WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note	**September 30, 2024**	December 31, 2023
ASSETS			
CURRENT			
Trade and other receivables	5	**$ 265,569**	$ 309,079
Contract assets	6	**53,141**	69,520
Inventory	7	**724,081**	630,931
Deposits on inventory		**16,978**	8,643
Lease receivables - current		**7,999**	5,896
Income taxes receivable		**4,886**	—
Prepaid expenses		**18,313**	13,912
Derivative financial assets - current	14	**2,392**	5,632
Total current assets		**1,093,359**	1,043,613
NON-CURRENT			
Rental equipment	8	**50,525**	42,490
Property, plant and equipment	8	**46,364**	44,829
Right-of-use assets	9	**164,931**	135,832
Lease receivables		**14,854**	10,601
Goodwill and intangible assets		**185,256**	190,276
Derivative financial assets	14	**1,354**	5,676
Total non-current assets		**463,284**	429,704
Total assets		**$ 1,556,643**	$ 1,473,317
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank indebtedness		**$ 9,777**	$ 1,397
Accounts payable and accrued liabilities	10	**376,101**	407,090
Provisions - current		**2,780**	2,727
Contract liabilities	6	**27,312**	21,891
Dividends payable	15	**7,606**	7,151
Income taxes payable		**—**	4,631
Lease liabilities - current	11	**39,322**	34,407
Debentures - current	12	**56,810**	—
Derivative financial liabilities - current	14	**1,662**	4,081
Total current liabilities		**521,370**	483,375
NON-CURRENT			
Provisions		**76**	76
Deferred tax liabilities		**8,444**	10,328
Employee benefits		**6,947**	7,024
Derivative financial liabilities	14	**1,848**	1,521
Lease liabilities	11	**172,178**	140,967
Debentures	12	**—**	56,340
Long-term debt	13	**323,496**	267,755
Other liabilities		**6,376**	9,694
Total non-current liabilities		**519,365**	493,705
Total liabilities		**1,040,735**	977,080
SHAREHOLDERS' EQUITY			
Share capital	15	**210,547**	210,004
Contributed surplus		**7,653**	7,563
Retained earnings		**296,566**	278,100
Accumulated other comprehensive income		**1,142**	570
Total shareholders' equity		**515,908**	496,237
Total liabilities and shareholders' equity		**$ 1,556,643**	$ 1,473,317

Subsequent events (Note 22)

See accompanying notes to unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited, in thousands of Canadian dollars, except per share data)	Note		Three months ended September 30 2024		2023		Nine months ended September 30 2024		2023
Revenue	17	**$**	**481,020**	$	509,744	**$**	**1,531,669**	$	1,612,032
Cost of sales			**388,735**		396,659		**1,214,471**		1,276,592
Gross profit			**92,285**		113,085		**317,198**		335,440
Selling and administrative expenses			**70,852**		75,861		**231,844**		226,776
Earnings before finance costs and income taxes			**21,433**		37,224		**85,354**		108,664
Finance costs	18		**13,011**		5,507		**29,785**		13,845
Earnings before income taxes			**8,422**		31,717		**55,569**		94,819
Income tax expense	19		**2,023**		8,348		**13,810**		24,944
Net earnings		**$**	**6,399**	$	23,369	**$**	**41,759**	$	69,875
Basic earnings per share	15	**$**	**0.29**	$	1.09	**$**	**1.92**	$	3.25
Diluted earnings per share	15	**$**	**0.29**	$	1.05	**$**	**1.88**	$	3.15

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)		Three months ended September 30 2024		2023		Nine months ended September 30 2024		2023
Net earnings	**$**	**6,399**	$	23,369	**$**	**41,759**	$	69,875
Items that may be subsequently reclassified to earnings								
Unrealized (loss) gain on derivatives designated as cash flow hedges, net of tax recovery of $239 (2023 - expense of $352) and year to date, net of tax expense of $198 (2023 - recovery of $136)		**(670)**		987		**555**		(381)
Reclassification of realized (gain) loss on derivatives designated as cash flow hedges to net earnings during the period, net of tax expense of $119 (2023 - recovery of $100) and year to date, net of tax recovery of $6 (2023 - expense of $639)		**(334)**		281		**17**		(1,790)
Other comprehensive (loss) income, net of tax		**(1,004)**		1,268		**572**		(2,171)
Total comprehensive income	**$**	**5,395**	$	24,637	**$**	**42,331**	$	67,704

See accompanying notes to unaudited condensed consolidated interim financial statements.

W A J A X C O R P O R A T I O N
C O N D E N S E D C O N S O L I D A T E D I N T E R I M S T A T E M E N T O F C H A N G E S I N S H A R E H O L D E R S' E Q U I T Y

For the nine months ended September 30, 2024 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Total
December 31, 2023		$ 210,004	$ 7,563	$ 278,100	$ 570	$ 496,237
Net earnings		—	—	41,759	—	41,759
Other comprehensive income		—	—	—	572	572
Total comprehensive income		—	—	41,759	572	42,331
Shares issued to settle share-based compensation plans	15	283	(283)	—	—	—
Shares released from trust to settle share-based compensation plans	15, 16	545	(2,160)	(508)	—	(2,123)
Excess tax benefit on share-based compensation		—	—	712	—	712
Purchased for future settlement of certain share-based compensation plans	15	(285)	—	(695)	—	(980)
Share-based compensation expense	16	—	2,533	—	—	2,533
Dividends declared	15	—	—	(22,802)	—	(22,802)
September 30, 2024		**$ 210,547**	**$ 7,653**	**$ 296,566**	**$ 1,142**	**$ 515,908**

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

For the nine months ended September 30, 2023 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Total
December 31, 2022		$ 207,555	$ 8,963	$ 228,145	$ 5,107	$ 449,770
Net earnings		—	—	69,875	—	69,875
Other comprehensive loss		—	—	—	(2,171)	(2,171)
Total comprehensive income		—	—	69,875	(2,171)	67,704
Shares issued to settle share-based compensation plans	15	725	(725)	—	—	—
Shares released from trust to settle share-based compensation plans	15, 16	680	(1,635)	(1,074)	—	(2,029)
Purchased for future settlement of certain share-based compensation plans	15	(805)	—	(1,195)	—	(2,000)
Share-based compensation expense	16	—	2,031	—	—	2,031
Dividends declared	15	—	—	(21,294)	—	(21,294)
September 30, 2023		**$ 208,155**	**$ 8,634**	**$ 274,457**	**$ 2,936**	**$ 494,182**

See accompanying notes to unaudited condensed consolidated interim financial statements.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)	Note	Three months ended September 30 **2024**	Three months ended September 30 2023	Nine months ended September 30 **2024**	Nine months ended September 30 2023
OPERATING ACTIVITIES					
Net earnings		**$ 6,399**	$ 23,369	**$ 41,759**	$ 69,875
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment	8	**3,469**	3,577	**10,334**	10,833
Property, plant and equipment	8	**2,261**	2,058	**6,558**	6,042
Right-of-use assets	9	**8,330**	7,485	**24,195**	21,719
Intangible assets		**1,758**	1,481	**5,266**	4,445
Gain on disposal of property, plant & equipment		**(63)**	(28)	**(183)**	(320)
Gain on disposal of right-of-use assets		**(5)**	(135)	**(206)**	(153)
Share-based compensation expense	16	**1,498**	2,992	**5,791**	7,516
Non-cash income from finance leases		**(678)**	(58)	**(1,350)**	(492)
Employee benefits expense, net of employer contributions		**(24)**	(30)	**(77)**	(60)
Loss (gain) on foreign exchange forwards and total return swaps	14	**339**	(2,891)	**587**	(4,082)
Finance costs	18	**13,011**	5,507	**29,785**	13,845
Income tax expense	19	**2,023**	8,348	**13,810**	24,944
		38,318	51,675	**136,269**	154,112
Changes in non-cash operating working capital	20	**(45,489)**	(95,516)	**(66,999)**	(219,976)
Rental equipment additions	8	**(8,999)**	(1,832)	**(25,145)**	(13,064)
Other non-current liabilities		**(2,137)**	(28)	**(2,127)**	(28)
Cash received on settlement of total return swaps	14	**—**	—	**1,896**	1,396
Finance costs paid on debts		**(6,399)**	(5,545)	**(18,067)**	(11,531)
Finance costs paid on lease liabilities	11, 18	**(2,658)**	(2,232)	**(7,807)**	(6,450)
Interest collected on lease receivables	18	**269**	163	**724**	440
Income taxes paid		**(7,372)**	(8,643)	**(24,703)**	(42,376)
Cash used in operating activities		**(34,467)**	(61,958)	**(5,959)**	(137,477)
INVESTING ACTIVITIES					
Property, plant and equipment additions	8	**(2,276)**	(2,552)	**(6,745)**	(7,227)
Proceeds on disposal of property, plant and equipment		**110**	161	**304**	649
Intangible assets net additions		**—**	(17)	**(241)**	(277)
Collection of lease receivables		**2,060**	1,335	**5,553**	3,731
Business acquisitions, net of cash acquired	4	**—**	(20,997)	**912**	(20,997)
Payment of contingent consideration		**(3,039)**	—	**(3,039)**	—
Cash used in investing activities		**(3,145)**	(22,070)	**(3,256)**	(24,121)
FINANCING ACTIVITIES					
Net increase in bank debt	13	**42,850**	108,592	**55,718**	220,654
Purchase of shares held in trust		**—**	—	**(980)**	(2,000)
Transaction costs on debts	13	**(33)**	—	**(472)**	—
Payment of lease liabilities	11	**(10,189)**	(9,097)	**(28,961)**	(26,293)
Payment of tax withholding for share-based compensation		**—**	—	**(2,123)**	(2,029)
Dividends paid		**(7,594)**	(7,092)	**(22,347)**	(19,570)
Cash generated from financing activities		**25,034**	92,403	**835**	170,762
Change in cash		**(12,578)**	8,375	**(8,380)**	9,164
Cash (bank indebtedness) - beginning of period		**2,801**	(4,441)	**(1,397)**	(5,230)
(Bank indebtedness) cash - end of period		**$ (9,777)**	$ 3,934	**$ (9,777)**	$ 3,934

See accompanying notes to unaudited condensed consolidated interim financial statements.

September 30, 2024
(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 head office is 10 Diesel Drive, Toronto, 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 annual 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, 2023. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 4, 2024.

3. CHANGE 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.

4. BUSINESS ACQUISITIONS

Beta Fluid Power Ltd. and Beta Industrial Ltd. (“Beta”)

On September 1, 2023, the Corporation acquired all of the issued and outstanding shares of Sault Ste. Marie, Ontario-based Beta, a supplier of hydraulic and pneumatic equipment for use in the industrial, mining and construction sectors, and a provider of related maintenance, repair and replacement services. The shares of Beta were acquired for total cash consideration of $8,439, subject to the result of a three-year performance-based earnout. As at September 30, 2024, $5,539 was paid in cash, comprised of $5,289 paid in 2023 ($5,200 net of cash acquired of $89) and $250 paid in the year after finalizing post-closing adjustments. As at September 30, 2024, a holdback of $900 was subject to certain customary conditions and recorded as a payable to the seller, and $2,000 was the estimated fair value of a three-year performance-based earnout and recorded as a contingent consideration liability. Tangible net assets acquired and goodwill recognized upon acquisition were $2,055 and $6,384, respectively. As at September 30, 2024, the purchase price allocation was considered final.

Polyphase Engineered Controls (1977) Ltd. (“Polyphase”)

On July 4, 2023, the Corporation acquired all of the issued and outstanding shares of Calgary, Alberta-based Polyphase. Polyphase specializes in producing custom electrical and instrumentation equipment. The acquisition of Polyphase expands the Corporation's electrical solutions portfolio. The shares of Polyphase were acquired for total cash consideration of $23,240, subject to the result of a three-year performance-based earnout. As at September 30, 2024, $17,690 was paid in cash, comprised of $15,813 paid in 2023 ($15,800 net of cash acquired of $13), $1,162 received in 2024 after finalizing post-closing adjustments, and $3,039 paid in 2024 for the first year’s earnout payment. As at September 30, 2024, a holdback of $2,035 was subject to certain customary conditions and recorded as a payable to the seller, and $3,515 was the estimated fair value of the unpaid portion of the performance-based earnout and recorded as a contingent consideration liability. Tangible net assets acquired, intangible assets acquired, and goodwill recognized upon acquisition were $4,484, $12,524, and $6,232, respectively. As at September 30, 2024, the purchase price allocation was considered final.

5. TRADE AND OTHER RECEIVABLES

The Corporation’s trade and other receivables consist of trade accounts receivable from customers and other accounts receivable, generally from suppliers for warranty and rebates. Trade and other receivables are comprised of the following:

		September 30, 2024		December 31, 2023
Trade accounts receivable		**244,515**	$	278,394
Less: allowance for credit losses		**(2,454)**		(3,639)
Net trade accounts receivable		**242,061**	$	274,755
Other receivables		**23,508**		34,324
Total trade and other receivables	**$**	**265,569**	$	309,079

6. CONTRACT ASSETS AND LIABILITIES

The following table provides information about contract assets and contract liabilities from contracts with customers:

		September 30, 2024		December 31, 2023
Contract assets	**$**	**53,141**	$	69,520
Contract liabilities	**$**	**27,312**	$	21,891

The contract assets relate to the Corporation's rights to consideration for work completed but not billed at the reporting date, primarily on product support and engineered repair services ("**ERS**") revenue. The contract assets are transferred to receivables when billed upon completion of significant milestones. The contract liabilities relate to the advance billing or advance consideration received from customers, primarily on equipment sales, industrial parts sales, and ERS revenue, for which revenue is recognized when control transfers to the customer.

7. INVENTORY

The Corporation's inventory balance consists of the following:

	September 30, 2024	December 31, 2023
Equipment	**$ 416,202**	$ 329,010
Parts	**267,921**	272,073
Work-in-process	**39,958**	29,848
Total inventory	**$ 724,081**	$ 630,931

All amounts shown are net of obsolescence provisions of $29,463 (December 31, 2023 - $28,271).

As at September 30, 2024, the Corporation has included $48,933 (December 31, 2023 - $51,658) in equipment inventory related to short-term rental contracts, the majority of which is expected to convert to equipment sales within a six to twelve month period.

Substantially all of the Corporation's inventory is pledged as security for the bank credit facility (Note 13).

8. PROPERTY, PLANT AND EQUIPMENT & RENTAL EQUIPMENT

Activity within property, plant and equipment included:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 45,863**	$ 44,694	**$ 44,829**	$ 44,104
Additions	**2,276**	2,552	**6,745**	7,227
Disposals - Net book value	**(47)**	(133)	**(121)**	(329)
Transfer from leased to owned at end of lease	**530**	405	**1,440**	500
Transfer from rental equipment	**3**	—	**29**	—
Acquired through business acquisitions	**—**	560	**—**	560
Depreciation charge	**(2,261)**	(2,058)	**(6,558)**	(6,042)
Balance at end of period	**$ 46,364**	$ 46,020	**$ 46,364**	$ 46,020

Activity within rental equipment included:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 45,411**	$ 41,643	**$ 42,490**	$ 39,400
Additions	**8,999**	1,832	**25,145**	13,064
Transfer to inventory - net book value	**(413)**	(240)	**(6,747)**	(1,973)
Transfer to property, plant and equipment	**(3)**	—	**(29)**	—
Depreciation charge	**(3,469)**	(3,577)	**(10,334)**	(10,833)
Balance at end of period	**$ 50,525**	$ 39,658	**$ 50,525**	$ 39,658

9. RIGHT-OF-USE ASSETS

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 153,165**	$ 126,411	**$ 135,832**	$ 122,720
Additions	**24,192**	14,010	**66,807**	35,876
Disposals - Net book value	**(213)**	(70)	**(1,592)**	(104)
Transfer from leased to owned at end of lease	**(530)**	(405)	**(1,440)**	(500)
Disposal to lease receivables upon sublease	**(3,353)**	(1,533)	**(10,481)**	(5,345)
Depreciation charge	**(8,330)**	(7,485)	**(24,195)**	(21,719)
Balance at end of period	**$ 164,931**	$ 130,928	**$ 164,931**	$ 130,928

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	September 30, 2024	December 31, 2023
Trade payables	**$ 287,484**	$ 270,849
Deferred rental income	**798**	918
Contingent consideration liability - current	**2,095**	2,997
Payroll, bonuses and incentives	**27,144**	52,657
Accrued liabilities	**58,580**	79,669
Accounts payable and accrued liabilities	**$ 376,101**	$ 407,090

The Corporation has supplier finance arrangements with three third-party financing companies, one of which became effective in the third quarter of 2024. Under these arrangements, the Corporation can purchase equipment from suppliers with interest-free payment terms ranging anywhere from approximately 45 days to 11 months, depending on the type of equipment and the financing company. After the interest-free period, the financing becomes interest bearing if the Corporation does not repay the principal borrowed. If the Corporation sells the equipment before payment is due, payment must then be remitted to the financing company. As at September 30, 2024, supplier finance liabilities were $131,930 (December 31, 2023 - $24,877) and are included in Trade payables above. Under the terms of the Corporation’s bank credit facility, the Corporation is permitted to have additional interest bearing equipment inventory financing of up to $25,000. The interest bearing portion of the supplier finance liabilities was $6,757 as at September 30, 2024 (December 31, 2023 - nil).

11. LEASE LIABILITIES AND LEASE RECEIVABLES

As lessee

The Corporation leases properties for its branch network, certain vehicles, machinery and IT equipment.

The change in lease liabilities is as follows:

	Note		Three months ended September 30				Nine months ended September 30		
			2024		2023		**2024**		2023
Balance at beginning of period		**$**	**197,674**	$	162,886	**$**	**175,374**	$	158,446
Changes from operating cash flows									
Finance costs paid on lease liabilities			**(2,658)**		(2,232)		**(7,807)**		(6,450)
Changes from financing cash flows									
Payment of lease liabilities			**(10,189)**		(9,097)		**(28,961)**		(26,293)
Other changes									
Interest expense	18		**2,658**		2,232		**7,807**		6,450
New leases, net of disposals			**24,015**		13,988		**65,087**		35,624
Balance at end of period		**$**	**211,500**	$	167,777	**$**	**211,500**	$	167,777
Current portion		**$**	**39,322**	$	32,590	**$**	**39,322**	$	32,590
Non-current portion		**$**	**172,178**	$	135,187	**$**	**172,178**	$	135,187

Not included in the balance of lease liabilities are short-term leases, leases of low-value assets and variable lease payments not linked to an index. Variable lease payments, lease payments associated with short-term leases and leases of low-value assets are expensed as incurred in the condensed consolidated interim statements of earnings.

As lessor

Operating leases
The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been assessed and classified as operating leases. Revenue is presented as equipment rental revenue and recognized evenly over the term of the rental agreement.

Finance leases
The Corporation subleases certain equipment to customers. The Corporation assesses and classifies its subleases as finances leases, and therefore derecognizes the right-of-use assets relating to the respective head leases, recognizes lease receivables equal to the net investment in the subleases, and retains the previously recognized lease liabilities in its capacity as lessee.

12. DEBENTURES

Senior Unsecured Debentures - 6%, due January 15, 2025
In December 2019, the Corporation issued $57,000 in unsecured subordinated debentures with a term of five years due January 15, 2025. These debentures bear a fixed interest rate of 6.00% per annum, payable semi-annually on January 15 and July 15 of each year.

Prior to the maturity date of January 15, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest. As at September 30, 2024, the Corporation has not redeemed any of the debentures.

On redemption or at maturity on January 15, 2025, the Corporation has the option to repay the debentures in either cash or freely tradable voting shares of the Corporation.

The debentures are classified as a financial liability and are initially recorded at fair value net of transaction costs. The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debentures.

The following balances were outstanding:

		September 30, 2024		December 31, 2023
Debentures issued	**$**	**57,000**	$	57,000
Deferred financing costs, net of accumulated amortization		**(190)**		(660)
Total debentures	**$**	**56,810**	$	56,340
Current portion	**$**	**56,810**	$	—
Non-current portion	**$**	**—**	$	56,340

Movements in the debentures balance are as follows:

	Three months ended September 30				Nine months ended September 30			
		2024		2023		**2024**		2023
Balance at beginning of period	**$**	**56,650**	$	56,043	**$**	**56,340**	$	55,762
Amortization of deferred financing costs		**160**		148		**470**		429
Balance at end of period	**$**	**56,810**	$	56,191	**$**	**56,810**	$	56,191

Finance costs on the debentures were $1,029 during the quarter (2023 - $1,023) and $3,025 year to date (2023 - $2,987).

13. LONG-TERM DEBT

On January 11, 2024, the Corporation amended its senior secured credit facility. The amendment increased the facility limit from $400,000 to $500,000. There was no change to the maturity date of the facility. As part of the bank credit facility amendment effective January 11, 2024, the Canadian dollar bankers' acceptances were replaced with the term Canadian Overnight Repo Rate Average loan (or "CORRA"). The $472 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

As at September 30, 2024, Wajax had a $500,000 credit limit on its bank credit facility, composed of a $50,000 non-revolving term facility and a $450,000 revolving term facility, maturing on October 1, 2027.

As at September 30, 2024, borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar term CORRA loan yields, U.S. dollar SOFR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.8% and 3.3% for Canadian dollar term CORRA loans and U.S. dollar SOFR borrowings, and between 0.8% and 2.3% for prime rate borrowings.

Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventory on hand and the outstanding trade accounts receivable. As at September 30, 2024, borrowing capacity under the bank credit facility was $495,462 (December 31, 2023 - $400,000), of which $167,114 (December 31, 2023 - $126,602) was accessible to the Corporation. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and an interest coverage maintenance ratio, all of which were met as at September 30, 2024.

The following balances were outstanding:

	September 30, 2024	December 31, 2023
Bank credit facility		
Non-revolving term portion	$ **50,000**	$ 50,000
Revolving term portion	**274,279**	218,561
	$ **324,279**	$ 268,561
Deferred financing costs, net of accumulated amortization	**(783)**	(806)
Total long-term debt	$ **323,496**	$ 267,755

The Corporation had $4,069 (December 31, 2023 - $4,837) letters of credit outstanding at the end of the period. Finance costs on long-term debt amounted to $5,422 during the quarter (2023 - $4,208) and $15,914 year to date (2023 - $9,090).

Movements in the long-term debt balance are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Balance at beginning of period	$ **280,511**	$ 195,935	$ **267,755**	$ 83,602
Changes from financing cash flows				
Net proceeds of borrowings	**42,850**	108,592	**55,718**	220,654
Transaction costs related to borrowings	**(33)**	—	**(472)**	—
Other changes				
Amortization of deferred financing costs	**168**	137	**495**	408
Balance at end of period	$ **323,496**	$ 304,664	$ **323,496**	$ 304,664

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments:

- **Level 1** - unadjusted quoted prices in active markets for identical assets or liabilities.
- **Level 2** - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- **Level 3** - techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Corporation categorizes its financial instruments as follows:

		September 30, 2024		December 31, 2023
Financial assets measured at amortized cost:				
Trade and other receivables	**$**	**265,569**	$	309,079
Contract assets		**53,141**		69,520
Lease receivables		**22,853**		16,497
Financial liabilities measured at amortized cost:				
Bank indebtedness		**9,777**		1,397
Accounts payable and accrued liabilities (excluding contingent consideration)		**374,006**		404,093
Provisions		**2,856**		2,803
Dividends payable		**7,606**		7,151
Other liabilities (excluding contingent consideration)		**2,081**		3,262
Debentures		**56,810**		56,340
Long-term debt		**323,496**		267,755
Financial assets measured at fair value:				
Derivative financial assets		**3,746**		11,308
Financial liabilities measured at fair value:				
Accounts payable and accrued liabilities - contingent consideration		**2,095**		2,997
Other liabilities - contingent consideration		**4,295**		6,432
Derivative financial liabilities		**3,510**		5,602

The Corporation measures financial assets and financial liabilities at amortized cost, except for derivative financial assets/liabilities and contingent consideration from acquisitions, which are measured at fair value. Changes in fair value are recognized in the condensed consolidated interim statements of earnings except for changes in fair value related to derivative financial assets/liabilities which are effectively designated as hedging instruments which are recognized in other comprehensive income. The Corporation's derivative financial assets/liabilities are held with major Canadian chartered banks and are deemed to be Level 2 financial instruments. The Corporation's contingent consideration liabilities are Level 3 financial instruments, and are valued using either a discounted cash flow model or a Monte Carlo simulation model. The Monte Carlo simulation uses various assumptions including EBITDA forecast, discount rate, and volatility factor. The fair value of long-term debt approximates its recorded value due to its floating interest rate. The fair value of lease receivables approximates its carrying value. The fair value of the debentures can be estimated based on the trading price of the debentures, which takes into account the Corporation's own credit risk. At September 30, 2024, the Corporation has estimated the fair value of its debentures to be $57,029 (December 31, 2023 - $56,516). The fair values of all other financial assets and liabilities approximate their recorded values due to the short-term maturities of these instruments.

Derivative financial instruments and hedges
The Corporation enters into interest rate swaps to hedge the risk associated with interest rate fluctuations on its variable rate debt. Interest rate swaps are initially recognized on the date the derivative contracts are entered into, and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized within net earnings. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss.

During the second quarter of 2023, the Corporation discontinued its application of hedge accounting relating to its interest rate swaps. The derivatives continue to be carried at fair value in the condensed consolidated interim statements of financial position with changes in fair value recognized in finance costs in the condensed consolidated interim statements of earnings. Amounts previously accumulated in accumulated other comprehensive income prior to discontinuance will be amortized to finance costs over the remaining term of the underlying forecasted interest payments.

The Corporation recognized a loss of $4,171 during the quarter (2023 - gain of $1,793) and a loss of $3,763 year to date (2023 - gain of $4,242) in the condensed consolidated interim statements of earnings associated with its interest rate swaps and a loss of $177 during the quarter (2023 - loss of $176) and a loss of $531 year to date (2023 - loss of $500), net of tax in other comprehensive income.

The Corporation's interest rate swaps outstanding are summarized as follows:

		Notional Amount	Weighted Average Interest Rate	Maturity
As at September 30, 2024:	$	150,000	2.57 %	October 2027
As at December 31, 2023:	$	150,000	2.32 %	October 2026 to October 2027

The Corporation enters into short-term foreign exchange forwards to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. Foreign exchange forwards are initially recognized on the date the derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized in the condensed consolidated interim statements of earnings within gross profit. Amounts in accumulated other comprehensive income are reclassified to net earnings in the periods when the hedged item affects profit or loss. The Corporation recognized a loss of $319 in the quarter (2023 - gain of $1,620) and a gain of $1,023 during the year to date (2023 - gain of $751) associated with its foreign exchange forwards in the condensed consolidated interim statements of earnings, and a loss of $827 in the quarter (2023 - gain of $1,675) and a gain of $1,103 during the year to date (2023 - loss of $882), net of tax in other comprehensive income.

The Corporation's contracts to buy and sell foreign currencies are summarized as follows:

September 30, 2024		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US$	193,401	1.3567	October 2024 to May 2026
	€	883	1.5055	October 2024 to February 2025
	AUD	10,114	0.9085	October 2024 to December 2025
Sales contracts	US$	101,176	1.3503	October 2024 to May 2026
	€	1,524	1.4777	November 2024 to September 2025

December 31, 2023		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	US$	195,235	1.3499	January 2024 to November 2025
	€	7,257	1.4642	January 2024 to October 2024
Sales contracts	US$	77,866	1.3451	January 2024 to December 2025
	€	1,648	1.4777	January 2024 to September 2024

The Corporation has certain total return swaps to hedge the exposure associated with increases in its share price on its outstanding restricted share units ("RSUs"). The Corporation does not apply hedge accounting to these relationships and as such, any gain or loss arising from marking these derivatives to market are recognized in the condensed consolidated interim statements of earnings within selling and administrative expenses in the period in which they arise. As at September 30, 2024, the Corporation's total return swaps cover 366,000 of the Corporation's underlying common shares (December 31, 2023 - 399,000), and expire between March 2025 and March 2027. During the year to date, the Corporation settled a total return swap contract for 147,000 shares (2023 - 143,000 shares), resulting in a cash receipt of $1,896 (2023 - cash receipt of $1,396). The Corporation recognized a loss of $20 during the quarter (2023 - gain of $1,271) and a loss of $1,610 during the year to date (2023 - gain of $3,331) associated with its total return swaps in the condensed consolidated interim statements of earnings.

Derivative financial assets consist of:

	September 30, 2024	December 31, 2023
Interest rate swaps	**$ 1,847**	$ 6,203
Foreign exchange forwards	**1,518**	2,262
Total return swaps	**381**	2,843
Total derivative financial assets	**$ 3,746**	$ 11,308
Current portion	**$ 2,392**	$ 5,632
Non-current portion	**$ 1,354**	$ 5,676

Derivative financial liabilities consist of:

	September 30, 2024	December 31, 2023
Interest rate swaps	**$ 128**	$ —
Foreign exchange forwards	**2,335**	5,602
Total return swaps	**1,047**	—
Total derivative financial liabilities	**$ 3,510**	$ 5,602
Current portion	**$ 1,662**	$ 4,081
Non-current portion	**$ 1,848**	$ 1,521

Movements in the net derivative financial assets (liabilities) balance are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Opening net derivative financial asset	**$ 6,108**	$ 9,211	**$ 5,706**	$ 10,876
(Loss) gain recognized in net earnings	**(4,510)**	4,684	**(4,350)**	8,324
(Loss) gain recognized in other comprehensive income	**(1,362)**	2,034	**776**	(1,875)
Cash received on settlement of total return swaps	**—**	—	**(1,896)**	(1,396)
Ending net derivative financial asset	**$ 236**	$ 15,929	**$ 236**	$ 15,929

The balance in accumulated other comprehensive income is comprised of the fair value of the Corporation's various foreign exchange forwards where hedge accounting is applied, and the remaining unamortized fair value of the Corporation's interest rate swaps where hedge accounting was applied, prior to discontinuance of hedge accounting. These accumulated amounts will be continuously released to the condensed consolidated interim statements of earnings within gross profit and finance costs, respectively.

During the periods presented and cumulatively to date, changes in counterparty credit risk have not significantly contributed to the overall changes in the fair value of these derivative instruments.

15. SHARE CAPITAL AND EARNINGS PER SHARE

The Corporation is authorized to issue an unlimited number of no par value common shares and an unlimited number of no par value preferred shares. Each common share entitles the holder of record to one vote at all meetings of shareholders. All issued common shares are fully paid. There were no preferred shares outstanding as at September 30, 2024 (December 31, 2023 - nil). Each common share represents an equal beneficial interest in any distributions of the Corporation and in the net assets of the Corporation in the event of its termination or winding-up.

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2023	21,810,411	$ 211,337
Common shares issued to settle share-based compensation plans	34,574	283
Issued and outstanding, September 30, 2024	21,844,985	$ 211,620
Shares held in trust, December 31, 2023	(140,865)	$ (1,333)
Released for settlement of certain share-based compensation plans	57,511	545
Purchased for future settlement of certain share-based compensation plans	(29,419)	(285)
Shares held in trust, September 30, 2024	(112,773)	$ (1,073)
Issued and outstanding, net of shares held in trust, September 30, 2024	**21,732,212**	**$ 210,547**

	Number of Common Shares		Amount
Issued and outstanding, December 31, 2022	21,602,836	$	208,763
Common shares issued to settle share-based compensation plans	28,011		725
Issued and outstanding, September 30, 2023	21,630,847	$	209,488
Shares held in trust, December 31, 2022	(131,734)	$	(1,208)
Released for settlement of certain share-based compensation plans	74,149		680
Purchased for future settlement of certain share-based compensation plans	(83,280)		(805)
Shares held in trust, September 30, 2023	(140,865)	$	(1,333)
Issued and outstanding, net of shares held in trust, September 30, 2023	**21,489,982**	**$**	**208,155**

Dividends declared

During the quarter, the Corporation declared cash dividends of $0.35 per share or $7,606 (2023 - dividends of $0.33 per share or $7,092). During the nine months ended September 30, 2024, the Corporation declared cash dividends of $1.05 per share or $22,802 (2023 - dividends of $0.99 per share or $21,294). As at September 30, 2024, the Corporation had $7,606 (December 31, 2023 - $7,151) dividends outstanding which were paid on October 2, 2024.

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	
	2024	2023	**2024**	2023
Numerator for basic and diluted earnings per share:				
– net earnings	**$ 6,399**	$ 23,369	**$ 41,759**	$ 69,875
Denominator for basic earnings per share:				
– weighted average shares, net of shares held in trust	**21,723,944**	21,489,982	**21,701,141**	21,488,776
Denominator for diluted earnings per share:				
– weighted average shares, net of shares held in trust	**21,723,944**	21,489,982	**21,701,141**	21,488,776
– effect of dilutive share rights	**532,664**	753,379	**547,400**	709,260
Denominator for diluted earnings per share	**22,256,608**	22,243,361	**22,248,541**	22,198,036
Basic earnings per share	**$ 0.29**	$ 1.09	**$ 1.92**	$ 3.25
Diluted earnings per share	**$ 0.29**	$ 1.05	**$ 1.88**	$ 3.15

For the quarter, the calculation above excludes 42,485 anti-dilutive share rights (2023 – nil). For the year to date, the calculation above excludes 42,237 anti-dilutive share rights (2023 – nil).

16. SHARE-BASED COMPENSATION PLANS

The Corporation has 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") and the Deferred Share Unit Plan (the "DSUP"). The following table provides the share-based compensation expense for awards under all plans:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Treasury share rights plans				
SOP equity-settled	**$ 21**	$ 21	**$ 63**	$ 69
DDSUP equity-settled	**242**	291	**784**	746
Total treasury share rights plans expense	**$ 263**	$ 312	**$ 847**	$ 815
Market-purchased share rights plans				
MTIP equity-settled	**$ 466**	$ 437	**$ 1,621**	$ 1,219
DSUP equity-settled	**26**	7	**65**	(3)
Total market-purchased share rights plans expense	**$ 492**	$ 444	**$ 1,686**	$ 1,216
Cash-settled rights plans				
MTIP cash-settled	**$ 743**	$ 2,189	**$ 3,266**	$ 5,382
DSUP cash-settled	**—**	47	**(8)**	103
Total cash-settled rights plans expense	**$ 743**	$ 2,236	**$ 3,258**	$ 5,485
Total share-based compensation expense	**$ 1,498**	$ 2,992	**$ 5,791**	$ 7,516

a) Treasury share rights plans

Under the SOP and the DDSUP, rights are issued to the participants which are settled by issuing Wajax Corporation shares for no cash consideration. Rights under the SOP vest over three years, while rights under the DDSUP vest immediately. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its Board. Whenever dividends are paid on the Corporation's shares, additional rights (dividend equivalents) with a value equal to the dividends are credited to the participants' accounts.

The following rights under these plans are outstanding:

	Number of Rights	Fair Value at Time of Grant
Outstanding at December 31, 2023	399,288	$ 5,818
Grants – new grants	28,322	783
– dividend equivalents	14,352	—
Settlements	(34,574)	(283)
Outstanding at September 30, 2024	407,388	$ 6,318

At September 30, 2024, 394,227 share rights were vested (December 31, 2023 - 386,584 share rights were vested).

The outstanding aggregate number of shares issuable to satisfy entitlements under these plans is as follows:

	Number of Shares
Approved by shareholders	1,650,000
Exercised to date	(672,951)
Rights outstanding	(407,388)
Available for future grants at September 30, 2024	569,661

b) Market-purchased share rights plans

The MTIP plan consists of cash-settled restricted share units ("RSUs") and equity-settled performance share units ("PSUs"), and the equity-settled DSUP plan consists of deferred share units ("DSUs").

Market-purchased share rights plans consist of PSUs under the MTIP plan and DSUs, which vest over three years and are settled in common shares of the Corporation on a one-for-one basis. DSUs are only subject to time-vesting, whereas PSUs are also subject to performance vesting. PSUs are comprised of two types:

- **Total shareholder return ("TSR") PSUs:** TSR PSUs vest dependent upon the attainment of a TSR market condition. Such performance vesting criteria result in a performance vesting factor that ranges from 0% to 200% depending on the Corporation's TSR relative to a pre-selected group of peers.

- **Return on net assets ("RONA") PSUs or Return on invested capital ("ROIC") PSUs:** RONA PSUs are applicable for grants prior to 2022 and vest dependent upon the attainment of a target level of return on net assets. ROIC PSUs are applicable from 2022 onward and vest dependent upon the attainment of a target level of return on invested capital. Such performance vesting criteria results in a performance vesting factor that ranges from 0% to 150% depending on the level of RONA or ROIC attained. During the year, the last remaining RONA PSUs vested and were settled, leaving only ROIC PSUs outstanding as at September 30, 2024.

These plans are settled through shares purchased on the open market by the employee benefit plan trust, subject to the attainment of their vesting conditions. PSUs are settled at the end of the vesting period, and the number of shares remitted to the participant upon settlement is equal to the number of PSUs awarded multiplied by the performance vesting factor less shares withheld to satisfy the participant's withholding tax requirement. DSUs are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. Whenever dividends are paid on the Corporation's shares, additional rights with a value equal to the dividends are credited to the participants' accounts with the same vesting conditions as the original PSUs and DSUs.

The following rights under these plans are outstanding:

		Number of Rights	Fair Value at Time of Grant
Outstanding at December 31, 2023		256,622	$ 5,809
Grants	– new grants	86,745	2,637
	– dividend equivalents	12,533	—
Forfeitures		(2,720)	(66)
Settlements		(122,849)	(2,160)
Outstanding at September 30, 2024		230,331	$ 6,220

At September 30, 2024, 20,621 outstanding rights were vested (December 31, 2023 - 33,796 rights were vested). All vested rights are DSUs.

c) Cash-settled rights plans

Cash-settled rights plans consist of MTIP RSUs and cash-settled DSUs. Compensation expense varies with the price of the Corporation's shares and is recognized over the three year vesting period. RSUs are settled at the end of the vesting period, whereas DSUs are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. Whenever dividends are paid on the Corporation’s shares, additional rights with a value equal to the dividends are credited to the participants’ accounts with the same vesting conditions as the original rights. The value of the payout is equal to the number of rights awarded including earned dividend equivalents, multiplied by the volume weighted average share price at the time of vesting. At September 30, 2024, the carrying amount of the liabilities for these plans was $4,957 (December 31, 2023 – $8,077).

The following rights under these plans are outstanding:

	Number of Rights
Outstanding at December 31, 2023	479,146
Grants – new grants	109,529
– dividend equivalents	15,206
Forfeitures	(8,703)
Settlements	(194,923)
Outstanding at September 30, 2024	400,255

At September 30, 2024, 4,392 outstanding rights were vested (December 31, 2023 - 11,816 rights were vested).

17. REVENUE

Disaggregation of revenue

In the following table, revenue is disaggregated by revenue type:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Equipment sales	**$ 131,666**	$ 125,993	**$ 410,165**	$ 448,616
Product support	**123,101**	135,058	**402,284**	410,434
Industrial parts	**136,362**	160,927	**438,402**	469,099
Engineered repair services (ERS)	**78,120**	76,674	**247,382**	250,637
Revenue from contracts with customers	**$ 469,249**	$ 498,652	**$ 1,498,233**	$ 1,578,786
Equipment rental	**11,771**	11,092	**33,436**	33,246
Total	**$ 481,020**	$ 509,744	**$ 1,531,669**	$ 1,612,032

The Corporation has included $4,886 during the quarter (2023 - $5,342) and $15,743 year to date (2023 - $11,834) in equipment sales related to short-term rental contracts that are expected to convert to equipment sales within a six to twelve month period.

18. FINANCE COSTS

Finance costs are comprised of the following:

	Note		Three months ended September 30			Nine months ended September 30		
			2024		2023		**2024**		2023
Finance costs on long-term debt	13	**$**	**5,422**	$	4,208	**$**	**15,914**	$	9,090
Unrealized loss (gain) on interest rate swaps	14		**4,171**		(1,793)		**3,763**		(4,242)
Finance costs on debentures	12		**1,029**		1,023		**3,025**		2,987
Interest expense on lease liabilities	11		**2,658**		2,232		**7,807**		6,450
Interest income on lease receivables			**(269)**		(163)		**(724)**		(440)
Finance costs		**$**	**13,011**	$	5,507	**$**	**29,785**	$	13,845

19. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax as follows:

For the nine months ended September 30		2024		2023
Current income tax expense	**$**	**15,186**	$	23,692
Deferred income tax (recovery) expense		**(1,376)**		1,252
Income tax expense	**$**	**13,810**	$	24,944

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.0% (2023 – 26.0%). 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 26.0% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of income taxes at Canadian statutory rates to the reported income tax expense is as follows:

For the nine months ended September 30		2024		2023
Combined statutory income tax rate		**26.0%**		26.0%
Expected income tax expense at statutory rates	**$**	**14,448**	$	24,653
Non-deductible expenses		**625**		622
Changes in estimates related to prior years		**(920)**		—
Other		**(343)**		(331)
Income tax expense	**$**	**13,810**	$	24,944

20. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

The net change in non-cash operating working capital comprises the following:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Trade and other receivables	**$ 16,012**	$ 2,728	**$ 43,455**	$ (178)
Contract assets	**6,174**	4,578	**16,379**	(10,798)
Inventory	**1,171**	(30,968)	**(86,403)**	(192,160)
Deposits on inventory	**3,453**	2,676	**(8,335)**	149
Prepaid expenses	**2,828**	(7,657)	**(4,401)**	(9,976)
Accounts payable and accrued liabilities	**(73,917)**	(69,386)	**(33,168)**	(9,629)
Provisions	**(210)**	38	**53**	24
Contract liabilities	**(1,000)**	2,475	**5,421**	2,592
Total	**$ (45,489)**	$ (95,516)	**$ (66,999)**	$ (219,976)

The change in inventory above excludes transfers of rental equipment to inventory of $413 during the quarter (2023 - $240) and $6,747 year to date (2023 - $1,973).

21. COMPARATIVE INFORMATION

A change in presentation during the year resulted in the reclassification of the unrealized gain or loss on interest rate swaps, from selling and administrative expenses to finance costs within the condensed consolidated interim statements of earnings. Accordingly, certain comparative information has been reclassified to conform to the current year's presentation.

22. SUBSEQUENT EVENTS

On November 4, 2024, the Corporation declared a fourth quarter 2024 dividend of $0.35 per share.