**(1.5)**	(2.1)	0.7	**(4.8)**	(5.9)	1.2
Finance costs paid on lease liabilities	**(1.9)**	(2.0)	0.1	**(3.9)**	(4.0)	0.1
Income taxes paid	**(0.3)**	(2.5)	2.2	**(4.5)**	(9.8)	5.3
Rental equipment additions	**(1.8)**	(6.8)	5.0	**(6.1)**	(7.5)	1.4
Rental equipment disposals	**0.7**	3.7	(3.0)	**1.2**	6.2	(5.0)
Cash received (paid) on settlement of total return swaps	**—**	—	—	**0.9**	(0.6)	1.5
Other	**(2.0)**	(1.6)	(0.4)	**(2.0)**	(1.7)	(0.3)
Cash generated from operating activities	**$ 34.0**	$ 36.6	$ (2.6)	**$ 53.4**	$ 113.9	$ (60.5)
Cash (used in) generated from investing activities	**$ (6.9)**	$ 8.0	$ (14.9)	**$ (11.4)**	$ (66.5)	$ 55.0
Cash used in financing activities	**$ (35.0)**	$ (66.6)	$ 31.5	**$ (48.5)**	$ (47.9)	$ (0.6)

Operating Activities
Cash flows generated from operating activities amounted to $34.0 million in the second quarter of 2022, compared to cash flows generated from operating activities of $36.6 million in the same quarter of the previous year. The decrease in cash generated from operating activities of $2.6 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $12.2 million and a decrease in rental equipment disposals of $3.0 million, offset partially by a decrease in rental equipment additions of $5.0 million, an increase in net earnings excluding items not affecting cash flow of $5.0 million, and a decrease in income taxes paid of $2.2 million.

Rental equipment additions in the second quarter of 2022 of $1.8 million (2021 – $6.8 million) related to material handling lift trucks.

For the six months ended June 30, 2022, cash flows generated from operating activities amounted to $53.4 million, compared to cash flows generated from operating activities of $113.9 million for the previous year. The decrease in cash generated from operating activities of $60.5 million was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $74.2 million, which was driven largely by the sale of older consignment inventory in the prior year for which the Corporation had previously paid deposits. This was offset partially by an increase in net earnings excluding items not affecting cash flow of $9.6 million and a decrease in income taxes paid of $5.3 million.

For the six months ended June 30, 2022, rental equipment additions of $6.1 million (2021 – $7.5 million) related to material handling lift trucks.

Changes in significant components of non-cash operating working capital include the following:

Changes in Non-cash Operating Working Capital[1]	**Three months ended June 30**			**Six months ended June 30**		
	2022	2021	$ Change	**2022**	2021	$ Change
Trade and other receivables	**$ 4.5**	$ (17.0)	$ 21.5	**$ (10.7)**	$ 21.5	$ (32.2)
Contract assets	**(6.3)**	(6.8)	0.5	**(11.9)**	(9.6)	(2.3)
Inventory	**(4.6)**	2.3	(6.9)	**(24.7)**	(1.2)	(23.5)
Deposits on inventory	**(2.7)**	11.7	(14.4)	**(1.4)**	30.2	(31.6)
Prepaid expenses	**(1.7)**	(1.9)	0.2	**(2.0)**	(1.7)	(0.3)
Accounts payable and accrued liabilities	**9.8**	16.0	(6.2)	**36.1**	18.6	17.5
Provisions	**(0.4)**	0.1	(0.5)	**(0.9)**	(1.3)	0.4
Contract liabilities	**(4.1)**	2.3	(6.4)	**1.3**	3.5	(2.2)
Total Changes in Non-cash Operating Working Capital	**$ (5.5)**	$ 6.7	$ (12.2)	**$ (14.2)**	$ 60.0	$ (74.2)

(1) Increase (decrease) in cash flow.

Significant components of the changes in non-cash operating working capital for the quarter ended June 30, 2022 compared to the quarter ended June 30, 2021 are as follows:

- Trade and other receivables decreased $4.5 million in the second quarter of 2022, compared to an increase of $17.0 million in the same period of 2021. The increase in the second quarter of 2021 resulted primarily from higher sales activity in the quarter compared to the previous quarter.
- Deposits on inventory increased $2.7 million in the second quarter of 2022, compared to a decrease of $11.7 million in the same period of 2021. The decrease in the second quarter of 2021 resulted from the sale of older consignment inventory for which the Corporation had previously paid deposits. The Corporation no longer has any consignment inventory on hand from the major supplier and joint venture partner to HCM discussed above.
- Accounts payable and accrued liabilities increased $9.8 million in the second quarter of 2022 compared to an increase of $16.0 million in the same period of 2021. The increase in the second quarter of 2022 resulted primarily from higher trade payables, offset partially by a lower bonus accrual driven by the payout of the 2021 bonus in the second quarter of 2022. The increase in the second quarter of 2021 resulted primarily from higher trade payables and accrued liabilities, offset partially by a lower bonus accrual driven by the payout of the 2020 bonus in the second quarter of 2021.

Significant components of the changes in non-cash operating working capital for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 are as follows:

- Trade and other receivables increased $10.7 million in 2022, compared to a decrease of $21.5 million in 2021. The increase in 2022 is due primarily to higher sales activity in the year. The decrease in 2021 resulted primarily from strong collections, the collection of a prior year receivable balance for a large mining shovel, and collections during the year on cyclical mining business.
- Inventory increased $24.7 million in 2022, compared to a decrease of $1.2 million in 2021. The increase in 2022 resulted primarily from increased inventory purchasing on account of improved sales activity.
- Deposits on inventory increased $1.4 million in 2022, compared to a decrease of $30.2 million in 2021. The decrease in 2021 resulted from the sale of older consignment inventory for which the Corporation had previously paid deposits. The Corporation no longer has any consignment inventory on hand from the major supplier and joint venture partner to HCM discussed above.

- Accounts payable and accrued liabilities increased $36.1 million in 2022, compared to an increase of $18.6 million in 2021 when excluding the accounts payable and accrued liabilities acquired from Tundra of $20.2 million. The increase in 2022 resulted primarily from higher trade payables on increased inventory purchasing activity, offset partially by lower accrued liabilities and a lower bonus accrual driven by the payout of the 2021 bonus in the second quarter of 2022. The increase in 2021 resulted primarily from higher trade payables on increased inventory purchasing, and higher payroll, bonuses and incentives accruals.

Investing Activities

The Corporation used $6.9 million of cash from investing activities in the second quarter of 2022 compared to cash generated from investing activities of $8.0 million in the same quarter of 2021. During the second quarter of 2022, Wajax invested $2.2 million in property, plant and equipment additions, compared to $1.3 million in the same period of 2021. The Corporation also invested $5.6 million in business acquisitions in the second quarter of 2022, compared to $0.1 million in the same period of 2021. In the second quarter of 2021, Wajax generated $9.0 million in proceeds on disposal of property, plant and equipment, compared to less than $0.1 million in the second quarter of 2022.

For the six months ended June 30, 2022, the Corporation used $11.4 million of cash in investing activities compared to cash used in investing activities of $66.5 million in the same period of 2021. For the six months ended June 30, 2022, Wajax invested $4.2 million in property, plant and equipment additions, compared to $2.3 million in the same period of 2021. For the six months ended June 30, 2022, Wajax invested $9.0 million in business acquisitions, net of cash acquired. In the same period of 2021, Wajax invested $73.5 million in the acquisition of Tundra, net of cash acquired. For the six months ended June 30, 2021, Wajax generated $9.2 million in proceeds on disposal of property, plant and equipment, compared to $0.1 million in the current year.

Financing Activities

The Corporation used $35.0 million of cash in financing activities in the second quarter of 2022 compared to cash used in financing activities of $66.6 million in the same quarter of 2021. Financing activities in the quarter included a net bank credit facility repayment of $21.0 million (2021 – net repayment of $53.7 million), the payment of lease liabilities of $7.9 million (2021 – $7.3 million) and dividends paid to shareholders of $5.4 million (2021 – $5.4 million).

For the six months ended June 30, 2022, the Corporation used $48.5 million of cash in financing activities compared to using $47.9 million in the same period of 2021. Financing activities for the six months ended June 30, 2022 included a net bank credit facility repayment of $21.0 million (2021 – net repayment of $22.8 million), the payment of lease liabilities of $15.5 million (2021 – $14.1 million) and dividends paid to shareholders of $10.7 million (2021 – $10.4 million).

Dividends

Dividends to shareholders were declared and payable to shareholders of record as follows:

Record Date	Payment Date	Per Share	Amount
March 15, 2022	April 5, 2022	$ 0.25	$ 5.4
June 15, 2022	July 5, 2022	$ 0.25	$ 5.4
Six months ended June 30, 2022		**$ 0.50**	**$ 10.7**

On August 4, 2022, the Corporation declared a dividend of $0.25 per share for the third quarter of 2022 payable on October 4, 2022 to shareholders of record on September 15, 2022.

Critical Accounting Estimates

The preparation of the unaudited condensed consolidated interim 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. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Corporation's financial results were a different estimate or assumption used.

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

On March 11, 2020, the World Health Organization declared the novel coronavirus a global pandemic. With the majority of governments and public health authorities worldwide enacting emergency measures to combat the spread of the novel coronavirus and its variants, and the effect of COVID-19 on global trade, any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgements, estimates and assumptions made by management during the preparation of the Corporation's unaudited condensed consolidated interim financial statements related to the potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

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 credit losses

The Corporation is exposed to credit risk with respect to its trade and other receivables, and COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for expected credit losses. However, this is partially mitigated by the Corporation's diversified customer base of over 32,000 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, original equipment manufacturers 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 an allowance for possible credit losses, and any such losses to date have been within management's expectations. The allowance for credit losses is determined by estimating the lifetime expected credit losses, taking into account the Corporation's past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. At the point when the Corporation is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off. The $1.2 million allowance for credit losses at June 30, 2022 increased $0.1 million from $1.1 million at December 31, 2021. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to prior periods 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 considering projected customer demand, future market conditions, and other considerations evaluated by management. 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 inventory 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 impact on earnings for the three months ended June 30, 2022 was a charge of $1.5 million (2021 – recovery of less than $0.1 million) and for the six months ended June 30, 2022 was a charge of $1.5 million (2021 – charge of $0.4 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.

Acquisition accounting, goodwill and intangible assets
For acquisition accounting purposes, all identifiable assets and liabilities acquired in a business acquisition are recognized at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair value of these assets and liabilities. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets like customer relationships and brands. The Corporation's significant assumptions used in determining the acquisition date fair value of intangible assets include projected revenues and cash flows attributable to acquired intangible assets, customer attrition rates, discount rates, royalty rates, and estimations of useful life.

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, EBITDA margin, tax rates, discount rates 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.

Unanticipated changes in management's assumptions or estimates could materially affect the determination of the fair value of the Corporation and therefore, could reduce or eliminate the excess of fair value over the carrying value of the Corporation and could potentially result in an impairment charge in the future.

The Corporation performs an annual impairment test based on value in use, of its goodwill and intangible assets with an indefinite life based on its single cash generating unit group 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 June 30, 2022.

Lease term of contracts with renewal options
The lease term is defined as the non-cancellable term of the lease, including any periods covered by a renewal option to extend the lease if it is reasonably certain that the renewal option will be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain that the termination option will not be exercised.

Judgement is used when evaluating whether the Corporation is reasonably certain that the lease renewal option will be exercised, including examining any factors that may provide an economic incentive for renewal. In the event of a significant event within the Corporation's control that could affect its ability to exercise the renewal option, the lease term will be reassessed.

Changes in Accounting Policies

During the year to date, the Corporation did not adopt any new accounting standards or amendments that had an impact on the Corporation's unaudited condensed consolidated interim financial statements.

Risk Management and Uncertainties

As with most businesses, the Corporation is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and the Corporation's ability to pay cash dividends to shareholders. The Corporation attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, the Corporation has adopted an annual enterprise risk management assessment which is prepared by 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 the Corporation. 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, 2021 which can be found on SEDAR at www.sedar.com.

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 June 30, 2022, 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 June 30, 2022, 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 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 created by the IT Governance Institute.

There was no change in Wajax's ICFR that occurred during the three months ended June 30, 2022 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;

(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 non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to net earnings and basic and diluted earnings per share allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities and the impact of fluctuations in interest rates and the Corporation's share price;

(v) "**Adjusted EBITDA**" provides an indication of the results by the Corporation's principal business activities prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments. These adjustments to EBITDA allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities and the impact of fluctuations in finance costs related to the Corporation's capital structure, tax rates, long-term assets and the Corporation's share price; and

(vi) "**Pro-forma adjusted EBITDA**" used in calculating the Leverage ratio and Senior secured leverage ratio provides an indication of the results by the Corporation's principal business activities adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period pursuant to the terms of the bank credit facility and the deduction of payments of lease liabilities, and prior to recognizing non-recurring costs (recoveries) and non-cash losses (gains) on mark to market of derivative instruments.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, debentures and total long-term debt, 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.
Total capital	Total capital is shareholders' equity plus funded net debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
EBITDA margin	Defined as EBITDA divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Adjusted net earnings (loss)	Net earnings (loss) before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.

Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.
Adjusted EBITDA	EBITDA before (gain) loss recorded on the sale of properties, non-cash losses (gains) on mark to market of derivative instruments and Tundra transaction costs.
Adjusted EBITDA margin	Defined as adjusted EBITDA divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Pro-forma adjusted EBITDA	Defined as adjusted EBITDA adjusted for the EBITDA of business acquisitions made during the period as if they were made at the beginning of the trailing 12-month period pursuant to the terms of the bank credit facility and the deduction of payments of lease liabilities.
Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Senior secured leverage ratio	The senior secured leverage ratio is defined as debt excluding debentures at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA.
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, including ERS projects. This differs from the remaining performance obligations as defined by IFRS 15 *Revenue from Contracts with Customers.*

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 in the condensed consolidated interim statements of earnings.
EBIT margin	Defined as EBIT divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Earnings (loss) before income taxes (EBT)	Earnings (loss) before income taxes, as presented in the condensed consolidated interim statements of earnings.
Working capital	Defined as current assets less current liabilities, as presented in the condensed consolidated interim statements of financial position.
Other working capital amounts	Defined as working capital less trade and other receivables and inventory plus accounts payable and accrued liabilities, as presented in 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 June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Net earnings	**$ 21.7**	$ 18.1	**$ 37.8**	$ 30.6
Gain recorded on the sale of properties, after-tax	**—**	(0.8)	**—**	(0.8)
Non-cash gains on mark to market of derivative instruments, after-tax	**(2.0)**	(0.8)	**(2.4)**	(1.1)
Tundra transaction costs, after-tax	**—**	—	**—**	0.3
Adjusted net earnings	**$ 19.7**	$ 16.6	**$ 35.4**	$ 29.0
Adjusted basic earnings per share(1)	**$ 0.92**	$ 0.77	**$ 1.65**	$ 1.36
Adjusted diluted earnings per share(1)	**$ 0.89**	$ 0.75	**$ 1.60**	$ 1.33

(1) For the three months ended June 30, 2022, the numbers of basic and diluted shares outstanding were 21,424,023 and 22,194,390, respectively (2021 - 21,409,323 and 22,042,810, respectively).
For the six months ended June 30, 2022, the numbers of basic and diluted shares outstanding were 21,419,752 and 22,166,365, respectively (2021 - 21,245,516 and 21,863,441, respectively).

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

	Three months ended		Six months ended		Twelve months ended		
	June 30 2022	June 30 2021	**June 30 2022**	June 30 2021	**June 30 2022**	March 31 2022	December 31 2021
Net earnings	**$ 21.7**	$ 18.1	**$ 37.8**	$ 30.6	**$ 60.4**	$ 56.9	$ 53.2
Income tax expense	**7.9**	6.8	**13.8**	11.6	**22.1**	21.1	19.9
EBT	**$ 29.6**	$ 25.0	**$ 51.6**	$ 42.2	**$ 82.6**	$ 77.9	$ 73.2
Finance costs	**4.4**	5.1	**8.9**	10.1	**17.9**	18.5	19.1
EBIT	**$ 34.1**	$ 30.1	**$ 60.5**	$ 52.3	**$ 100.5**	$ 96.5	$ 92.3
Depreciation and amortization	**13.9**	13.5	**27.3**	26.3	**56.4**	56.0	55.4
EBITDA	**$ 48.0**	$ 43.6	**$ 87.7**	$ 78.6	**$ 156.8**	$ 152.4	$ 147.7
Gain recorded on the sale of properties	**—**	(0.9)	**—**	(0.9)	**(1.5)**	(2.5)	(2.5)
Non-cash gains on mark to market of derivative instruments(1)	**(2.8)**	(1.1)	**(3.3)**	(1.6)	**(1.7)**	—	—
Tundra transaction costs(2)	**—**	—	**—**	0.4	**—**	—	0.4
Adjusted EBITDA	**$ 45.2**	$ 41.5	**$ 84.5**	$ 76.5	**$ 153.6**	$ 149.9	$ 145.6
Payment of lease liabilities(3)	**(7.9)**	(7.3)	**(15.5)**	(14.1)	**(30.3)**	(29.8)	(28.9)
Pro-forma adjusted EBITDA	**$ 37.3**	$ 34.2	**$ 69.0**	$ 62.4	**$ 123.3**	$ 120.1	$ 116.7

(1) Non-cash gains on mark to market of non-hedged derivative instruments.
(2) In 2021, the Corporation incurred transaction costs relating to the Tundra acquisition. These costs were primarily for advisory services.
(3) Effective with the reporting period beginning on January 1, 2019 and the adoption of IFRS 16, the Corporation amended the definition of Funded net debt to exclude lease liabilities not considered part of debt. As a result, the corresponding lease costs must also be deducted from EBITDA for the purpose of calculating the leverage ratio.

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

	June 30 2022	March 31 2022	December 31 2021
Cash	**$ (3.5)**	$ (11.4)	$ (10.0)
Debentures	**55.5**	55.4	55.2
Long-term debt	**77.7**	98.4	98.2
Funded net debt	**$ 129.7**	$ 142.3	$ 143.5
Letters of credit	**6.3**	6.3	7.3
Debt	**$ 135.9**	$ 148.6	$ 150.7
Pro-forma adjusted EBITDA(1)	**$ 123.3**	$ 120.1	$ 116.7
Leverage ratio(2)	**1.10**	1.24	1.29
Senior secured leverage ratio(3)	**0.65**	0.78	0.82

(1) For the twelve months ended June 30, 2022, March 31, 2022, and December 31, 2021.

(2) Calculation uses debt divided by the trailing four-quarter Pro-forma 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, and is different from the leverage ratio calculated under the Corporation's bank credit facility agreement.

(3) Calculation uses debt excluding debentures divided by the trailing four-quarter Pro-forma adjusted EBITDA. While 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. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook within the meaning of applicable securities law, such information is being provided to demonstrate the potential of the Corporation and readers are cautioned that this information may not be appropriate for any other purpose. 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, the main elements of our One Wajax strategy, including our focus on executing clear plans in five key areas: (1) investments in our team and putting people first, (2) investments in our customers and creating a differentiated customer experience, (3) executing a clear organic growth strategy, (4) our accretive acquisition strategy, and (5) investments in our infrastructure; our plans to meet our long-term sustainability goals by continuing to focus on and develop our environmental, social and governance programs, particularly in the following areas: products and services, the environment, people, governance and community; our view that, as we move into the second half of 2022, we are continuing to see sound fundamentals in many of our key markets, bolstered by strong commodity prices and capital spending, and that this positive view of the market is counterbalanced primarily by rising interest rates and supply chain issues; our expectation that rising interest rates and supply chain issues will be a factor throughout the year ahead, particularly in our heavy equipment business, and our plans to continue to manage these challenges through frequent dialogue with key suppliers and customers, pre-ordering new equipment, and utilizing repairs and rebuilds to extend the service life of equipment; our belief that, despite rising interest rates and supply chain issues, our improved balance sheet and strong quarter-end backlog continues to show momentum in our business; our plans to maintain such momentum and increase shareholder value by focusing on the following priorities: investing in our people and their safety, delivering exceptional customer experiences, organically growing our business, building our acquisition pipeline, supporting our closer relationship with Hitachi, prudently managing our balance sheet, deploying our ERP and remote diagnostic systems, and building sustainability into our business; our belief that our strong balance sheet, ability to generate cash flow and abundant growth opportunities will allow our business to grow meaningfully over the long-term; our objective of managing our working capital and normal course capital investment programs within a leverage range of 1.5 – 2.0 times, and to fund such programs through operating cash flow and our bank credit facilities as required; the potential that we may be willing to maintain a leverage ratio outside our target range due to changes in economic cycles and investments in acquisitions, and that we may fund acquisitions using bank credit facilities and other debt instruments in accordance with our expectations of total future cash flows financing costs and other factors; our expectation that the impact of changes in interest rates (in particular, related to unhedged variable rate debt), would not have a material impact on our results of operations or financial condition over the longer term; our belief in the adequacy of our debt capacity and sufficiency of our debt facilities, and our intention to access debt or equity markets or reduce dividends should additional credit capacity be required; the potential that we may access equity or debt markets to fund significant acquisitions; and our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, our ability to successfully manage our business through the COVID-19 pandemic and actions taken by governments, public authorities, suppliers and customers in response to the novel coronavirus and its variants; the ability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to the expanded direct distribution relationship which took effect on March 1, 2022; 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 One Wajax strategy, including our ability to execute on our organic growth priorities, complete and effectively integrate acquisitions, and successfully implement new information technology platforms, systems and software, such as our ERP system; 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, the geographic spread and ultimate impact of the COVID-19 virus and its variants, and the duration of the coronavirus pandemic; the duration and severity of travel, business and other restrictions imposed by governments and public authorities in response to COVID-19, as well as other measures that may be taken by such authorities; actions taken by our suppliers and customers in relation to the COVID-19 pandemic, including slowing, reducing or halting operations; supply chain disruptions and shortages related to or arising from the impacts of COVID-19; the inability of Hitachi and Wajax to develop and execute successful sales, marketing and other plans related to their expanded direct distribution relationship; a continued or prolonged deterioration in general business and economic conditions (including as a result of the COVID-19 pandemic or armed conflicts between nations); 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 (including disruptions caused by the COVID-19 pandemic), 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, 2021 (the "**AIF**"), and in our annual MD&A for financial risks, each of which have been 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.

Readers are cautioned that the risks described in the AIF, and in our annual MD&A, are not the only risks that could impact the Corporation. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our products and services due to the uncertainties related to the spread of the virus and its variants. Risks and uncertainties not currently known to the Corporation, or currently deemed to be immaterial, may have a material effect on the Corporation's business, financial condition or results of operations.

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