WAJAX CORPORATION

2024 Second Quarter Report to Shareholders

FOR THE THREE MONTHS ENDED
June 30, 2024

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WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES 2024 SECOND QUARTER RESULTS

Stronger Equipment Sales Contribute to Inventory Reduction as ERP System Implementation Reaches Major Milestone

Toronto, Ontario – August 8, 2024 – Wajax Corporation ("**Wajax**" or the "**Corporation**") today announced its 2024 second quarter results. All monetary amounts are in Canadian dollars unless otherwise noted.

Selected Highlights for the Second Quarter

- Second quarter revenue of $568.3 million and adjusted basic earnings per share of $1.06, down from $586.2 million and $1.26, respectively, in the same quarter of the prior year;
- Second quarter gross profit margin of 20.9%, up from 19.9% in 2023, due to higher margins on engineered repair services ("**ERS**") sales, and a higher proportion of, and higher margins on, product support sales;
- Cash flows generated from operating activities of $35.8 million in the second quarter of 2024 compared with cash flows used in operating activities of $6.0 million in the same quarter of the prior year;
- Second quarter adjusted EBITDA margin of 9.6%, compared to 9.8% in 2023; and
- The competitive new financing program introduced by Hitachi Construction Machinery Americas Inc. ("**HCMA**") effective March 1, 2024, as well as management's focus on reducing inventory levels, resulted in stronger equipment sales and lower inventory in the second quarter of 2024 as compared to the first quarter of 2024.[(1)]

"Compared to the first quarter of 2024, equipment sales improved by 84% and adjusted basic earnings per share improved by 78%, resulting in improved cash flow and a reduction in inventory and debt levels. Further inventory reductions are expected through the remainder of 2024," said Iggy Domagalski, President and Chief Executive Officer. "The decrease in equipment sales versus the prior year period was primarily the result of the delivery of a large mining shovel in the second quarter of 2023 which did not recur this year. Lower revenue against a strong comparable quarter in 2023 was partially offset by growth in higher margin product support revenue, as well as a solid improvement in gross margin."

He continued, "As an organization, we remain focused on driving further improvements to operating efficiency and, during the quarter, we rolled out the Corporation's new ERP system to a further 57 industrial parts and ERS branch locations, some of which are colocations. We now have a total of 99 branch locations operating on the new ERP system, representing approximately 90% of 2023 annual revenue."

(dollars in millions, except per share data)	Three Months Ended June 30			Six Months Ended June 30		
	2024	2023	**% change**	**2024**	2023	**% change**
CONSOLIDATED RESULTS						
Revenue	**$568.3**	$586.2	**(3.1)%**	**$1,050.6**	$1,102.3	**(4.7)%**
Equipment sales	**$180.4**	$190.4	**(5.2) %**	**$278.5**	$322.6	**(13.7) %**
Product support	**$144.8**	$140.6	**3.0 %**	**$279.2**	$275.4	**1.4 %**
Industrial parts	**$147.2**	$154.9	**(5.0) %**	**$302.0**	$308.2	**(2.0) %**
Engineered repair services (ERS)	**$85.0**	$89.0	**(4.4) %**	**$169.3**	$174.0	**(2.7) %**
Equipment rental	**$10.9**	$11.4	**(4.8) %**	**$21.7**	$22.2	**(2.2) %**
Net earnings	**$20.6**	$29.0	**(28.9)%**	**$35.4**	$46.5	**(24.0)%**
Basic earnings per share(2)	**$0.95**	$1.35	**(29.6)%**	**$1.63**	$2.16	**(24.7)%**
Adjusted net earnings(1)(3)	**$22.9**	$27.1	**(15.4)%**	**$35.8**	$44.9	**(20.4)%**
Adjusted basic earnings per share(1)(2)(3)	**$1.06**	$1.26	**(16.3)%**	**$1.65**	$2.09	**(21.1)%**
Adjusted EBIT(1)	**$39.3**	$42.7	**(8.0)%**	**$64.9**	$71.8	**(9.6)%**
Adjusted EBITDA(1)	**$54.7**	$57.2	**(4.3)%**	**$95.4**	$100.2	**(4.8)%**
Adjusted EBIT margin(1)	***6.9%***	*7.3%*	***(5.1)%***	***6.2%***	*6.5%*	***(5.1)%***
Adjusted EBITDA margin(1)	***9.6%***	*9.8%*	***(1.3)%***	***9.1%***	*9.1%*	***(0.1)%***

Outlook

Wajax continues to see solid fundamentals in certain of the markets it serves, particularly in mining and energy, but has observed reduced activity in industrial and forestry. Management is continuing to monitor end markets and customer purchasing patterns, while being prudent with costs, and maintaining focus on the execution of its six strategic priorities for 2024: continuing to build a “people first” company; growing Wajax’s existing business with a focus on parts, service and margin improvement; unlocking the potential of Wajax’s enhanced direct relationship with Hitachi; acquiring industrial parts and ERS businesses; improving cost structure and processes; and continuing Wajax’s ERP system rollout and additional technology improvements.

Management continues to evaluate options to repay or refinance the Corporation’s $57.0 million in senior unsecured debentures maturing January 15, 2025.

Dividend

The Corporation has declared a dividend of $0.35 per share for the third quarter of 2024, payable on October 2, 2024, to shareholders of record on September 16, 2024.

Second Quarter Highlights

- Revenue in the second quarter of 2024 decreased $17.9 million, or 3.1%, to $568.3 million, from $586.2 million in the second quarter of 2023. Regionally:
  - Revenue in western Canada of $240.4 million decreased 10.8% from the same period in the prior year due primarily to lower construction and forestry equipment sales, and lower mining equipment sales driven largely by the delivery of a large mining shovel in the second quarter of the prior year with no such delivery in the current year.
  - Revenue in central Canada of $96.6 million decreased 6.4% from the same period in the prior year due primarily to lower equipment sales in the construction and forestry category and lower industrial parts sales.
  - Revenue in eastern Canada of $231.3 million increased 8.3% from the same period in the prior year due primarily to higher equipment sales in the construction and forestry category, and higher overall sales in the power systems category, partially offset by lower industrial parts sales.

- Gross profit margin of 20.9% in the second quarter of 2024 increased 100 basis points ("**bps**") compared with gross profit margin of 19.9% in the same period of 2023. The increase was driven primarily by higher margins on ERS sales, and a higher proportion of, and higher margins on, product support sales.(1)

- Selling and administrative expenses as a percentage of revenue increased to 14.4% in the second quarter of 2024 from 12.8% in the same period of 2023. Selling and administrative expenses in the second quarter of 2024 increased $6.8 million compared with the second quarter of 2023. This increase was due primarily to higher personnel costs.(1)

- EBIT decreased $4.7 million, or 11.3%, to $37.2 million in the second quarter of 2024 versus $41.9 million in the same period of 2023. The year-over-year decrease in EBIT resulted primarily from lower sales volumes and higher personnel expenses, offset partially by an improved gross profit margin. Adjusted EBIT decreased $3.4 million, or 8.0%, to $39.3 million in the second quarter of 2024 from $42.7 million in the second quarter of 2023, and adjusted EBIT margin decreased to 6.9% in the second quarter of 2024 from 7.3% in the same quarter of 2023.(1)

- The Corporation generated net earnings of $20.6 million, or $0.95 per share, in the second quarter of 2024 versus $29.0 million, or $1.35 per share, in the same period of 2023. The Corporation generated adjusted net earnings of $22.9 million, or $1.06 per share, in the second quarter of 2024 versus $27.1 million, or $1.26 per share, in the same period of 2023. Adjusted net earnings in the second quarter of 2024 excludes non-cash losses on mark to market of derivative instruments of $2.3 million after tax, or $0.11 per share (2023 – gains of $1.9 million after tax, or $0.09 per share).(1)

- Adjusted EBITDA margin decreased to 9.6% in the second quarter of 2024 from 9.8% in the second quarter of 2023.(1)

- Cash flows generated from operating activities amounted to $35.8 million in the second quarter of 2024, compared with cash flows used in operating activities of $6.0 million in the same quarter of the previous year. The increase in cash generated of $41.8 million was mainly attributable to a decrease in inventory of $22.5 million during the quarter compared to an increase of $40.7 million in the same quarter of the prior year, and a decrease in trade and other receivables of $9.0 million during the quarter compared to an increase of $7.9 million in the same quarter of the prior year. These increases in cash generated are offset partially by a decrease in accounts payable and accrued liabilities of $14.1 million during the quarter compared to an increase of $13.0 million in the same period of 2023.

- The Corporation's backlog at June 30, 2024 of $544.9 million decreased $42.2 million, or 7.2%, compared to March 31, 2024 backlog of $587.1 million due primarily to lower construction and forestry, material handling and ERS orders. The Corporation's backlog at June 30, 2024 decreased $6.4 million, or 1.2%, compared to June 30, 2023 backlog of $551.2 million due to lower construction and forestry, material handling, ERS, and industrial parts orders, offset partially by higher mining orders.(1)

- Working capital of $533.3 million at June 30, 2024 decreased $9.6 million from March 31, 2024 due primarily to lower inventory, offset partially by lower accounts payable and accrued liabilities. Working capital efficiency was 26.5%, an increase of 80 bps from March 31, 2024, due to the higher trailing four quarter average working capital and the lower trailing 12-month revenue. Excluding debentures, working capital of $589.9 million at June 30, 2024 decreased $9.4 million from March 31, 2024, and working capital efficiency was 27.8%, an increase of 150 bps from March 31, 2024.(1)

- The Corporation's leverage ratio decreased to 2.17 times at June 30, 2024, compared to 2.20 times at March 31, 2024. The decrease in leverage ratio was due to the lower debt level in the current period. The Corporation's senior secured leverage ratio was 1.80 times at June 30, 2024, compared to 1.85 times at March 31, 2024.(1)

About Wajax Corporation

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

Notes:

(1) "Backlog", "Working capital", "Gross profit margin", "Selling and administrative expenses as a percentage of revenue", "Working capital efficiency", "Leverage ratio", "Senior secured leverage ratio", "Adjusted net earnings", "Adjusted basic and diluted earnings per share", "Adjusted EBIT", "Adjusted EBIT margin", "Adjusted EBITDA", and "Adjusted EBITDA margin" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Other Financial Measures section later in this press release.

(2) Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the second quarter of 2024 were 21,696,986 (2023 – 21,487,212) and 22,235,115 (2023 – 22,180,341), 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, 2024 were 21,689,613 (2023 - 21,488,163) and 22,231,197 (2023 - 22,170,148), respectively.

(3) Net earnings excluding the following:
   a. after-tax non-cash losses on mark to market of derivative instruments of $2.3 million (2023 – gains of $1.9 million), or basic and diluted loss per share of $0.11 and $0.10, respectively (2023 – $0.09 earnings per share) for the second quarter of 2024.
   b. after-tax non-cash losses on mark to market of derivative instruments of $0.4 million (2023 – gains of $1.6 million), or basic and diluted loss per share of $0.02 (2023 – earnings per share of $0.07) for the six months ended June 30, 2024.

<u>Non-GAAP and Other Financial Measures</u>

The press release contains certain non-GAAP and other financial 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) "**Adjusted net earnings**", "**Adjusted basic earnings per share**" and "**Adjusted 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 unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price;
- (iv) "**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 net earnings allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities, the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price, the impact of fluctuations in finance costs related to the Corporation's capital structure, the impact of tax rates, and the impact of depreciation and amortization of long-term assets; and
- (v) "**Pro-forma adjusted EBITDA**" provides the same utility as Adjusted EBITDA described above, however pursuant to the terms of the bank credit facility, is 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, and for the deduction of payments of lease liabilities. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.

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 ratio 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 ratio 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.
Adjusted net earnings (loss)	Net earnings (loss) before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted basic earnings (loss) per share and adjusted diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.

Adjusted EBIT	EBIT before any facility closure, restructuring, and other related costs, gains/ losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted EBITDA	EBITDA before any facility closure, restructuring, and other related costs, gains/ losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
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. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.
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.

Non-GAAP ratios are identified and defined below:

Adjusted EBIT margin	Defined as adjusted EBIT (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
EBITDA margin	Defined as EBITDA (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Adjusted EBITDA margin	Defined as adjusted EBITDA (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Leverage ratio	The leverage ratio is defined as debt (defined above) at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above). 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 (defined above) excluding debentures at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above).
Funded net debt to total capital	Defined as funded net debt (defined above) divided by total capital (defined above).
Working capital efficiency	Defined as trailing four-quarter average working capital (defined above) as a percentage of the trailing 12-month revenue.

Supplementary financial measures are identified and defined below:

EBIT margin	Defined as EBIT divided by revenue, as presented in the condensed consolidated interim statements of earnings.
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. There is no directly comparable GAAP financial measure for Backlog.

Gross profit margin	Defined as gross profit divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Selling and administrative expenses as a percentage of revenue	Defined as selling and administrative expenses divided by revenue, as presented in the condensed consolidated interim statements of earnings.

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

	Three months ended June 30				Six months ended June 30			
		2024		2023		**2024**		2023
Net earnings	**$**	**20.6**	$	29.0	**$**	**35.4**	$	46.5
Non-cash losses (gains) on mark to market of derivative instruments, after tax		**2.3**		(1.9)		**0.4**		(1.6)
Adjusted net earnings	**$**	**22.9**	$	27.1	**$**	**35.8**	$	44.9
Adjusted basic earnings per share[(1)]	**$**	**1.06**	$	1.26	**$**	**1.65**	$	2.09
Adjusted diluted earnings per share[(1)]	**$**	**1.03**	$	1.22	**$**	**1.61**	$	2.03

(1) For the three months ended June 30, 2024, the number of weighted average basic and diluted shares outstanding were 21,696,986 and 22,235,115, respectively (2023 - 21,487,212 and 22,180,341, respectively).
For the six months ended June 30, 2024, the number of weighted average basic and diluted shares outstanding were 21,689,613 and 22,231,197, respectively (2023 - 21,488,163 and 22,170,148, respectively).

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

	Three months ended				Six months ended				Twelve months ended			
		June 30 2024		June 30 2023		**June 30 2024**		June 30 2023		**June 30 2024**		December 31 2023
EBIT	**$**	**37.2**	$	41.9	**$**	**63.9**	$	71.4	**$**	**129.2**	$	136.7
Depreciation and amortization		**15.4**		14.5		**30.5**		28.4		**60.7**		58.6
EBITDA	**$**	**52.6**	$	56.4	**$**	**94.5**	$	99.9	**$**	**189.9**	$	195.3
EBIT	**$**	**37.2**	$	41.9	**$**	**63.9**	$	71.4	**$**	**129.2**	$	136.7
Facility closure, restructuring, and other related costs[(1)]		**—**		—		**—**		—		**1.9**		1.9
Gain recorded on the sale of properties		**—**		—		**—**		—		**(0.1)**		(0.1)
Non-cash losses on mark to market of derivative instruments, excluding interest rate swaps[(2)]		**2.1**		0.8		**1.0**		0.3		**0.7**		—
Change in fair value of contingent consideration[(3)]		**—**		—		—		—		**0.3**		0.3
Adjusted EBIT	**$**	**39.3**	$	42.7	**$**	**64.9**	$	71.8	**$**	**132.0**	$	138.9
Depreciation and amortization		**15.4**		14.5		**30.5**		28.4		**60.7**		58.6
Adjusted EBITDA	**$**	**54.7**	$	57.2	**$**	**95.4**	$	100.2	**$**	**192.7**	$	197.4
Payment of lease liabilities[(4)]										**(37.0)**		(35.5)
Polyphase acquisition pro-forma EBITDA[(5)]										**—**		3.2
Beta acquisition pro-forma EBITDA[(5)]										**0.4**		1.4
Pro-forma adjusted EBITDA									**$**	**156.0**	$	166.7

(1) Facility closure, restructuring, and other related costs consists of costs accrued for a branch closure during the fourth quarter of 2023, including workforce reduction and remaining facility costs.

(2) Non-cash losses (gains) on mark to market of derivative instruments that are not effectively designated as hedging instruments under IFRS, excluding interest rate swaps as their fair value fluctuations impact finance costs.
(3) The change in fair value of contingent consideration relates to changes in the estimated fair value of future performance-based earnout payments relating to business acquisitions.
(4) 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.
(5) Pro-forma EBITDA for 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, 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 2024	March 31 2024	December 31 2023
(Cash) bank indebtedness	**$ (2.8)**	$ (2.0)	$ 1.4
Debentures	**56.7**	56.5	56.3
Long-term debt	**280.5**	297.3	267.8
Funded net debt	**$ 334.4**	$ 351.8	$ 325.5
Letters of credit	**3.7**	4.1	4.8
Debt	**$ 338.1**	$ 355.9	$ 330.3
Pro-forma adjusted EBITDA(1)	**$ 156.0**	$ 161.7	$ 166.7
Leverage ratio(2)	**2.17**	2.20	1.98
Senior secured leverage ratio(3)	**1.80**	1.85	1.64

(1) For the twelve months ended June 30, 2024, March 31, 2024, and December 31, 2023.
(2) Calculation uses debt divided by the trailing four-quarter Pro-forma adjusted EBITDA. This leverage ratio is calculated for purposes of monitoring against the Corporation's 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.

Calculation of total capital and funded net debt to total capital is as follows:

	June 30 2024	March 31 2024	December 31 2023
Shareholders' equity	**$ 517.4**	$ 503.6	$ 496.2
Funded net debt	**334.4**	351.8	325.5
Total capital	**$ 851.7**	$ 855.4	$ 821.7
Funded net debt to total capital	**39.3%**	41.1%	39.6%

Calculation of the Corporation's working capital and other working capital amounts is as follows:

	June 30 2024	March 31 2024	December 31 2023
Total current assets	**$ 1,122.1**	$ 1,137.4	$ 1,043.6
Total current liabilities	**588.8**	594.6	483.4
Working capital	**$ 533.3**	$ 542.9	$ 560.2
Trade and other receivables	**(281.6)**	(290.5)	(309.1)
Inventory	**(724.8)**	(747.4)	(630.9)
Debentures - current	**56.7**	56.5	—
Accounts payable and accrued liabilities	**453.0**	464.7	407.1
Other working capital amounts	**$ 36.5**	$ 26.1	$ 27.3

Cautionary Statement Regarding Forward-Looking Information

This news release contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward-looking statements. To the extent any forward-looking information in this news release 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 news release are made as of the date of this news release, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this news release includes forward looking statements regarding, among other things: our expectation that we will see further inventory reductions through the remainder of 2024; our belief that solid fundamentals remain in certain of the markets we serve, particularly in mining and energy; our continued monitoring of end markets and customer purchasing patterns, while being prudent with costs; maintaining our focus on the execution of our six strategic priorities for 2024: continuing to build a "people first" company, growing Wajax's existing business with a focus on parts, service and margin improvement, unlocking the potential of Wajax's enhanced direct relationship with Hitachi, acquiring industrial parts and ERS businesses, improving cost structure and processes, and continuing Wajax's ERP system rollout and additional technology improvements; and our objective of managing our working capital and normal-course capital investment programs within a leverage range of 1.5 – 2.0 times. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding: the absence of significant negative changes to general business and economic conditions; limited negative fluctuations in the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; the stability of financial market conditions, including interest rates; 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; our continued ability to execute our strategic priorities, including our ability to execute on our organic growth priorities, complete and effectively integrate industrial parts and ERS acquisitions, and successfully implement new information technology platforms, systems and software, such as our new ERP system; the future financial performance of the Corporation; limited fluctuations in our costs; the level of market competition; our continued ability to attract and retain skilled staff; our continued ability to procure quality products and inventory; and our ongoing maintenance of strong relationships with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to: a continued or prolonged deterioration in general business and economic conditions; negative fluctuations 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; the inability 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; a decrease in levels of customer confidence and spending; supply chain disruptions and shortages; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; decreased market acceptance of the products we offer; the termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our inability to attract and retain skilled staff and our inability to maintain strong relationships with our suppliers, employees and customers. The foregoing list of factors is not exhaustive.

Further information concerning the risks and uncertainties associated with these forward-looking statements and the Corporation's business may be found in our MD&A for the year-ended December 31, 2023 (the "**2023 MD&A**"), which has been filed under the Corporation's profile on SEDAR+ at www.sedarplus.ca, under the heading "Risk Management and Uncertainties". The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Readers are cautioned that the risks described in the 2023 MD&A are not the only risks that could impact the Corporation. 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 2023 Annual Report, is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

Wajax Corporation
Management’s Discussion and Analysis – Q2 2024

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, 2024. 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, 2024. Information contained in this MD&A is based on information available to management as of August 8, 2024.

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.

Wajax reports on certain non-GAAP measures, non-GAAP ratios, and supplementary financial measures that are used by management to evaluate the performance of the Corporation. In addition, non-GAAP measures are used in measuring compliance with debt covenants. Non-GAAP measures do not have standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. Wajax includes these measures because management believes that they assist investors in assessing financial performance. The definition, calculation and reconciliation of non-GAAP measures are provided in the Non-GAAP and Other Financial Measures section.

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, is available under the Corporation’s profile on SEDAR+ at www.sedarplus.ca.

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

Wajax's corporate purpose statement is, "Empowering People to Build a Better Tomorrow", which we strive to achieve by living our values and delivering an exceptional experience for our people, customers, suppliers and the communities we serve. In 2024, we are focusing on six strategic priorities:

Continuing to Build a "People First" Company

The safety, well-being and engagement of our 3,200+ teammates is the foundation that ensures that both our people and business can thrive together. We take a comprehensive approach to employee health and wellness – including physical, mental and financial well-being – in addition to providing extensive learning and development opportunities and support for internal career development. A key pillar of building a "people first" company is living our values every day:

- We commit to safety and well-being;
- We develop potential and expertise;
- We deliver an exceptional experience together;
- We build lasting relationships; and
- We strive to continuously improve.

Growing Our Existing Business with a Focus on Parts, Service and Margin Improvement

Creating a differentiated and exceptional customer experience is an important driver of success for Wajax. We will continue to focus on expanding our product support business, which will improve our mix and margin profile over time and expand the value-added services we offer to our customers.

People are the cornerstone of our brand and value proposition, and we will also continue to invest in the best tools, training and support to deliver the technical expertise and experience that is highly valued by our customers.

Unlocking the Potential of Our Enhanced Direct Relationship with Hitachi

Continuing to leverage and expand our enhanced direct distribution relationship with Hitachi will also be a key driver of our success. Our ability to source world-class Hitachi equipment and parts directly from Japan, coupled with Hitachi's technological innovation and dedicated financing programs, will continue to allow us to better serve our customers.

Acquiring Industrial Parts and Engineered Repair Services Businesses

Acquiring companies that add to the range of industrial parts and engineered repair services ("**ERS**") capabilities we offer across the country. Our national infrastructure and extensive customer relationships position us as an aggregator in the highly fragmented ERS and related industrial parts market – and adding sought-after technical capabilities and expanding the services we offer will allow us to better serve our customers and drive improved product mix and margin profile.

Improving Cost Structure and Processes

Investing in infrastructure and continuous improvement initiatives to enhance customer service and to improve operating efficiency and leverage in our business. Our current programs include the ongoing optimization of our branch network, reviewing operating processes for efficiency and effectiveness, and prudently managing our balance sheet.

Continuing ERP System Roll-out and Technology Improvements

Investing in information technology platforms to improve operating efficiencies, and to improve customer and employee experience. Our enterprise resource planning ("**ERP**") system roll-out continues to be an area of focus and will be followed by additional technology improvements.

In addition to the foregoing, Wajax continues to develop its environmental, social and governance programs (as outlined below and further discussed in our 2023 Annual Report) and remains committed to being a good steward of the environment, supporting both internal stakeholders and the broader communities it operates in, while upholding sound and ethical business practices.

Sustainability Roadmap

Areas	Priorities
Environment	Wajax is committed to being a good steward of the environment and ensuring 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. Wajax is also committed to offer increasingly sustainable products, support renewable industries, and help customers meet their own environmental goals.
Social	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. 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. 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.

Outlook

During the second quarter of 2024, Wajax delivered revenue of $568.3 million, down $17.9 million, or 3.1%, from the second quarter of 2023. Adjusted basic earnings per share was $1.06 versus $1.26 in the second quarter of 2023. The year-over-year decrease in revenue was primarily due to the delivery of a large mining shovel in the second quarter of 2023 with no such delivery in 2024. Gross profit margin increased to 20.9% in the second quarter of 2024, versus 19.9% in the second quarter of 2023, primarily due to a larger proportion of, and higher margins on, product support, industrial parts and ERS sales.(1) Adjusted EBITDA margin decreased to 9.6% in the second quarter of 2024 from 9.8% in the second quarter of 2023.(1) The Corporation's backlog at June 30, 2024 of $544.9 million decreased $42.2 million, or 7.2%, compared to March 31, 2024 backlog of $587.1 million, due primarily to lower construction and forestry orders.(1)

As at June 30, 2024, the Corporation's inventory of $724.8 million decreased by $22.5 million from March 31, 2024. This decrease was attributable to the competitive new financing program introduced by Hitachi Construction Machinery Americas Inc. ("**HCMA**") effective March 1, 2024, which resulted in stronger equipment sales during the second quarter versus the first quarter of 2024, as well as management's focus on reducing inventory levels. The Corporation's leverage ratio decreased to 2.17 times at June 30, 2024, compared to 2.20 times at March 31, 2024. The decrease in leverage ratio was primarily due to the lower debt levels in the current period, as funded net debt decreased $17.4 million to $334.4 million at June 30, 2024 compared to $351.8 million at March 31, 2024.

During the quarter management rolled out the Corporation's new ERP system to a further 57 industrial parts and ERS branch locations, some of which are colocations. With this, the Corporation now has a total of 99 branch locations operating its new ERP system, representing approximately 90% of 2023 annual revenue.

Wajax continues to see solid fundamentals in certain of the markets it serves, particularly in mining and energy, but has observed reduced activity in industrial and forestry. Management is continuing to monitor end markets and customer purchasing patterns, while being prudent with costs, and maintaining focus on the execution of its six strategic priorities for 2024: continuing to build a "people first" company; growing Wajax's existing business with a focus on parts, service and margin improvement; unlocking the potential of Wajax's enhanced direct relationship with Hitachi; acquiring industrial parts and ERS businesses; improving cost structure and processes; and continuing Wajax's ERP system rollout and additional technology improvements.

Management continues to evaluate options to repay or refinance the Corporation's $57.0 million in senior unsecured debentures maturing January 15, 2025.

See the Cautionary Statement Regarding Forward-Looking Information section.

Notes:

(1) "Backlog", "Leverage ratio", "Gross profit margin", "Adjusted basic earnings per share", and "Adjusted EBITDA margin" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Highlights for the Quarter

- Revenue in the second quarter of 2024 decreased $17.9 million, or 3.1%, to $568.3 million, from $586.2 million in the second quarter of 2023. Regionally:

    - Revenue in western Canada of $240.4 million decreased 10.8% from the same period in the prior year due primarily to lower construction and forestry equipment sales, and lower mining equipment sales driven largely by the delivery of a large mining shovel in the second quarter of the prior year with no such delivery in the current year.
    - Revenue in central Canada of $96.6 million decreased 6.4% from the same period in the prior year due primarily to lower equipment sales in the construction and forestry category and lower industrial parts sales.
    - Revenue in eastern Canada of $231.3 million increased 8.3% from the same period in the prior year due primarily to higher equipment sales in the construction and forestry category, and higher overall sales in the power systems category, partially offset by lower industrial parts sales.

- Gross profit margin of 20.9% in the second quarter of 2024 increased 100 basis points ("**bps**") compared with gross profit margin of 19.9% in the same period of 2023. The increase was driven primarily by higher margins on ERS sales, and a higher proportion of, and higher margins on, product support sales.(1)

- Selling and administrative expenses as a percentage of revenue increased to 14.4% in the second quarter of 2024 from 12.8% in the same period of 2023. Selling and administrative expenses in the second quarter of 2024 increased $6.8 million compared with the second quarter of 2023. This increase was due primarily to higher personnel costs.(1)

- EBIT decreased $4.7 million, or 11.3%, to $37.2 million in the second quarter of 2024 versus $41.9 million in the same period of 2023. The year-over-year decrease in EBIT resulted primarily from lower sales volumes and higher personnel expenses, offset partially by an improved gross profit margin. Adjusted EBIT decreased $3.4 million, or 8.0%, to $39.3 million in the second quarter of 2024 from $42.7 million in the second quarter of 2023, and adjusted EBIT margin decreased to 6.9% in the second quarter of 2024 from 7.3% in the same quarter of 2023.(1)

- The Corporation generated net earnings of $20.6 million, or $0.95 per share, in the second quarter of 2024 versus $29.0 million, or $1.35 per share, in the same period of 2023. The Corporation generated adjusted net earnings of $22.9 million, or $1.06 per share, in the second quarter of 2024 versus $27.1 million, or $1.26 per share, in the same period of 2023. Adjusted net earnings in the second quarter of 2024 excludes non-cash losses on mark to market of derivative instruments of $2.3 million after tax, or $0.11 per share (2023 – gains of $1.9 million after tax, or $0.09 per share).(1)

- Adjusted EBITDA margin decreased to 9.6% in the second quarter of 2024 from 9.8% in the second quarter of 2023.(1)

- Cash flows generated from operating activities amounted to $35.8 million in the second quarter of 2024, compared with cash flows used in operating activities of $6.0 million in the same quarter of the previous year. The increase in cash generated of $41.8 million was mainly attributable to a decrease in inventory of $22.5 million during the quarter compared to an increase of $40.7 million in the same quarter of the prior year, and a decrease in trade and other receivables of $9.0 million during the quarter compared to an increase of $7.9 million in the same quarter of the prior year. These increases in cash generated are offset partially by a decrease in accounts payable and accrued liabilities of $14.1 million during the quarter compared to an increase of $13.0 million in the same period of 2023.

- The Corporation's backlog at June 30, 2024 of $544.9 million decreased $42.2 million, or 7.2%, compared to March 31, 2024 backlog of $587.1 million due primarily to lower construction and forestry, material handling and ERS orders. The Corporation's backlog at June 30, 2024 decreased $6.4 million, or 1.2%, compared to June 30, 2023 backlog of $551.2 million due to lower construction and forestry, material handling, ERS, and industrial parts orders, offset partially by higher mining orders.(1)

- Working capital of $533.3 million at June 30, 2024 decreased $9.6 million from March 31, 2024 due primarily to lower inventory, offset partially by lower accounts payable and accrued liabilities. Working capital efficiency was 26.5%, an increase of 80 bps from March 31, 2024, due to the higher trailing four quarter average working capital and the lower trailing 12-month revenue. Excluding debentures, working capital of $589.9 million at June 30, 2024 decreased $9.4 million from March 31, 2024, and working capital efficiency was 27.8%, an increase of 150 bps from March 31, 2024.(1)

- The Corporation's leverage ratio decreased to 2.17 times at June 30, 2024, compared to 2.20 times at March 31, 2024. The decrease in leverage ratio was due to the lower debt level in the current period. The Corporation's senior secured leverage ratio was 1.80 times at June 30, 2024, compared to 1.85 times at March 31, 2024.(1)

Notes:

(1) "Backlog", "Working capital", "Gross profit margin", "Selling and administrative expenses as a percentage of revenue", "Working capital efficiency", "Leverage ratio", "Senior secured leverage ratio", "Adjusted net earnings", "Adjusted basic and diluted earnings per share", "Adjusted EBIT", "Adjusted EBIT margin", and "Adjusted EBITDA margin" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Summary of Operating Results

Statement of earnings highlights	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Revenue	**$ 568.3**	$ 586.2	**$ 1,050.6**	$ 1,102.3
Gross profit	**$ 118.9**	$ 116.8	**$ 224.9**	$ 222.4
Selling and administrative expenses	**81.7**	74.9	**161.0**	150.9
Earnings before finance costs and income taxes	**$ 37.2**	$ 41.9	**$ 63.9**	$ 71.4
Finance costs	**9.8**	2.6	**16.8**	8.3
Earnings before income taxes	**$ 27.4**	$ 39.4	**$ 47.1**	$ 63.1
Income tax expense	**6.8**	10.4	**11.8**	16.6
Net earnings	**$ 20.6**	$ 29.0	**$ 35.4**	$ 46.5
– Basic earnings per share[2]	**$ 0.95**	$ 1.35	**$ 1.63**	$ 2.16
– Diluted earnings per share[2]	**$ 0.93**	$ 1.31	**$ 1.59**	$ 2.10
Adjusted net earnings[1][3]	**$ 22.9**	$ 27.1	**$ 35.8**	$ 44.9
– Adjusted basic earnings per share[1][2][3]	**$ 1.06**	$ 1.26	**$ 1.65**	$ 2.09
– Adjusted diluted earnings per share[1][2][3]	**$ 1.03**	$ 1.22	**$ 1.61**	$ 2.03
Adjusted EBIT[1]	**$ 39.3**	$ 42.7	**$ 64.9**	$ 71.8
Adjusted EBITDA[1]	**$ 54.7**	$ 57.2	**$ 95.4**	$ 100.2
Key ratios:				
Gross profit margin[1]	**20.9%**	19.9%	**21.4%**	20.2%
Selling and administrative expenses as a percentage of revenue[1]	**14.4%**	12.8%	**15.3%**	13.7%
EBIT margin[1]	**6.5%**	7.2%	**6.1%**	6.5%
Adjusted EBIT margin[1]	**6.9%**	7.3%	**6.2%**	6.5%
Adjusted EBITDA margin[1]	**9.6%**	9.8%	**9.1%**	9.1%
Effective income tax rate	**24.8%**	26.4%	**25.0%**	26.3%

Statement of financial position highlights As at	**June 30 2024**	March 31 2024	December 31 2023
Trade and other receivables	**$ 281.6**	$ 290.5	$ 309.1
Inventory	**724.8**	747.4	630.9
Accounts payable and accrued liabilities	**(453.0)**	(464.7)	(407.1)
Debentures - current[4]	**(56.7)**	(56.5)	—
Other working capital amounts[1]	**36.5**	26.1	27.3
Working capital[1]	**$ 533.3**	$ 542.9	$ 560.2
Rental equipment	**$ 45.4**	$ 42.8	$ 42.5
Property, plant and equipment	**$ 45.9**	$ 45.7	$ 44.8
Funded net debt[1]	**$ 334.4**	$ 351.8	$ 325.5
Key ratios:			
Leverage ratio[1]	**2.17**	2.20	1.98
Senior secured leverage ratio[1]	**1.80**	1.85	1.64

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

(2) Weighted average shares, net of shares held in trust, outstanding for calculation of basic and diluted earnings per share for the second quarter of 2024 were 21,696,986 (2023 – 21,487,212) and 22,235,115 (2023 – 22,180,341), 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, 2024 were 21,689,613 (2023 - 21,488,163) and 22,231,197 (2023 - 22,170,148), respectively.

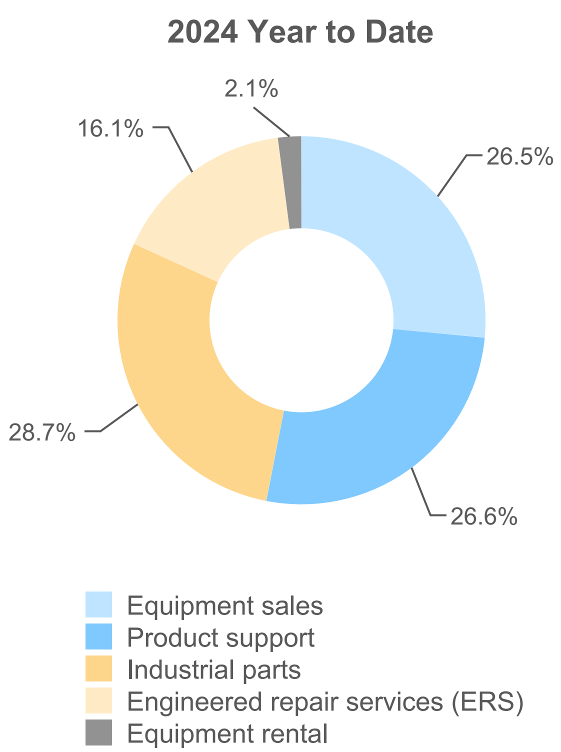
(3) Net earnings excluding the following:
   a. after-tax non-cash losses on mark to market of derivative instruments of $2.3 million (2023 – gains of $1.9 million), or basic and diluted loss per share of $0.11 and $0.10, respectively (2023 – $0.09 earnings per share) for the second quarter of 2024.
   b. after-tax non-cash losses on mark to market of derivative instruments of $0.4 million (2023 – gains of $1.6 million), or basic and diluted loss per share of $0.02 (2023 – earnings per share of $0.07) for the six months ended June 30, 2024.

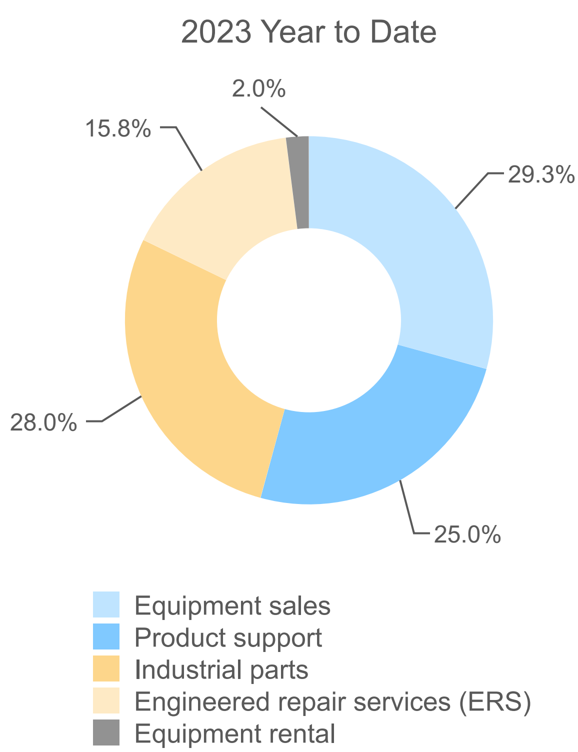
(4) The unsecured subordinated debentures due January 15, 2025 were classified as current as at June 30, 2024.

Results of Operations

Revenue Sources

	Three months ended June 30				Six months ended June 30			
	2024	2023	$ change	% change	**2024**	2023	$ change	% change
Equipment sales	**$ 180.4**	$ 190.4	$ (10.0)	(5.2)%	**$ 278.5**	$ 322.6	$ (44.1)	(13.7)%
Product support	**144.8**	140.6	4.3	3.0 %	**279.2**	275.4	3.8	1.4 %
Industrial parts	**147.2**	154.9	(7.7)	(5.0)%	**302.0**	308.2	(6.1)	(2.0)%
Engineered repair services (ERS)	**85.0**	89.0	(4.0)	(4.4)%	**169.3**	174.0	(4.7)	(2.7)%
Equipment rental	**10.9**	11.4	(0.5)	(4.8)%	**21.7**	22.2	(0.5)	(2.2)%
Total revenue	**$ 568.3**	$ 586.2	$ (17.9)	(3.1)%	**$ 1,050.6**	$ 1,102.3	$ (51.6)	(4.7)%





Revenue
Revenue in the second quarter of 2024 decreased 3.1%, or $17.9 million, to $568.3 million from $586.2 million in the second quarter of 2023. The following key factors contributed to the decrease in revenue:

- Equipment sales decreased 5.2% due primarily to lower construction and forestry equipment sales in western Canada, and lower mining equipment sales in western Canada driven largely by the delivery of a large mining shovel in the second quarter of the prior year with no such delivery in the current year. These decreases were offset partially by higher construction and forestry sales in eastern Canada.
- Industrial parts sales decreased 5.0% primarily due to lower sales in central and eastern Canada, offset partially by higher sales in western Canada.

For the six months ended June 30, 2024, revenue decreased 4.7%, or $51.6 million, to $1,050.6 million, from $1,102.3 million in the same period in 2023. The following factors contributed to the decrease in revenue:

- Equipment sales decreased 13.7% due primarily to lower construction and forestry equipment sales in western Canada, and lower mining equipment sales in western Canada driven largely by the delivery of a large mining shovel in the second quarter of the prior year with no such delivery in the current year. These decreases were offset partially by higher construction and forestry sales in eastern Canada.
- Industrial parts sales decreased 2.0% primarily due to lower sales in central and eastern Canada, offset partially by higher sales in western Canada.

Backlog
The Corporation's backlog of $544.9 million at June 30, 2024 decreased $42.2 million, or 7.2%, compared to March 31, 2024 due primarily to lower construction and forestry, material handling and ERS orders. Backlog decreased $6.4 million, or 1.2%, compared to June 30, 2023 due to lower construction and forestry, material handling, ERS, and industrial parts orders, offset partially by higher mining orders.(1)

Gross profit
Gross profit increased $2.1 million, or 1.8%, in the second quarter of 2024 compared with the same quarter last year primarily due to higher margins on product support and ERS sales. This increase was offset partially by lower overall sales volume.

Gross profit margin of 20.9% in the second quarter of 2024 increased 100 bps compared with the same period of 2023. This increase in margin was driven primarily by higher margins on ERS sales, and a higher proportion of, and higher margins on, product support sales.(1)

For the six months ended June 30, 2024, gross profit increased $2.6 million, or 1.2%, compared with the same period last year, primarily due to a higher proportion of, and higher margins on, product support, industrial parts, and ERS sales. This increase was offset partially by lower margins on equipment sales, and lower overall sales volume.

For the six months ended June 30, 2024, gross profit margin of 21.4% increased 120 bps compared with the same period of 2023. This increase in margin was driven primarily by a higher proportion of, and higher margins on, product support, industrial parts, and ERS sales. This increase was offset partially by lower margins on equipment sales.(1)

Selling and administrative expenses
Selling and administrative expenses in the second quarter of 2024 increased $6.8 million compared with the second quarter of 2023. This increase was due primarily to higher personnel costs. Selling and administrative expenses as a percentage of revenue increased to 14.4% in the second quarter of 2024 from 12.8% in the same period of 2023.(1)

For the six months ended June 30, 2024, selling and administrative expenses increased $10.1 million compared with the same period last year. This increase was due primarily to higher personnel costs. Selling and administrative expenses as a percentage of revenue increased to 15.3% in 2024 from 13.7% in the same period of 2023.(1)

Finance costs
Finance costs of $9.8 million in the second quarter of 2024 increased $7.2 million compared with the same quarter last year due primarily to higher interest rates and higher average borrowings under the bank credit facility, and an unrealized loss on interest rate swaps of $1.0 million in the quarter compared to a gain of $3.3 million in the same period of the prior year. Excluding the unrealized loss/gain on interest rate swaps, finance costs increased $2.9 million compared with the same quarter last year. See Liquidity and Capital Resources section.

For the six months ended June 30, 2024, finance costs of $16.8 million increased $8.4 million compared with the same period in 2023 due primarily to higher interest rates and higher average borrowings under the bank credit facility, and an unrealized gain on interest rate swaps of $0.4 million in 2024 compared to a gain of $2.4 million in the same period in 2023. Excluding the unrealized gain on interest rate swaps, finance costs increased $6.4 million compared with the same period in 2023. See Liquidity and Capital Resources section.

At June 30, 2024, 61.8% of the Corporation's funded net debt was at a fixed interest rate.(1)

Income tax expense
The Corporation's effective income tax rate of 24.8% for the second quarter of 2024 was lower compared with the statutory rate of 26.0% due mainly to the impact of changes in estimates related to prior years. The Corporation's effective income tax rate of 26.4% for the same period in 2023 was higher compared with the statutory rate of 26.0% due mainly to the impact of expenses not deductible for tax purposes.

The Corporation's effective income tax rate of 25.0% for the six months ended June 30, 2024 was lower compared with the statutory rate of 26.0% due mainly to the impact of changes in estimates related to prior years. The Corporation's effective income tax rate of 26.3% for the same period in 2023 was higher compared with the statutory rate of 26.0% due mainly to the impact of expenses not deductible for tax purposes.

Net earnings
In the second quarter of 2024, the Corporation generated net earnings of $20.6 million, or $0.95 per share, compared with $29.0 million, or $1.35 per share, in the second quarter of 2023. The $8.4 million decrease in net earnings resulted primarily from lower sales volumes, higher selling and administrative expenses, and higher finance costs. This decrease was offset partially by an improved gross profit margin.

For the six months ended June 30, 2024, the Corporation generated net earnings of $35.4 million, or $1.63 per share, compared with $46.5 million, or $2.16 per share, in 2023. The $11.1 million decrease in net earnings resulted primarily from lower sales volumes, higher selling and administrative expenses, and higher finance costs. This decrease was offset partially by an improved gross profit margin.

Adjusted net earnings(1)
Adjusted net earnings for the second quarter of 2024 excludes non-cash losses on mark to market of derivative instruments of $2.3 million after tax, or $0.11 per share (2023 – gains of $1.9 million after tax, or $0.09 per share).(1)

As a result, adjusted net earnings decreased $4.2 million to $22.9 million, or $1.06 per share, for the second quarter of 2024 from $27.1 million, or $1.26 per share, in the same period of 2023.(1)

Adjusted net earnings for the six months ended June 30, 2024 excludes non-cash losses on mark to market of derivative instruments of $0.4 million after tax, or $0.02 per share (2023 – gains of $1.6 million after tax, or $0.07 per share).(1)

As a result, adjusted net earnings decreased $9.1 million to $35.8 million, or $1.65 per share, for the six months ended June 30, 2024 from $44.9 million, or $2.09 per share, in 2023.(1)

Comprehensive income
Total comprehensive income of $20.9 million in the second quarter of 2024 included net earnings of $20.6 million and an other comprehensive gain of $0.3 million. The other comprehensive gain of $0.3 million in the quarter resulted from $0.4 million of unrealized after-tax gains on derivatives designated as cash flow hedges, and $0.1 million of realized after-tax gains on derivatives designated as cash flow hedges, reclassified to net earnings during the period.

For the six months ended June 30, 2024, the total comprehensive income of $36.9 million included net earnings of $35.4 million and an other comprehensive gain of $1.6 million. The other comprehensive gain of $1.6 million in the current year resulted from $1.2 million of unrealized after-tax gains on derivatives designated as cash flow hedges, and $0.4 million of realized after-tax losses on derivatives designated as cash flow hedges, reclassified to net earnings during the period.

Notes:

(1) “Funded net debt”, “Backlog”, “Gross profit margin”, “Selling and administrative expenses as a percentage of revenue”, “Adjusted net earnings”, and “Adjusted basic earnings per share” do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures section.

Selected Quarterly Information

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

	2024	2023					2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**$ 568.3**	$ 482.3	$ 542.6	$ 509.7	$ 586.2	$ 516.1	$ 541.3	$ 470.8
Net earnings	**$ 20.6**	$ 14.7	$ 11.1	$ 23.4	$ 29.0	$ 17.5	$ 16.6	$ 18.0
Earnings per share								
- Basic	**$ 0.95**	$ 0.68	$ 0.52	$ 1.09	$ 1.35	$ 0.81	$ 0.78	$ 0.84
- Diluted	**$ 0.93**	$ 0.66	$ 0.50	$ 1.05	$ 1.31	$ 0.79	$ 0.75	$ 0.81
Adjusted net earnings(1)	**$ 22.9**	$ 12.8	$ 17.8	$ 20.7	$ 27.1	$ 17.8	$ 17.8	$ 16.7
Adjusted earnings per share(1)								
- Basic	**$ 1.06**	$ 0.59	$ 0.83	$ 0.96	$ 1.26	$ 0.83	$ 0.83	$ 0.78
- Diluted	**$ 1.03**	$ 0.58	$ 0.80	$ 0.93	$ 1.22	$ 0.80	$ 0.80	$ 0.75
Dividends declared per share	**$ 0.35**	$ 0.35	$ 0.33	$ 0.33	$ 0.33	$ 0.33	$ 0.25	$ 0.25
Weighted average common shares outstanding - basic (in thousands)	**21,697**	21,682	21,570	21,490	21,487	21,489	21,453	21,400

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

Effective July 4, 2023, the Corporation acquired Polyphase Engineered Controls (1977) Ltd. (“**Polyphase**”), and effective September 1, 2023, the Corporation acquired Beta Fluid Power Ltd. and Beta Industrial Ltd. (together, “**Beta**”). The results of operations and financial position of these acquired businesses have been included in the above figures since the dates of acquisition. The acquisition of Polyphase facilitated year-over-year growth in the Corporation’s revenue when comparing 2023 to 2022, adding $11.8 million in incremental revenue and $1.8 million in incremental net earnings in 2023. Beta’s impact on the Corporation’s revenues and net earnings was not significant.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A available under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

		June 30 2024		March 31 2024		December 31 2023
Shareholders' equity	$	**517.4**	$	503.6	$	496.2
Funded net debt(1)		**334.4**		351.8		325.5
Total capital(1)	$	**851.7**	$	855.4	$	821.7
Funded net debt to total capital(1)		**39.3%**		41.1%		39.6%
Leverage ratio(1)		**2.17**		2.20		1.98
Senior secured leverage ratio(1)		**1.80**		1.85		1.64

(1) These measures do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial 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 above the target range primarily due to the investment in inventory during the year. See the Funded Net Debt section.

Shareholders' Equity

The Corporation's shareholders' equity at June 30, 2024 of $517.4 million increased $13.8 million from March 31, 2024, due primarily to total comprehensive income of $20.9 million, offset partially by dividends declared of $7.6 million. For the six months ended June 30, 2024, the Corporation's shareholders' equity increased $21.1 million from December 31, 2023, due primarily to total comprehensive income of $36.9 million, offset partially by dividends declared of $15.2 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, 2023 and June 30, 2024	21,810,411	$	211.3
Shares held in trust, December 31, 2023	(140,865)		(1.3)
Released for settlement of certain share-based compensation plans	57,511		0.5
Purchased for future settlement of certain share-based compensation plans	(29,419)		(0.3)
Shares held in trust, June 30, 2024	(112,773)	$	(1.1)
Issued and outstanding, net of shares held in trust, June 30, 2024	**21,697,638**	**$**	**210.3**

At the date of this MD&A, the Corporation had 21,732,212 common shares issued and outstanding, net of shares held in trust.

At June 30, 2024, 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, 2024, there were a total of 426,566 rights outstanding under the SOP and DDSUP, of which 413,585 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, 2024, a total of 227,243 MTIP PSUs and equity settled DSUs were outstanding, of which 20,340 were fully vested. Each fully vested MTIP RSU and non-equity settled DSUs ("**cash settled DSUs**") are settled in cash. As of June 30, 2024, a total of 395,197 MTIP RSUs and cash settled DSUs were outstanding, of which 4,332 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 $0.5 million for the second quarter of 2024 (2023 – expense of $1.3 million) and compensation expense of $4.3 million for the six months ended June 30, 2024 (2023 – expense of $4.5 million) in respect of these plans.

Funded Net Debt

	June 30 2024	March 31 2024	December 31 2023
(Cash) bank indebtedness	**$ (2.8)**	$ (2.0)	$ 1.4
Debentures	**56.7**	56.5	56.3
Long-term debt	**280.5**	297.3	267.8
Funded net debt[1]	**$ 334.4**	$ 351.8	$ 325.5

Funded net debt of $334.4 million at June 30, 2024 decreased $17.4 million compared to $351.8 million at March 31, 2024.[1] The decrease during the quarter was due primarily to cash generated from operating activities of $35.8 million, offset partially by the payment of lease liabilities of $9.6 million, and dividends paid of $7.6 million.

Funded net debt of $334.4 million at June 30, 2024 increased $8.9 million compared to $325.5 million at December 31, 2023.[1] The increase during the year was due primarily to the payment of lease liabilities of $18.8 million, and dividends paid of $14.8 million, offset partially by cash generated from operating activities of $28.5 million.

The Corporation's ratio of funded net debt to total capital decreased to 39.3% at June 30, 2024 from 39.6% at December 31, 2023 due to the higher shareholders' equity level in the current quarter.[1]

The Corporation's leverage ratio of 2.17 times at June 30, 2024 increased from the December 31, 2023 ratio of 1.98 times due to the higher debt level and the lower trailing 12-month pro-forma adjusted EBITDA. [1]

See the Liquidity and Capital Resources section.

Notes:

(1) "Funded net debt", "Funded net debt to total capital", "Total capital", "Leverage ratio", and "Pro-forma adjusted EBITDA" do not have standardized meanings prescribed by GAAP. See the Non-GAAP and Other Financial Measures 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, 2024, Wajax had the following interest rate swap contracts outstanding:

- $150.0 million, expiring October 2027, with a weighted average interest rate of 2.57% (December 31, 2023 – $150.0 million, expiring October 2026 to October 2027, with a weighted average interest rate of 2.32%)

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, 2024, Wajax had the following contracts outstanding:

- to buy U.S. $195.7 million (December 31, 2023 – to buy U.S. $195.2 million),
- to buy Euro €1.5 million (December 31, 2023 – to buy Euro €7.3 million),
- to sell U.S. $65.1 million (December 31, 2023 – to sell U.S. $77.9 million), and
- to sell Euro €2.4 million (December 31, 2023 – to sell Euro €1.6 million).

The U.S. dollar contracts expire between July 2024 to March 2026, with an average U.S./Canadian dollar rate of 1.3543.

The Euro contracts expire between July 2024 to June 2025, with an average Euro/Canadian dollar rate of 1.4792.

Wajax has entered into total return swap contracts to hedge the exposure to share price market risk on a class of MTIP units 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, 2024, Wajax had the following total return swap contracts outstanding:

- contracts totaling 366,000 shares at an initial share value of $9.9 million (December 31, 2023 – contracts totaling 399,000 shares at an initial share value of $9.1 million).

The total return swap contracts expire between March 2025 and March 2027.

Contractual Obligations

There have been no material changes to the Corporation's contractual obligations since December 31, 2023 that have not been discussed elsewhere in this MD&A. See the Liquidity and Capital Resources section.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements as at June 30, 2024.

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

On January 11, 2024, the Corporation amended its senior secured credit facility to increase the facility limit from $400.0 million to $500.0 million. 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 ("**CORRA**").

As at June 30, 2024, Wajax had a $500.0 million credit limit on its bank credit facility, composed of a $50.0 million non-revolving term facility and a $450.0 million revolving term facility, maturing on October 1, 2027.

At June 30, 2024, Wajax had borrowed $281.4 million and issued $3.7 million of letters of credit for a total utilization of $285.1 million of its $500.0 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, 2024, borrowing capacity under the bank credit facility was equal to $500.0 million, of which $214.9 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, 2024. 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, 2024, the Corporation's senior secured leverage ratio was 1.80 times.

As at June 30, 2024, borrowings under the bank credit facility were subject to floating rates of interest at margins over Canadian dollar term CORRA loan yields, U.S. dollar Secured Overnight Financing Rate ("**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.

In addition, Wajax had $57.0 million of senior unsecured debentures outstanding at June 30, 2024, bearing interest at a rate of 6.00% per annum, payable semi-annually and maturing on January 15, 2025. Prior to the maturity date, the debentures are 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. As at June 30, 2024, the Corporation has not redeemed any of the debentures. 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 governing the debentures. 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, 2024, 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, 2024, the Corporation continues to service and collect $9.3 million in accounts receivable on behalf of the financial institution.

As of August 8, 2024, Wajax continues to maintain its $500.0 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 fund 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, 2024, 61.8% 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		
	2024	2023	$ Change	**2024**	2023	$ Change
Net earnings	**$ 20.6**	$ 29.0	(8.4)	**$ 35.4**	$ 46.5	$ (11.1)
Items not affecting cash flow	**34.9**	29.2	5.6	**62.6**	55.9	6.7
Net change in non-cash operating working capital	**2.1**	(49.2)	51.3	**(27.8)**	(126.2)	98.3
Finance costs paid on debts	**(6.2)**	(2.6)	(3.6)	**(11.7)**	(6.0)	(5.7)
Finance costs paid on lease liabilities	**(2.6)**	(2.1)	(0.5)	**(5.1)**	(4.2)	(0.9)
Income taxes paid	**(7.3)**	(6.7)	(0.6)	**(17.3)**	(33.7)	16.4
Rental equipment additions	**(10.2)**	(4.6)	(5.5)	**(16.1)**	(11.2)	(4.9)
Rental equipment disposals	**4.2**	0.9	3.3	**6.3**	1.7	4.6
Other	**0.3**	0.1	0.1	**2.4**	1.7	0.7
Cash generated from (used in) operating activities	**$ 35.8**	$ (6.0)	$ 41.8	**$ 28.5**	$ (75.5)	$ 104.0
Cash used in investing activities	**$ (0.6)**	$ (1.1)	$ 0.4	**$ (0.1)**	$ (2.1)	$ 1.9
Cash (used in) generated from financing activities	**$ (34.4)**	$ 21.6	$ (56.0)	**$ (24.2)**	$ 78.4	$ (102.6)

Operating Activities

Cash flows generated from operating activities amounted to $35.8 million in the second quarter of 2024, compared with cash flows used in operating activities of $6.0 million in the same quarter of the prior year. The increase in cash generated of $41.8 million was mainly attributable to a decrease in inventory of $22.5 million during the quarter compared to an increase of $40.7 million in the same quarter of the prior year, and a decrease in trade and other receivables of $9.0 million during the quarter compared to an increase of $7.9 million in the same quarter of the prior year. These increases in cash generated are offset partially by a decrease in accounts payable and accrued liabilities of $14.1 million during the quarter compared to an increase of $13.0 million in the same period of 2023.

Rental equipment additions in the second quarter of 2024 of $10.2 million (2023 – $4.6 million) related primarily to material handling lift trucks.

For the six months ended June 30, 2024, cash flows generated from operating activities amounted to $28.5 million, compared with cash flows used in operating activities of $75.5 million for the previous year. The increase in cash flows generated from operating activities of $104.0 million was mainly attributable to an increase in inventory of $93.9 million during the year compared to an increase of $162.9 million in the prior year, and a decrease in trade and other receivables of $27.4 million during the period compared to an increase of $2.9 million in the same period of 2023.

For the six months ended June 30, 2024, rental equipment additions of $16.1 million (2023 – $11.2 million) related primarily 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**		
	2024	2023	$ Change	**2024**	2023	$ Change
Trade and other receivables	**$ 9.0**	$ (7.9)	$ 16.8	**$ 27.4**	$ (2.9)	$ 30.3
Contract assets	**(6.1)**	(8.4)	2.3	**10.2**	(15.4)	25.6
Inventory	**22.5**	(40.7)	63.3	**(93.9)**	(162.9)	69.0
Deposits on inventory	**(6.2)**	(3.8)	(2.4)	**(11.8)**	(2.5)	(9.3)
Prepaid expenses	**(3.4)**	(1.5)	(1.9)	**(7.2)**	(2.3)	(4.9)
Accounts payable and accrued liabilities	**(14.1)**	13.0	(27.1)	**40.7**	59.8	(19.0)
Provisions	**0.3**	0.2	0.1	**0.3**	0.0	0.3
Contract liabilities	**0.1**	(0.1)	0.2	**6.4**	0.1	6.3
Total Changes in Non-cash Operating Working Capital	**$ 2.1**	$ (49.2)	$ 51.3	**$ (27.8)**	$ (126.2)	$ 98.3

(1) Increase (decrease) in cash flow.

Significant components of the changes in non-cash operating working capital for the second quarter of 2024 compared to the second quarter of 2023 are as follows:

- Inventory decreased $22.5 million in the second quarter of 2024, compared with an increase of $40.7 million in the same period of 2023. The decrease in the second quarter of 2024 resulted primarily from lower equipment inventory in the construction and forestry category, and lower parts inventory, as management focused on reducing inventory levels. The increase in the second quarter of 2023 resulted primarily from higher equipment inventory in the construction and forestry, and material handling categories, and increased overall parts purchasing due to strong sales activity.

- Trade and other receivables decreased $9.0 million in the second quarter of 2024, compared with an increase of $7.9 million in the same period of 2023. The decrease in the second quarter of 2024 was due primarily to strong overall collections. The increase in the second quarter of 2023 resulted primarily from higher sales activity in the quarter compared to the previous quarter.

- Accounts payable and accrued liabilities decreased $14.1 million in the second quarter of 2024 compared with an increase of $13.0 million in the same period of 2023. The decrease in the second quarter of 2024 resulted primarily from a lower bonus accrual driven by the payout of 2023 employee bonuses in the second quarter of 2024. The increase in the second quarter of 2023 resulted primarily from higher trade payables on increased inventory purchasing activity, offset partially by a lower bonus accrual driven by the payout of 2022 employee bonuses in the second quarter of 2023.

Significant components of the changes in non-cash operating working capital for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 are as follows:

- Inventory increased $93.9 million in 2024, compared with an increase of $162.9 million in 2023. The increase in 2024 resulted primarily from higher equipment inventory in the construction and forestry, mining and material handling categories. The increase in 2023 resulted primarily from higher equipment inventory in the construction and forestry, and mining categories, and increased overall parts purchasing due to strong sales activity.

- Accounts payable and accrued liabilities increased $40.7 million in 2024 compared to an increase of $59.8 million in 2023. The increase in 2024 resulted primarily from higher trade payables due to increased inventory purchasing activity, and timing of inventory and vendor payments, offset partially by a lower bonus accrual driven by the payout of 2023 employee bonuses in the second quarter of 2024. The increase in 2023 resulted primarily from higher trade payables on increased inventory purchasing activity, offset partially by a lower bonus accrual driven by the payout of 2022 employee bonuses in the second quarter of 2023.

- Trade and other receivables decreased $27.4 million in 2024, compared with an increase of $2.9 million in 2023. The decrease in 2024 was due primarily to strong overall collections and timing of customer receipts.

- Contract assets decreased $10.2 million in 2024, compared with an increase of $15.4 million in the same period of 2023. The decrease in 2024 was due primarily to timing of projects and milestone billings.

Investing Activities
The Corporation used $0.6 million of cash in investing activities in the second quarter of 2024 compared to cash used in investing activities of $1.1 million in the same quarter of 2023. Investing activities in the quarter included property, plant and equipment additions of $2.4 million (2023 – $2.3 million), and the collection of lease receivables of $1.9 million (2023 – $1.2 million).

For the six months ended June 30, 2024, the Corporation used $0.1 million of cash in investing activities compared to cash used in investing activities of $2.1 million in the same period of 2023. Investing activities in 2024 included property, plant and equipment additions of $4.5 million (2023 – $4.7 million), the collection of lease receivables of $3.5 million (2023 – $2.4 million), and net cash received from sellers relating to business acquisitions of $0.9 million (2023 – nil) due primarily to post-acquisition working capital adjustments.

Financing Activities
The Corporation used $34.4 million of cash in financing activities in the second quarter of 2024 compared to $21.6 million generated from financing activities in the same quarter of 2023. Financing activities in the quarter included a net bank credit facility repayment of $17.0 million (2023 – net borrowing of $37.3 million), the payment of lease liabilities of $9.6 million (2023 – $8.6 million) and dividends paid to shareholders of $7.6 million (2023 – $7.1 million).

For the six months ended June 30, 2024, the Corporation used $24.2 million of cash in financing activities compared with generating $78.4 million from financing activities in the same period of 2023. Financing activities for the six months ended June 30, 2024 included a net bank credit facility borrowing of $12.9 million (2023 – net borrowing of $112.1 million), the payment of lease liabilities of $18.8 million (2023 – $17.2 million) and dividends paid to shareholders of $14.8 million (2023 – $12.5 million).

Dividends

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

Record Date	Payment Date	Per Share	Amount
March 15, 2024	April 2, 2024	$ 0.35	$ 7.6
June 14, 2024	July 3, 2024	$ 0.35	$ 7.6
Six months ended June 30, 2024		**$ 0.70**	**$ 15.2**

On August 8, 2024, the Corporation declared a dividend of $0.35 per share for the third quarter of 2024 payable on October 2, 2024 to shareholders of record on September 16, 2024.

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.

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. However, this is partially mitigated by the Corporation's diversified customer base of over 32,000 customers who operate in many business sectors across Canada, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales. 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 deemed not recoverable and the financial asset is written off. The $3.1 million allowance for credit losses at June 30, 2024 decreased $0.5 million from $3.6 million at December 31, 2023. 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, 2024 was a charge of $1.4 million (2023 – charge of $1.6 million) and for the six months ended June 30, 2024 was a charge of $2.2 million (2023 – charge of $2.2 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 second quarter of 2024.

Contingent consideration, as part of acquisitions, is valued based on estimated future performance of the acquired businesses. The valuation is based on management's best assessment of the related inputs used in the valuation models, such as future cash flows, discount rates, and volatility. Future performance results that differ from management's estimates could result in changes to the liabilities, which are recorded as they arise in net earnings.

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 advantage for renewal.

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 enterprise risk management framework 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, 2023, which can be found under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

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, 2024, 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, 2024, 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. The Corporation has excluded from its evaluation the ICFR of Polyphase, acquired effective July 4, 2023, and Beta, acquired effective September 1, 2023, as discussed in Note 4 of the unaudited condensed consolidated interim financial statements and accompanying notes for the period ended June 30, 2024. The total combined revenue subject to Polyphase's and Beta's ICFR represented 1.9% of the Corporation's consolidated total revenue for the six months ended June 30, 2024. The total combined assets subject to Polyphase's and Beta's ICFR represented 0.9% of the Corporation's consolidated total assets as at June 30, 2024.

There was no change in Wajax's ICFR that occurred during the six months ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Non-GAAP and Other Financial Measures

The MD&A contains certain non-GAAP and other financial 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) "**Adjusted net earnings**", "**Adjusted basic earnings per share**" and "**Adjusted 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 unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price;

(iv) "**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 net earnings allow the Corporation's management to consistently compare periods by removing infrequent charges incurred outside of the Corporation's principal business activities, the impact of unrealized losses (gains) resulting from fluctuations in interest rates and the Corporation's share price, the impact of fluctuations in finance costs related to the Corporation's capital structure, the impact of tax rates, and the impact of depreciation and amortization of long-term assets; and

(v) "**Pro-forma adjusted EBITDA**" provides the same utility as Adjusted EBITDA described above, however pursuant to the terms of the bank credit facility, is 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, and for the deduction of payments of lease liabilities. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.

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 ratio 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 ratio 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.
Adjusted net earnings (loss)	Net earnings (loss) before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted basic earnings (loss) per share and adjusted diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.

Adjusted EBIT	EBIT before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
Adjusted EBITDA	EBITDA before any facility closure, restructuring, and other related costs, gains/losses recorded on sale of properties, non-cash gains/losses on mark to market of derivative instruments, and change in fair value of contingent consideration.
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. Pro-forma adjusted EBITDA is used in calculating the Leverage ratio and Senior secured leverage ratio.
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.

Non-GAAP ratios are identified and defined below:

Adjusted EBIT margin	Defined as adjusted EBIT (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
EBITDA margin	Defined as EBITDA (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Adjusted EBITDA margin	Defined as adjusted EBITDA (defined above) divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Leverage ratio	The leverage ratio is defined as debt (defined above) at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above). 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 (defined above) excluding debentures at the end of a particular quarter divided by trailing 12-month pro-forma adjusted EBITDA (defined above).
Funded net debt to total capital	Defined as funded net debt (defined above) divided by total capital (defined above).
Working capital efficiency	Defined as trailing four-quarter average working capital (defined above) as a percentage of the trailing 12-month revenue.

Supplementary financial measures are identified and defined below:

EBIT margin	Defined as EBIT divided by revenue, as presented in the condensed consolidated interim statements of earnings.
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. There is no directly comparable GAAP financial measure for Backlog.
Gross profit margin	Defined as gross profit divided by revenue, as presented in the condensed consolidated interim statements of earnings.
Selling and administrative expenses as a percentage of revenue	Defined as selling and administrative expenses divided by revenue, as presented in the condensed consolidated interim statements of earnings.

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Net earnings	**$ 20.6**	$ 29.0	**$ 35.4**	$ 46.5
Non-cash losses (gains) on mark to market of derivative instruments, after tax	**2.3**	(1.9)	**0.4**	(1.6)
Adjusted net earnings	**$ 22.9**	$ 27.1	**$ 35.8**	$ 44.9
Adjusted basic earnings per share[(1)]	**$ 1.06**	$ 1.26	**$ 1.65**	$ 2.09
Adjusted diluted earnings per share[(1)]	**$ 1.03**	$ 1.22	**$ 1.61**	$ 2.03

(1) For the three months ended June 30, 2024, the number of weighted average basic and diluted shares outstanding were 21,696,986 and 22,235,115, respectively (2023 - 21,487,212 and 22,180,341, respectively).
For the six months ended June 30, 2024, the number of weighted average basic and diluted shares outstanding were 21,689,613 and 22,231,197, respectively (2023 - 21,488,163 and 22,170,148, respectively).

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

	Three months ended		Six months ended		Twelve months ended	
	June 30 2024	June 30 2023	**June 30 2024**	June 30 2023	**June 30 2024**	December 31 2023
EBIT	**$ 37.2**	$ 41.9	**$ 63.9**	$ 71.4	**$ 129.2**	$ 136.7
Depreciation and amortization	**15.4**	14.5	**30.5**	28.4	**60.7**	58.6
EBITDA	**$ 52.6**	$ 56.4	**$ 94.5**	$ 99.9	**$ 189.9**	$ 195.3
EBIT	**$ 37.2**	$ 41.9	**$ 63.9**	$ 71.4	**$ 129.2**	$ 136.7
Facility closure, restructuring, and other related costs[(1)]	**—**	—	**—**	—	**1.9**	1.9
Gain recorded on the sale of properties	**—**	—	**—**	—	**(0.1)**	(0.1)
Non-cash losses on mark to market of derivative instruments, excluding interest rate swaps[(2)]	**2.1**	0.8	**1.0**	0.3	**0.7**	—
Change in fair value of contingent consideration[(3)]	**—**	—	**—**	—	**0.3**	0.3
Adjusted EBIT	**$ 39.3**	$ 42.7	**$ 64.9**	$ 71.8	**$ 132.0**	$ 138.9
Depreciation and amortization	**15.4**	14.5	**30.5**	28.4	**60.7**	58.6
Adjusted EBITDA	**$ 54.7**	$ 57.2	**$ 95.4**	$ 100.2	**$ 192.7**	$ 197.4
Payment of lease liabilities[(4)]					**(37.0)**	(35.5)
Polyphase acquisition pro-forma EBITDA[(5)]					**—**	3.2
Beta acquisition pro-forma EBITDA[(5)]					**0.4**	1.4
Pro-forma adjusted EBITDA					**$ 156.0**	$ 166.7

(1) Facility closure, restructuring, and other related costs consists of costs accrued for a branch closure during the fourth quarter of 2023, including workforce reduction and remaining facility costs.
(2) Non-cash losses (gains) on mark to market of derivative instruments that are not effectively designated as hedging instruments under IFRS, excluding interest rate swaps as their fair value fluctuations impact finance costs.
(3) The change in fair value of contingent consideration relates to changes in the estimated fair value of future performance-based earnout payments relating to business acquisitions.
(4) 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.
(5) Pro-forma EBITDA for 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, 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 2024	March 31 2024	December 31 2023
(Cash) bank indebtedness	**$ (2.8)**	$ (2.0)	$ 1.4
Debentures	**56.7**	56.5	56.3
Long-term debt	**280.5**	297.3	267.8
Funded net debt	**$ 334.4**	$ 351.8	$ 325.5
Letters of credit	**3.7**	4.1	4.8
Debt	**$ 338.1**	$ 355.9	$ 330.3
Pro-forma adjusted EBITDA(1)	**$ 156.0**	$ 161.7	$ 166.7
Leverage ratio(2)	**2.17**	2.20	1.98
Senior secured leverage ratio(3)	**1.80**	1.85	1.64

(1) For the twelve months ended June 30, 2024, March 31, 2024, and December 31, 2023.
(2) Calculation uses debt divided by the trailing four-quarter Pro-forma adjusted EBITDA. This leverage ratio is calculated for purposes of monitoring against the Corporation's 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.

Calculation of total capital and funded net debt to total capital is as follows:

	June 30 2024	March 31 2024	December 31 2023
Shareholders' equity	**$ 517.4**	$ 503.6	$ 496.2
Funded net debt	**334.4**	351.8	325.5
Total capital	**$ 851.7**	$ 855.4	$ 821.7
Funded net debt to total capital	**39.3%**	41.1%	39.6%

Calculation of the Corporation's working capital and other working capital amounts is as follows:

	June 30 2024	March 31 2024	December 31 2023
Total current assets	**$ 1,122.1**	$ 1,137.4	$ 1,043.6
Total current liabilities	**588.8**	594.6	483.4
Working capital	**$ 533.3**	$ 542.9	$ 560.2
Trade and other receivables	**(281.6)**	(290.5)	(309.1)
Inventory	**(724.8)**	(747.4)	(630.9)
Debentures - current	**56.7**	56.5	—
Accounts payable and accrued liabilities	**453.0**	464.7	407.1
Other working capital amounts	**$ 36.5**	$ 26.1	$ 27.3

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: our focus on six strategic priorities for 2024: continuing to build a "people first" company, growing Wajax's existing business with a focus on parts, service and margin improvement, unlocking the potential of Wajax's enhanced direct relationship with Hitachi, acquiring industrial parts and ERS businesses, improving cost structure and processes, and continuing Wajax's ERP system rollout and additional technology improvements; a number of the initiatives and goals associated with our six strategic priorities; the continued development of our environmental, social and governance ("**ESG**") programs; our commitment to being a good steward of the environment, supporting both internal stakeholders and the broader communities we operate in, while upholding sound and ethical business practices; the ESG priorities set out in our Sustainability Roadmap; our belief that solid fundamentals remain in certain of the markets we serve, particularly in mining and energy; our continued monitoring of end markets and customer purchasing patterns, while being prudent with costs; maintaining our focus on the execution of our six strategic priorities for 2024; 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; instances whereby we may be willing to maintain a leverage ratio outside our target range due to changes in economic cycles, and above this range as a result of investments in acquisitions, and that we may fund those acquisitions using our 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 a change 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 long term; and our belief that we maintain sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and fund certain strategic investments, as well as the potential need for us to access the equity or debt capital markets to fund significant acquisitions. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding: the absence of significant negative changes to general business and economic conditions; limited negative fluctuations in the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; the stability of financial market conditions, including interest rates; 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; our continued ability to execute our strategic priorities, including our ability to execute on our organic growth priorities, complete and effectively integrate industrial parts and ERS acquisitions, and successfully implement new information technology platforms, systems and software, such as our new ERP system; the future financial performance of the Corporation; limited fluctuations in our costs; the level of market competition; our continued ability to attract and retain skilled staff; our continued ability to procure quality products and inventory; and our ongoing maintenance of strong relationships with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to: a continued or prolonged deterioration in general business and economic conditions; negative fluctuations 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; the inability 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; a decrease in levels of customer confidence and spending; supply chain disruptions and shortages; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; decreased market acceptance of the products we offer; the termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our inability to attract and retain skilled staff and our inability to maintain strong relationships with our suppliers, employees and customers. The foregoing list of factors is not exhaustive.

Further information concerning the risks and uncertainties associated with these forward-looking statements and the Corporation's business may be found in our MD&A for the year-ended December 31, 2023 (the "**2023 MD&A**"), which has been filed under the Corporation's profile on SEDAR+ at www.sedarplus.ca, under the heading "Risk Management and Uncertainties". 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 2023 MD&A are not the only risks that could impact the Corporation. 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 2023 Annual Report, is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note	**June 30, 2024**	December 31, 2023
ASSETS			
CURRENT			
Cash		**$ 2,801**	$ —
Trade and other receivables	5	**281,581**	309,079
Contract assets	6	**59,315**	69,520
Inventory	7	**724,839**	630,931
Deposits on inventory		**20,431**	8,643
Lease receivables - current		**7,206**	5,896
Prepaid expenses		**21,141**	13,912
Derivative financial assets - current	14	**4,760**	5,632
Total current assets		**1,122,074**	1,043,613
NON-CURRENT			
Rental equipment	8	**45,411**	42,490
Property, plant and equipment	8	**45,863**	44,829
Right-of-use assets	9	**153,165**	135,832
Lease receivables		**13,635**	10,601
Goodwill and intangible assets		**187,014**	190,276
Derivative financial assets	14	**3,595**	5,676
Total non-current assets		**448,683**	429,704
Total assets		**$ 1,570,757**	$ 1,473,317
LIABILITIES AND SHAREHOLDERS’ EQUITY			
CURRENT			
Bank indebtedness		**$ —**	$ 1,397
Accounts payable and accrued liabilities	10	**453,029**	407,090
Provisions - current		**2,990**	2,727
Contract liabilities	6	**28,312**	21,891
Dividends payable	15	**7,594**	7,151
Income taxes payable		**150**	4,631
Lease liabilities - current	11	**39,074**	34,407
Debentures - current	12	**56,650**	—
Derivative financial liabilities - current	14	**987**	4,081
Total current liabilities		**588,786**	483,375
NON-CURRENT			
Provisions		**76**	76
Deferred tax liabilities		**9,115**	10,328
Employee benefits		**6,971**	7,024
Derivative financial liabilities	14	**1,260**	1,521
Lease liabilities	11	**158,600**	140,967
Debentures	12	**—**	56,340
Long-term debt	13	**280,511**	267,755
Other liabilities		**8,074**	9,694
Total non-current liabilities		**464,607**	493,705
Total liabilities		**1,053,393**	977,080
SHAREHOLDERS’ EQUITY			
Share capital	15	**210,264**	210,004
Contributed surplus		**7,181**	7,563
Retained earnings		**297,773**	278,100
Accumulated other comprehensive income		**2,146**	570
Total shareholders’ equity		**517,364**	496,237
Total liabilities and shareholders' equity		**$ 1,570,757**	$ 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 June 30 **2024**	2023	Six months ended June 30 **2024**	2023
Revenue	17	**$ 568,311**	$ 586,222	**$ 1,050,649**	$ 1,102,288
Cost of sales		**449,415**	469,388	**825,736**	879,933
Gross profit		**118,896**	116,834	**224,913**	222,355
Selling and administrative expenses		**81,675**	74,885	**160,992**	150,915
Earnings before finance costs and income taxes		**37,221**	41,949	**63,921**	71,440
Finance costs	18	**9,775**	2,553	**16,774**	8,338
Earnings before income taxes		**27,446**	39,396	**47,147**	63,102
Income tax expense	19	**6,816**	10,383	**11,787**	16,596
Net earnings		**$ 20,630**	$ 29,013	**$ 35,360**	$ 46,506
Basic earnings per share	15	**$ 0.95**	$ 1.35	**$ 1.63**	$ 2.16
Diluted earnings per share	15	**$ 0.93**	$ 1.31	**$ 1.59**	$ 2.10

WAJAX CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)	Three months ended June 30 **2024**	2023	Six months ended June 30 **2024**	2023
Net earnings	**$ 20,630**	$ 29,013	**$ 35,360**	$ 46,506
Items that may be subsequently reclassified to earnings				
Unrealized gain (loss) on derivatives designated as cash flow hedges, net of tax expense of $134 (2023 - recovery of $273) and year to date, net of tax expense of $437 (2023 - recovery of $488)	**376**	(766)	**1,225**	(1,368)
Reclassification of realized (gain) loss on derivatives designated as cash flow hedges to net earnings during the period, net of tax expense of $45 (2023 - expense of $292) and year to date, net of tax recovery of $125 (2023 - expense of $739)	**(126)**	(818)	**351**	(2,071)
Other comprehensive income (loss), net of tax	**250**	(1,584)	**1,576**	(3,439)
Total comprehensive income	**$ 20,880**	$ 27,429	**$ 36,936**	$ 43,067

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

For the six months ended June 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		—	—	35,360	—	35,360
Other comprehensive income		—	—	—	1,576	1,576
Total comprehensive income		—	—	35,360	1,576	36,936
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	—	1,778	—	—	1,778
Dividends declared	15	—	—	(15,196)	—	(15,196)
June 30, 2024		**$ 210,264**	**$ 7,181**	**$ 297,773**	**$ 2,146**	**$ 517,364**

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

For the six months ended June 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		—	—	46,506	—	46,506
Other comprehensive loss		—	—	—	(3,439)	(3,439)
Total comprehensive income		—	—	46,506	(3,439)	43,067
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	—	1,275	—	—	1,275
Dividends declared	15	—	—	(14,202)	—	(14,202)
June 30, 2023		**$ 208,155**	**$ 7,878**	**$ 258,180**	**$ 1,668**	**$ 475,881**

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 June 30 **2024**	2023	Six months ended June 30 **2024**	2023
OPERATING ACTIVITIES					
Net earnings		**$ 20,630**	$ 29,013	**$ 35,360**	$ 46,506
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment	8	**3,307**	3,653	**6,865**	7,256
Property, plant and equipment	8	**2,269**	2,156	**4,297**	3,984
Right-of-use assets	9	**8,086**	7,158	**15,865**	14,234
Intangible assets		**1,761**	1,510	**3,508**	2,964
Gain on disposal of property, plant & equipment		**(101)**	(98)	**(120)**	(292)
Gain on disposal of right-of-use assets		**—**	—	**(201)**	(18)
Share-based compensation expense	16	**547**	1,280	**4,293**	4,524
Non-cash income from finance leases		**(494)**	(178)	**(672)**	(434)
Employee benefits expense, net of employer contributions		**(38)**	(7)	**(53)**	(30)
Loss (gain) on foreign exchange forwards and total return swaps	14	**2,961**	833	**248**	(1,191)
Finance costs	18	**9,775**	2,553	**16,774**	8,338
Income tax expense	19	**6,816**	10,383	**11,787**	16,596
		55,519	58,256	**97,951**	102,437
Changes in non-cash operating working capital	20	**2,076**	(49,192)	**(27,844)**	(126,193)
Rental equipment additions	8	**(10,158)**	(4,644)	**(16,146)**	(11,232)
Rental equipment disposals	8	**4,238**	938	**6,334**	1,733
Other non-current liabilities		**—**	—	**10**	—
Cash received on settlement of total return swaps	14	**33**	—	**1,896**	1,396
Finance costs paid on debts		**(6,176)**	(2,621)	**(11,668)**	(5,986)
Finance costs paid on lease liabilities	11, 18	**(2,606)**	(2,116)	**(5,149)**	(4,218)
Interest collected on lease receivables	18	**249**	147	**455**	277
Income taxes paid		**(7,345)**	(6,735)	**(17,331)**	(33,733)
Cash generated from (used in) operating activities		**35,830**	(5,967)	**28,508**	(75,519)
INVESTING ACTIVITIES					
Property, plant and equipment additions	8	**(2,422)**	(2,326)	**(4,469)**	(4,675)
Proceeds on disposal of property, plant and equipment		**134**	143	**194**	488
Intangible assets net additions		**(205)**	(116)	**(241)**	(260)
Collection of lease receivables		**1,864**	1,238	**3,493**	2,396
Business acquisitions, net of cash acquired	4	**—**	—	**912**	—
Cash used in investing activities		**(629)**	(1,061)	**(111)**	(2,051)
FINANCING ACTIVITIES					
Net (decrease) increase in bank debt	13	**(16,987)**	37,255	**12,868**	112,062
Purchase of shares held in trust		**—**	—	**(980)**	(2,000)
Transaction costs on debts	13	**—**	—	**(439)**	—
Payment of lease liabilities	11	**(9,627)**	(8,578)	**(18,772)**	(17,196)
Payment of tax withholding for share-based compensation		**(226)**	—	**(2,123)**	(2,029)
Dividends paid		**(7,602)**	(7,110)	**(14,753)**	(12,478)
Cash (used in) generated from financing activities		**(34,442)**	21,567	**(24,199)**	78,359
Change in cash		**759**	14,539	**4,198**	789
Cash (bank indebtedness) - beginning of period		**2,042**	(18,980)	**(1,397)**	(5,230)
Cash (bank indebtedness) - end of period		**$ 2,801**	$ (4,441)	**$ 2,801**	$ (4,441)

See accompanying notes to unaudited condensed consolidated interim financial statements.

June 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 August 8, 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 June 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 June 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. Final valuations of certain items are not yet complete. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process.

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 June 30, 2024, $14,651 was paid in cash, comprised of $15,813 paid in 2023 ($15,800 net of cash acquired of $13) and $1,162 received in the year after finalizing post-closing adjustments. As at June 30, 2024, a holdback of $2,035 was subject to certain customary conditions and recorded as a payable to the seller, and $6,554 was the estimated fair value of a three-year 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.

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:

		June 30, 2024		December 31, 2023
Trade accounts receivable	**$**	**255,392**	$	278,394
Less: allowance for credit losses		**(3,138)**		(3,639)
Net trade accounts receivable	**$**	**252,254**	$	274,755
Other receivables		**29,327**		34,324
Total trade and other receivables	**$**	**281,581**	$	309,079

6. CONTRACT ASSETS AND LIABILITIES

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

		June 30, 2024		December 31, 2023
Contract assets	**$**	**59,315**	$	69,520
Contract liabilities	**$**	**28,312**	$	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:

		June 30, 2024		December 31, 2023
Equipment	**$**	**421,186**	$	329,010
Parts		**265,657**		272,073
Work-in-process		**37,996**		29,848
Total inventory	**$**	**724,839**	$	630,931

All amounts shown are net of obsolescence provisions of $28,641 (December 31, 2023 - $28,271).

As at June 30, 2024, the Corporation has included $50,257 (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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 45,717**	$ 44,504	**$ 44,829**	$ 44,104
Additions	**2,422**	2,326	**4,469**	4,675
Disposals - Net book value	**(33)**	(45)	**(74)**	(196)
Transfer from leased to owned at end of lease	**—**	65	**910**	95
Transfer from rental equipment	**26**	—	**26**	—
Depreciation charge	**(2,269)**	(2,156)	**(4,297)**	(3,984)
Balance at end of period	**$ 45,863**	$ 44,694	**$ 45,863**	$ 44,694

Activity within rental equipment included:

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 42,824**	$ 41,590	**$ 42,490**	$ 39,400
Additions	**10,158**	4,644	**16,146**	11,232
Disposals - Net book value	**(4,238)**	(938)	**(6,334)**	(1,733)
Transfer to property, plant and equipment	**(26)**	—	**(26)**	—
Depreciation charge	**(3,307)**	(3,653)	**(6,865)**	(7,256)
Balance at end of period	**$ 45,411**	$ 41,643	**$ 45,411**	$ 41,643

9. RIGHT-OF-USE ASSETS

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Balance at beginning of period	**$ 144,913**	$ 129,083	**$ 135,832**	$ 122,720
Additions	**21,404**	6,862	**42,615**	21,866
Disposals - Net book value	**—**	—	**(1,379)**	(34)
Transfer from leased to owned at end of lease	**—**	(65)	**(910)**	(95)
Disposal to lease receivables upon sublease	**(5,066)**	(2,311)	**(7,128)**	(3,812)
Depreciation charge	**(8,086)**	(7,158)	**(15,865)**	(14,234)
Balance at end of period	**$ 153,165**	$ 126,411	**$ 153,165**	$ 126,411

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		June 30, 2024		December 31, 2023
Trade payables	**$**	**359,388**	$	270,849
Deferred rental income		**784**		918
Contingent consideration liability - current		**2,997**		2,997
Payroll, bonuses and incentives		**34,019**		52,657
Accrued liabilities		**55,841**		79,669
Accounts payable and accrued liabilities	**$**	**453,029**	$	407,090

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:

		Three months ended June 30				Six months ended June 30			
	Note		**2024**		2023		**2024**		2023
Balance at beginning of period		**$**	**185,761**	$	164,625	**$**	**175,374**	$	158,446
Changes from operating cash flows									
Finance costs paid on lease liabilities			**(2,606)**		(2,116)		**(5,149)**		(4,218)
Changes from financing cash flows									
Payment of lease liabilities			**(9,627)**		(8,578)		**(18,772)**		(17,196)
Other changes									
Interest expense	18		**2,606**		2,116		**5,149**		4,218
New leases, net of disposals			**21,540**		6,839		**41,072**		21,636
Balance at end of period		**$**	**197,674**	$	162,886	**$**	**197,674**	$	162,886
Current portion		**$**	**39,074**	$	31,285	**$**	**39,074**	$	31,285
Non-current portion		**$**	**158,600**	$	131,601	**$**	**158,600**	$	131,601

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 June 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:

		June 30, 2024		December 31, 2023
Debentures issued	**$**	**57,000**	$	57,000
Deferred financing costs, net of accumulated amortization		**(350)**		(660)
Total debentures	**$**	**56,650**	$	56,340
Current portion	**$**	**56,650**	$	—
Non-current portion	**$**	**—**	$	56,340

Movements in the debentures balance are as follows:

	Three months ended June 30				Six months ended June 30			
		2024		2023		**2024**		2023
Balance at beginning of period	**$**	**56,494**	$	55,900	**$**	**56,340**	$	55,762
Amortization of deferred financing costs		**156**		143		**310**		281
Balance at end of period	**$**	**56,650**	$	56,043	**$**	**56,650**	$	56,043

Finance costs on the debentures were $1,007 during the quarter (2023 - $996) and $1,996 year to date (2023 - $1,964).

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 $439 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

As at June 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 June 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 June 30, 2024, borrowing capacity under the bank credit facility was $500,000 (December 31, 2023 - $400,000), of which $214,873 (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 June 30, 2024.

The following balances were outstanding:

		June 30, 2024		December 31, 2023
Bank credit facility				
Non-revolving term portion	**$**	**50,000**	$	50,000
Revolving term portion		**231,429**		218,561
	$	**281,429**	$	268,561
Deferred financing costs, net of accumulated amortization		**(918)**		(806)
Total long-term debt	**$**	**280,511**	$	267,755

The Corporation had $3,698 (December 31, 2023 - $4,837) letters of credit outstanding at the end of the period. Finance costs on long-term debt amounted to $5,389 during the quarter (2023 - $2,935) and $10,492 year to date (2023 - $4,882).

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

	Three months ended June 30				Six months ended June 30			
		2024		2023		**2024**		2023
Balance at beginning of period	**$**	**297,332**	$	158,544	**$**	**267,755**	$	83,602
Changes from financing cash flows								
Net (repayments) proceeds of borrowings		**(16,987)**		37,255		**12,868**		112,062
Transaction costs related to borrowings		**—**		—		**(439)**		—
Other changes								
Amortization of deferred financing costs		**166**		136		**327**		271
Balance at end of period	**$**	**280,511**	$	195,935	**$**	**280,511**	$	195,935

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:

		June 30, 2024		December 31, 2023
Financial assets measured at amortized cost:				
Cash	**$**	**2,801**	$	—
Trade and other receivables		**281,581**		309,079
Contract assets		**59,315**		69,520
Lease receivables		**20,841**		16,497
Financial liabilities measured at amortized cost:				
Bank indebtedness		**—**		1,397
Accounts payable and accrued liabilities (excluding contingent consideration)		**450,032**		404,093
Provisions		**3,066**		2,803
Dividends payable		**7,594**		7,151
Other liabilities (excluding contingent consideration)		**1,642**		3,262
Debentures		**56,650**		56,340
Long-term debt		**280,511**		267,755
Financial assets measured at fair value:				
Derivative financial assets		**8,355**		11,308
Financial liabilities measured at fair value:				
Accounts payable and accrued liabilities - contingent consideration		**2,997**		2,997
Other liabilities - contingent consideration		**6,432**		6,432
Derivative financial liabilities		**2,247**		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 June 30, 2024, the Corporation has estimated the fair value of its debentures to be $57,000 (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 $1,022 during the quarter (2023 - gain of $3,347) and a gain of $408 year to date (2023 - gain of $2,449) in the condensed consolidated interim statements of earnings associated with its interest rate swaps and a loss of $177 during the quarter (2023 - gain of $432) and a loss of $354 year to date (2023 - loss of $324), 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 June 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 $365 in the quarter (2023 - loss of $917) and a gain of $1,342 during the year to date (2023 - loss of $869) associated with its foreign exchange forwards in the condensed consolidated interim statements of earnings, and a gain of $427 in the quarter (2023 - loss of $2,007) and a gain of $1,930 during the year to date (2023 - loss of $2,557), net of tax in other comprehensive income.

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

June 30, 2024		**Notional Amount**	**Average Exchange Rate**	**Maturity**
Purchase contracts	US$	195,718	1.3569	July 2024 to March 2026
	€	1,468	1.4857	July 2024 to October 2024
Sales contracts	US$	65,137	1.3464	July 2024 to December 2025
	€	2,388	1.4752	July 2024 to June 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 June 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 $2,596 during the quarter (2023 - gain of $84) and a loss of $1,590 during the year to date (2023 - gain of $2,060) associated with its total return swaps in the condensed consolidated interim statements of earnings.

Derivative financial assets consist of:

		June 30, 2024		December 31, 2023
Interest rate swaps	**$**	**6,130**	$	6,203
Foreign exchange forwards		**1,827**		2,262
Total return swaps		**398**		2,843
Total derivative financial assets	**$**	**8,355**	$	11,308
Current portion	**$**	**4,760**	$	5,632
Non-current portion	**$**	**3,595**	$	5,676

Derivative financial liabilities consist of:

		June 30, 2024		December 31, 2023
Foreign exchange forwards	**$**	**1,206**	$	5,602
Total return swaps		**1,041**		—
Total derivative financial liabilities	**$**	**2,247**	$	5,602
Current portion	**$**	**987**	$	4,081
Non-current portion	**$**	**1,260**	$	1,521

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Opening net derivative financial asset	**$ 9,785**	$ 8,834	**$ 5,706**	$ 10,876
(Loss) gain recognized in net earnings	**(3,983)**	2,514	**160**	3,640
Gain (loss) recognized in other comprehensive income	**339**	(2,137)	**2,138**	(3,909)
Cash received on settlement of total return swaps	**(33)**	—	**(1,896)**	(1,396)
Ending net derivative financial asset	**$ 6,108**	$ 9,211	**$ 6,108**	$ 9,211

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 June 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 and June 30, 2024	21,810,411	$ 211,337
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, June 30, 2024	(112,773)	$ (1,073)
Issued and outstanding, net of shares held in trust, June 30, 2024	**21,697,638**	**$ 210,264**

	Number of Common Shares	Amount
Issued and outstanding, June 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, June 30, 2023	(140,865)	$ (1,333)
Issued and outstanding, net of shares held in trust, June 30, 2023	**21,489,982**	**$ 208,155**

Dividends declared

During the quarter, the Corporation declared cash dividends of $0.35 per share or $7,594 (2023 - dividends of $0.33 per share or $7,092). During the six months ended June 30, 2024, the Corporation declared cash dividends of $0.70 per share or $15,196 (2023 - dividends of $0.66 per share or $14,202). As at June 30, 2024, the Corporation had $7,594 (December 31, 2023 - $7,151) dividends outstanding which were paid on July 3, 2024.

Earnings per share

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Numerator for basic and diluted earnings per share:				
– net earnings	**$ 20,630**	$ 29,013	**$ 35,360**	$ 46,506
Denominator for basic earnings per share:				
– weighted average shares, net of shares held in trust	**21,696,986**	21,487,212	**21,689,613**	21,488,163
Denominator for diluted earnings per share:				
– weighted average shares, net of shares held in trust	**21,696,986**	21,487,212	**21,689,613**	21,488,163
– effect of dilutive share rights	**538,129**	693,129	**541,584**	681,985
Denominator for diluted earnings per share	**22,235,115**	22,180,341	**22,231,197**	22,170,148
Basic earnings per share	**$ 0.95**	$ 1.35	**$ 1.63**	$ 2.16
Diluted earnings per share	**$ 0.93**	$ 1.31	**$ 1.59**	$ 2.10

For the quarter, the calculation above excludes 41,727 anti-dilutive share rights (2023 – nil). For the year to date, the calculation above excludes 49,048 anti-dilutive share rights (2023 – 17,908).

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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Treasury share rights plans				
SOP equity-settled	**$ 21**	$ 21	**$ 42**	$ 48
DDSUP equity-settled	**256**	247	**542**	455
Total treasury share rights plans expense	**$ 277**	$ 268	**$ 584**	$ 503
Market-purchased share rights plans				
MTIP equity-settled	**$ 410**	$ 334	**$ 1,155**	$ 782
DSUP equity-settled	**27**	(19)	**39**	(10)
Total market-purchased share rights plans expense	**$ 437**	$ 315	**$ 1,194**	$ 772
Cash-settled rights plans				
MTIP cash-settled	**$ (113)**	$ 689	**$ 2,523**	$ 3,193
DSUP cash-settled	**(54)**	8	**(8)**	56
Total cash-settled rights plans expense	**$ (167)**	$ 697	**$ 2,515**	$ 3,249
Total share-based compensation expense	**$ 547**	$ 1,280	**$ 4,293**	$ 4,524

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	18,697	541
– dividend equivalents	8,581	—
Outstanding at June 30, 2024	426,566	$ 6,359

At June 30, 2024, 413,585 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	(638,377)
Rights outstanding	(426,566)
Available for future grants at June 30, 2024	585,057

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 June 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	9,445	—
Forfeitures	(2,720)	(66)
Settlements	(122,849)	(2,160)
Outstanding at June 30, 2024	227,243	$ 6,220

At June 30, 2024, 20,340 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 June 30, 2024, the carrying amount of the liabilities for these plans was $4,214 (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	9,870
Forfeitures		(8,425)
Settlements		(194,923)
Outstanding at June 30, 2024		395,197

At June 30, 2024, 4,332 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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Equipment sales	**$ 180,379**	$ 190,357	**$ 278,499**	$ 322,623
Product support	**144,841**	140,560	**279,183**	275,376
Industrial parts	**147,171**	154,888	**302,040**	308,172
Engineered repair services (ERS)	**85,018**	88,971	**169,262**	173,963
Revenue from contracts with customers	**$ 557,409**	$ 574,776	**$ 1,028,984**	$ 1,080,134
Equipment rental	**10,902**	11,446	**21,665**	22,154
Total	**$ 568,311**	$ 586,222	**$ 1,050,649**	$ 1,102,288

The Corporation has included $4,709 during the quarter (2023 - $3,906) and $10,857 year to date (2023 - $6,492) 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:

		Three months ended June 30		Six months ended June 30	
	Note	**2024**	2023	**2024**	2023
Finance costs on long-term debt	13	**$ 5,389**	$ 2,935	**$ 10,492**	$ 4,882
Unrealized loss (gain) on interest rate swaps	14	**1,022**	(3,347)	**(408)**	(2,449)
Finance costs on debentures	12	**1,007**	996	**1,996**	1,964
Interest expense on lease liabilities	11	**2,606**	2,116	**5,149**	4,218
Interest income on lease receivables		**(249)**	(147)	**(455)**	(277)
Finance costs		**$ 9,775**	$ 2,553	**$ 16,774**	$ 8,338

19. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax as follows:

For the six months ended June 30		**2024**		2023
Current income tax expense	**$**	**12,850**	$	16,391
Deferred income tax (recovery) expense		**(1,063)**		205
Income tax expense	**$**	**11,787**	$	16,596

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 six months ended June 30		**2024**		2023
Combined statutory income tax rate		**26.0%**		26.0%
Expected income tax expense at statutory rates	**$**	**12,258**	$	16,407
Non-deductible expenses		**415**		325
Changes in estimates related to prior years		**(634)**		—
Other		**(252)**		(136)
Income tax expense	**$**	**11,787**	$	16,596

20. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

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

	Three months ended June 30				Six months ended June 30			
		2024		2023		**2024**		2023
Trade and other receivables	**$**	**8,967**	$	(7,880)	**$**	**27,443**	$	(2,906)
Contract assets		**(6,070)**		(8,393)		**10,205**		(15,376)
Inventory		**22,527**		(40,733)		**(93,908)**		(162,925)
Deposits on inventory		**(6,241)**		(3,796)		**(11,788)**		(2,527)
Prepaid expenses		**(3,379)**		(1,529)		**(7,229)**		(2,319)
Accounts payable and accrued liabilities		**(14,083)**		13,038		**40,749**		59,757
Provisions		**262**		170		**263**		(14)
Contract liabilities		**93**		(69)		**6,421**		117
Total	**$**	**2,076**	$	(49,192)	**$**	**(27,844)**	$	(126,193)

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 August 8, 2024, the Corporation declared a third quarter 2024 dividend of $0.35 per share.