

# TOROMONT

Second Quarter 2022

July 26, 2022

## TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2022 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported its financial results for the second quarter ended June 30, 2022.

<i>millions, except per share amounts</i>	Three months ended June 30			Six months ended June 30		
	2022	2021	% change	2022	2021	% change
Revenues	\$ 1,080.9	\$ 1,127.1	(4%)	\$ 1,941.0	\$ 1,933.3	-
Operating income	\$ 156.5	\$ 122.5	28%	\$ 242.6	\$ 192.7	26%
Net earnings	\$ 111.7	\$ 85.4	31%	\$ 171.2	\$ 133.4	28%
Basic earnings per share ("EPS")	\$ 1.35	\$ 1.03	31%	\$ 2.08	\$ 1.62	28%

We are pleased with our operating and financial performance. While end market activity levels remain solid, the persistent supply constraint pressures and inflation variables contributed to a fluid and complex operating environment. The Equipment Group reported good activity in rental and product support, while global supply chain challenges persist and continue to impact timing of equipment and parts deliveries. CIMCO revenues decreased in the quarter on timing of project construction schedules, against a strong comparable last year, while product support activity improved. Across the organization, there is continued attention to our operating disciplines, while working closely with our customers and stakeholders to manage through uncertain conditions.

### Highlights:

#### Consolidated results

- Revenues decreased 4% in the quarter against a tough comparable. Revenues in 2021 benefited from timing of project construction activity, as well as accelerated purchasing by customers as COVID restrictions began to ease and reflecting historically high activity. Equipment sales were down 19% compared to prior year, with the Equipment Group down 16% and CIMCO package revenues down 38%, as both groups continue to experience delays in construction project schedules and deliveries due to supply chain constraints in the current year. Product support revenues were 14% higher on increased demand and technician headcount, with work-in-process levels remaining high, while rental revenues grew 19% on a larger fleet and higher utilization.
- Revenues on a year-to-date basis were largely unchanged at \$1.9 billion, as the improved activity in rentals (up 23%) and product support (up 12%) offset reductions in equipment and package revenues (down 12%) against a tough comparable last year, coupled with continuing supply chain issues in the current year.

- Operating income<sup>(1)</sup> increased 28% in the quarter on a favourable sales mix (higher percentage of rentals and product support revenues to total revenues) and improved gross margins. Expense levels were up slightly at 12.1% of revenue (11.7% in Q2 2021), reflecting continued cost focus in an inflationary environment, consistent with gradual business openings.
- Operating income increased 26% in the first half of 2022, and was 12.5% of revenues compared to 10.0% in the similar period last year, reflecting the continued favourable sales mix and improved gross margins, offset by a higher expense ratio.
- Net earnings increased \$26.3 million or 31% in the quarter versus a year ago to \$111.7 million or \$1.35 EPS.
- For the first half of the year, net earnings increased \$37.9 million or 28% to \$171.2 million, or \$2.08 EPS.
- Bookings<sup>(1)</sup> for the second quarter were 34% lower compared to last year and were 25% lower on a year-to-date basis. Both the Equipment Group and CIMCO reported strong bookings in 2021, after a period of lower activity stemming from COVID restrictions. Backlogs<sup>(1)</sup> were \$1.5 billion at June 30, 2022, compared to \$957.8 million at June 30, 2021, reflecting strong order activity over the past year coupled with ongoing supply constraints.

#### Equipment Group

- Revenues were down \$23.3 million or 2% to \$993.2 million for the quarter with lower equipment sales, offset by higher activity in both rental and product support, trending across most regions and markets.
- Revenues were up \$35.9 million or 2% to \$1.8 billion year-to-date with similar trends as the quarter.
- Operating income was up \$35.0 million or 30% for the second quarter, reflecting the favourable sales mix (higher proportion of rental and product support revenues to total revenues), coupled with improved gross margins.
- Operating income increased \$50.1 million or 27% to \$236.4 million year-to-date, on the same factors as noted for the quarter. Operating income margin increased 260 bps to 13.3%.
- Bookings in the second quarter were \$398.5 million, lower 37%. Year-to-date bookings were \$965.6 million, lower 27%. Strong mining and construction sector orders in the comparable periods last year make 2021 a stronger comparable.
- Backlogs of \$1.3 billion at the end of June 2022 were up \$481.3 million or 59% from the end of June 2021 across all sectors. Approximately 65% of the backlog is expected to be delivered this year, subject to timing of delivery of equipment from suppliers.

#### CIMCO

- Revenues of \$87.7 million decreased \$22.8 million or 21% compared to the second quarter last year with lower package revenues on construction schedules more than offsetting higher product support revenue (up 14%). The timing of construction schedules affects comparability of reported package revenues between periods, largely driven by the impact of pandemic restrictions and supply chain

constraints in both periods. Prior period benefited from higher package revenues as 2020 projects were deferred and completed in 2021; for the current period supply chain constraints have deferred some projects into the second half of the year.

- Revenues decreased \$28.2 million or 15% to \$161.2 million year-to-date on lower package revenues more than offsetting higher product support sales (up 23%). Recreational market activity has been stronger in the current year where pandemic restrictions have been eased after a prolonged period of time.
- Operating income of \$5.1 million decreased \$0.9 million (16%) for the quarter reflecting the lower revenues. Operating income margin improved to 5.8% of revenues mainly due to the higher product support sales mix and gross margins.
- Operating income was down \$0.2 million or 4% to \$6.2 million year-to-date, reflecting lower revenues, offset by a favourable sales mix and improved gross margins. Operating income margin increased to 3.9% (2021 – 3.4%) largely reflecting the favourable sales mix.
- Bookings were up 6% in both the second quarter (up \$2.8 million to \$48.9 million) and year-to-date (up \$4.7 million to \$88.7 million). Industrial orders were higher in both Canada and the US, while recreational orders were down mainly in Canada, offset by an increase in orders in the US.
- Backlogs of \$174.5 million were up \$27.0 million or 18%, as projects were deferred due to equipment and material delays caused by supply chain challenges. Approximately 95% of the backlog is estimated to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from supply chain constraints.

### Financial Position

- Toromont's share price of \$104.08 at the end of June 2022, translated to a market capitalization<sup>(1)</sup> of \$8.6 billion and a total enterprise value<sup>(1)</sup> of \$8.4 billion.
- The Company maintained a very strong financial position. Leverage as represented by the net debt to total capitalization<sup>(1)</sup> ratio was -7% at the end June 2022, compared to -16% at the end of December 2021 and -1% at the end of June 2021.
- The Board of Directors approved a quarterly dividend of \$0.39 cents per share, payable on October 4, 2022 to shareholders on record on September 8, 2022.
- The Company's return on equity<sup>(1)</sup> was 20.5% at the end of June 2022, on a trailing twelve-month basis, compared to 19.6% at the end of December 2021 and 19.0% at the end of June 2021. Trailing twelve month pre-tax return on capital employed<sup>(1)</sup> was 29.0% at the end of June 2022, compared to 26.6% at the end of December 2021 and 24.2% at the end of June 2021.
- During the quarter, the Company announced the planned retirement of Scott Medhurst, President and Chief Executive Officer. Mr. Medhurst intends to retire within the next 12 to 18 months after a successful 34 year career with Toromont, the last 10 years as President and CEO. In addition to providing a lengthy notice period, he has agreed to assist in the transition and act as an advisor to the new President and CEO. A special committee of the Board of Directors of Toromont has been struck to address an orderly transition.

We are proud of our team as they remain committed to disciplined execution of our diverse operational model, adapting to changes in the business environment, while remaining focused on executing customer deliverables. Activity remained sound with favourable backlog levels, but supply chains are challenged. This has restricted availability and is likely to result in delivery date extensions. Pandemic challenges remain and we continue to measure inflationary pressures and supply-demand dynamics as the economic environment continues to evolve and change. Technician hiring remains a priority to our product support offering and to meet growing demand. The diversity of our geographic landscape and markets served, extensive product and service offerings, technology investments and financial strength, together with our disciplined operating culture, continue to position us well.

## **Management's Discussion and Analysis**

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and six months ended June 30, 2022, compared to the preceding year. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2022, the annual MD&A contained in the 2021 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2021.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to July 26, 2022.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2021 Annual Report and the 2022 Annual Information Form. These filings are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.toromont.com](http://www.toromont.com).

## **Advisory**

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A reflects current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This MD&A also contains forward-looking statements about the recently acquired businesses.

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; inflationary pressures; potential risks and uncertainties relating to the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity; increased regulation of or restrictions placed on our businesses as a result of COVID-19; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes

in interest rates; the availability of financing; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cyber security breaches; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; any requirement to make contributions or other payments in respect of registered defined benefit pension plans or postemployment benefit plans in excess of those currently contemplated; and increased insurance premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at [www.sedar.com](http://www.sedar.com) or at our website [www.toromont.com](http://www.toromont.com). Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information, which reflect Toromont's expectations only as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

## CONSOLIDATED OPERATING RESULTS

(\$ thousands, except per share amounts)	Three months ended June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
<b>REVENUES</b>	<b>\$ 1,080,897</b>	\$ 1,127,066	\$(46,169)	(4%)	<b>\$ 1,941,040</b>	\$ 1,933,304	7,736	-
Cost of goods sold	<b>793,886</b>	872,360	(78,474)	(9%)	<b>1,440,522</b>	1,491,220	(50,698)	(3%)
Gross profit <sup>(1)</sup>	<b>287,011</b>	254,706	32,305	13%	<b>500,518</b>	442,084	58,434	13%
Selling and administrative expenses	<b>130,528</b>	132,198	(1,670)	(1%)	<b>257,912</b>	249,360	8,552	3%
<b>OPERATING INCOME <sup>(1)</sup></b>	<b>156,483</b>	122,508	33,975	28%	<b>242,606</b>	192,724	49,882	26%
Interest expense	<b>6,857</b>	7,002	(145)	(2%)	<b>13,543</b>	14,179	(636)	(4%)
Interest and investment income	<b>(3,888)</b>	(2,260)	(1,628)	72%	<b>(6,505)</b>	(4,264)	(2,241)	53%
Income before income taxes	<b>153,514</b>	117,766	35,748	30%	<b>235,568</b>	182,809	52,759	29%
Income taxes	<b>41,833</b>	32,366	9,467	29%	<b>64,355</b>	49,453	14,902	30%
<b>NET EARNINGS</b>	<b>111,681</b>	85,400	26,281	31%	<b>171,213</b>	133,356	37,857	28%
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 1.35</b>	\$ 1.03	\$ 0.32	31%	<b>\$ 2.08</b>	\$ 1.62	\$ 0.46	28%
<b>KEY RATIOS:</b>								
Gross profit margin <sup>(1)</sup>	<b>26.6%</b>	22.6%			<b>25.8%</b>	22.9%		
Selling and administrative expenses as a % of revenues	<b>12.1%</b>	11.7%			<b>13.3%</b>	12.9%		
Operating income margin <sup>(1)</sup>	<b>14.5%</b>	10.9%			<b>12.5%</b>	10.0%		
Income taxes as a % of income before income taxes	<b>27.3%</b>	27.5%			<b>27.3%</b>	27.1%		

The Company delivered strong bottom line results in the second quarter and first half of 2022, reflecting a favourable sales mix (higher rentals and product support revenues to total revenues), improved gross margins, managed expense growth, and lower net interest costs. Revenues were challenged by a tough comparable in 2021, which benefited from an increase in equipment and package deliveries. In addition, the current year continues to be challenged by on-going supply chain constraints and general macro-economic factors such as inflation, interest rate changes, and lingering pandemic concerns.

Revenues decreased \$46.2 million or 4% for the quarter from the comparable period last year on lower activity in both the Equipment Group and CIMCO. Equipment Group revenues decreased 2% in the quarter on lower new and used equipment sales, partially offset by increased rental revenues and higher product support activity. CIMCO revenues decreased 21% in the quarter on lower package revenues partially offset by higher product support activity levels. Supply chain challenges continue to dampen revenues in 2022 in both operating groups.

Revenues for the first half of 2022 were largely unchanged from the comparable period last year at \$1.9 billion. Equipment Group revenues increased 2% compared to last year as higher product support and rental activity more than offset lower equipment sales. CIMCO revenues decreased 15% year-to-date, on similar trends as for the quarter noted previously.

Gross profit margin increased 400 basis points (“bps”) to 26.6% in the quarter and increased 290 bps year-to-date compared to last year. Sales mix contributed approximately half of the increase in each period, with a higher percentage of rentals and product support revenues to total revenues. Equipment Group margins increased with improvements in most areas. CIMCO margins increased on higher package sale margins, reflecting improved execution and mix of projects in process.

Selling and administrative expenses decreased \$1.7 million or 1% in the quarter compared to last year. Mark-to-market adjustments on deferred share units (“DSUs”) resulted in a decrease in expense year-over-year of \$7.2 million, reflecting the lower share price. Excluding this item, selling and administrative expenses were up \$5.5 million or 4%. Compensation costs were approximately \$4.3 million higher year-over-year, inclusive of higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Bad debt expense increased \$1.9 million in the quarter on slower collections. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures, while information technology spending decreased after a period of investment in certain integration efforts.

Selling and administrative expenses increased \$8.6 million or 3% in the first half of 2022 compared to the prior year. Mark-to-market adjustments on DSUs resulted in a decrease in expense year-over-year of \$7.8 million, reflecting the lower share price. In the first half of 2021, property dispositions and other related settlements resulted in gains in both periods, with a reduction of a gain of \$2.8 million on a year-over-year basis for the first half. Excluding these two items, selling and administrative expenses were up \$13.5 million or 5%. Compensation costs increased approximately \$10.0 million in the first half reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Other expenses such as training, travel and occupancy costs have increased, only partially offset by a lower level of information technology spend as noted above. Bad debt expense was unchanged from last year through the first half of 2022. Selling and administrative expenses were 40 basis points higher as a percentage of revenues (13.3% versus 12.9% last year).

Operating income increased \$34.0 million or 28% in the quarter to \$156.5 million and \$49.9 million or 26% to \$242.6 million year-to-date. Operating income as a percentage of revenues was 250 bps higher in the first half of the year (12.5% versus 10.0% last year), reflecting favourable sales mix and higher gross margins.

Interest expense decreased \$0.1 million in the quarter and \$0.6 million year-to-date, on lower average debt levels.

Interest income increased \$1.6 million (up 72%) in the quarter and \$2.2 million year-to-date (up 53%) mainly on higher cash balances held in the periods, as well as higher interest income earned on

conversion of equipment on rent with a purchase option (“RPO”).

The effective income tax rate was 27.3% in the quarter and year-to-date. The effective income tax rate varies depending on the nature of income (i.e., capital gains), geographic distribution (Canada vs. US) and other regular tax items (non-deductible expenses).

Net earnings were up \$26.3 million or 31% to \$111.7 million for the quarter and \$37.9 million or 28% to \$171.2 million year-to-date. Basic earnings per share (“EPS”) were up 31% to \$1.35 for the quarter and up 28% to \$2.08 year-to-date.

Comprehensive income in the quarter was \$147.3 million (2021 – \$96.6 million) and \$219.3 million year-to-date (2021 - \$178.8 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of \$20.0 million after-tax for the quarter (2021 – actuarial gain of \$7.8 million) and year-to-date actuarial gain of \$43.7 million (2021 - actuarial gain of \$42.1 million). These gains reflect changes in the weighted average discount rates used in the valuation, which are reflective of underlying financial markets, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a favorable net change in the fair value of cash flow hedges of \$15.1 million after-tax for the quarter (2021 – a favourable net change of \$3.6 million) and year-to-date a favourable net change of \$4.1 million after-tax (2021 – a favourable net change of \$3.7 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the underlying USD/CAD exchange rates at period end compared to contract date.

## BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment’s revenue. Interest expense and interest and investment income are not allocated.

### Equipment Group

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
Equipment sales and rentals								
New	\$ 365,012	\$ 448,978	\$(83,966)	(19%)	\$ 618,567	\$ 699,305	\$(80,738)	(12%)
Used	102,262	110,546	(8,284)	(7%)	185,814	183,314	2,500	1%
Rentals	108,860	91,463	17,397	19%	202,081	163,761	38,320	23%
Total equipment sales and rentals	576,134	650,987	(74,853)	(11%)	1,006,462	1,046,380	(39,918)	(4%)
Product support	414,445	362,859	51,586	14%	768,079	692,083	75,996	11%
Power generation	2,635	2,699	(64)	(2%)	5,300	5,465	(165)	(3%)
<b>Total revenues</b>	<b>\$ 993,214</b>	<b>\$ 1,016,545</b>	<b>\$(23,331)</b>	<b>(2%)</b>	<b>\$ 1,779,841</b>	<b>\$ 1,743,928</b>	<b>\$ 35,913</b>	<b>2%</b>
<b>Operating income</b>	<b>\$ 151,412</b>	<b>\$ 116,447</b>	<b>\$ 34,965</b>	<b>30%</b>	<b>\$ 236,378</b>	<b>\$ 186,260</b>	<b>\$ 50,118</b>	<b>27%</b>
<b>KEY RATIOS:</b>								
Product support revenues as a % of total revenues	41.7%	35.7%			43.2%	39.7%		
Operating income margin	15.2%	11.5%			13.3%	10.7%		
Group total revenues as a % of consolidated revenues	91.9%	90.2%			91.7%	90.2%		

Results in the Equipment Group reflect continued challenges with equipment and parts supply chains that are affecting product availability, delaying deliveries, slowing work-in-process, and dampening sales

growth. Solid market activity continued in areas such as rental and product support. Gross margin improvement and continued expense control drove improvements in operating income. Historically results have reflected some seasonality, however the pandemic, supply chain constraints and general economic factors have disrupted this pattern and may continue to do so for the near to mid-term future.

Total equipment sales (new and used) decreased \$92.3 million or 16% in the quarter and \$78.2 million or 9% year-to-date, across all markets and regions. New equipment sales decreased 19% in the quarter and 12% year-to-date, as continued inventory supply constraints delayed deliveries to customers. Used equipment sales decreased 7% in the quarter and increased 1% year-to-date. Used equipment sales vary based on availability, either from rental fleet, trades or purchases. Overall, revenues by market segments were as follows for the quarter (for the first half): construction lower 15% (-7%), mining lower 25% (-7%), power systems lower 14% (-19%), material handling lower 49% (-31%), and agricultural up 4% (down -1%).

Rental revenues were up \$17.4 million (+19%) in the quarter and \$38.3 million (+23%) year-to-date. All market sectors and most regions were up, reflecting continued improvement in market activity. Revenues increased for both the heavy equipment fleet (up 3% in the quarter and 13% year-to-date) and light equipment fleet (up 22% in both the quarter and year-to-date) on improved utilization and fleet expansions, both reflecting improved market activity. Power rentals increased 38% in the quarter (35% year-to-date) and material-handling rentals increased 16% in the quarter (18% year-to-date). The RPO fleet (on rent with a purchase option) was \$44.2 million at June 30, 2022 versus \$32.2 million at this time last year reflecting higher demand, yet remains below pre-pandemic levels.

Product support revenues grew \$51.6 million or 14% in the quarter and \$76.0 million or 11% in the first half, with increases in both parts (up 15% in the quarter and 11% year-to-date) and service (up 13% in the quarter and 12% year-to-date) revenues. Activity was up in the majority of the markets and across all regions in both the quarter (and first half of the year): construction markets +17% (+14%), mining +15% (+11%), power systems +3% (+1%) and material handling +19% (+6%). Agricultural activity was down for the quarter and year-to-date on slower start to the year. Service revenue growth also represents the increase in technician headcount to service demand.

Gross profit margins increased 380 bps in the quarter and 280 bps year-to-date compared to last year, with approximately half of the improvement driven by a favourable sales mix (higher product support and rental revenues to total). Rental margins were up 80 bps for the quarter and 90 bps year-to-date, reflecting improved activity and fleet utilization. New and used equipment margins contributed 70 bps in the quarter and 90 bps year-to-date to margin, reflecting sales mix (new vs. used). Product support margins increased in the quarter but were lower in the first half, with higher costs stemming from supply chain challenges, inflationary factors and pandemic impacts.

Selling and administrative expenses were down \$2.1 million or 2% in the quarter, and up \$8.1 million or 4% for the first half of 2022. Compensation costs were higher in both periods reflecting staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures, while information technology spend has decreased on the completion of several integration projects. Bad debt expense increased \$1.2 million in the quarter on slower collections late in the quarter and decreased \$0.5 million year-to-date. Selling and administrative expenses were 20 basis points higher as a percentage of revenues (12.9% versus 12.7% last year).

Operating income increased in both the quarter (up \$35.0 million or 30% to \$151.4 million) and year-to-date (up \$50.1 million or 27% to \$236.4 million), mainly reflecting the higher rental and product support revenues, improved gross margins and favourable sales mix.



## Bookings<sup>(1)</sup> and Backlogs<sup>(1)</sup>

(\$ millions)	2022	2021	\$ change	% change
Bookings - three months ended June 30	\$ 398.5	\$ 633.9	\$ (235.4)	(37%)
Bookings - six months ended June 30	\$ 965.6	\$ 1,320.0	\$ (354.4)	(27%)
Backlogs - as at June 30	\$ 1,291.6	\$ 810.3	\$ 481.3	59%

New bookings were lower in the second quarter, down \$235.4 million or 37%, reflecting a very strong prior year comparable that included several large mining and construction orders. Bookings in the following sectors were down: construction (-43%), mining (-5%) and power systems (-42%), partially offset by higher orders in material handling (+40%) and agriculture (+36%).

On a year-to-date basis, bookings decreased \$354.4 million or 27% to \$965.6 million, reflecting the tough comparable and business and economic factors overriding normal seasonality.

Backlogs of \$1.3 billion were up \$481.3 million or 59%. At June 30, 2022, the breakdown of backlog by markets was as follows: construction 42%; mining 31%; power systems 20%; agriculture 4%; and material handling 3%. Approximately 65% of the backlog is expected to be delivered over the remainder of this year, however this is subject to timing of vendor supply and customer delivery schedules.

Bookings and backlogs can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries with customers, and the availability of equipment from either inventory or suppliers.

## CIMCO

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
Package sales	\$ 45,576	\$ 73,712	\$ (28,136)	(38%)	\$ 76,119	\$ 120,101	\$ (43,982)	(37%)
Product support	42,107	36,809	5,298	14%	85,080	69,275	15,805	23%
<b>Total revenues</b>	<b>\$ 87,683</b>	<b>\$ 110,521</b>	<b>\$ (22,838)</b>	<b>(21%)</b>	<b>\$ 161,199</b>	<b>\$ 189,376</b>	<b>\$ (28,177)</b>	<b>(15%)</b>
<b>Operating income</b>	<b>\$ 5,071</b>	<b>\$ 6,061</b>	<b>\$ (990)</b>	<b>(16%)</b>	<b>\$ 6,228</b>	<b>\$ 6,464</b>	<b>\$ (236)</b>	<b>(4%)</b>
<b>KEY RATIOS:</b>								
Product support revenues as a % of total revenues	48.0%	33.3%			52.8%	36.6%		
Operating income margin	5.8%	5.5%			3.9%	3.4%		
Group total revenues as a % of consolidated revenues	8.1%	9.8%			8.3%	9.8%		

CIMCO's results for the second quarter and first half of 2022 were lower than prior year, a tough comparable, which included several large construction projects. Package revenues were also dampened in the current year by supply chain challenges which is resulting in the deferral of construction schedules. Product support activity continued to present strong results, especially in the recreational market.

Package revenues reflect the progress of project construction applying the percentage-of-completion method of accounting. This introduces a degree of variability as the timing of projects and construction schedules are largely under the control of third parties (contractors and end-customers).

Package revenues were down \$28.1 million or 38% during the quarter, largely due to several large industrial projects in process in Canada in the prior year. Industrial market revenues were down 52%,

partially offset by an increase in the recreational market (up 9%). The US market saw relatively consistent revenues year-over-year for the quarter.

Year-to-date, package sales were \$44.0 million or 37% lower than last year in both market segments (recreational down 15% and industrial down 43%), primarily due to the large industrial projects previously noted.

Product support revenues increased in both the second quarter (up \$5.3 million or 14%) and for the first half of the year (up \$15.8 million or 23%). Revenues in Canada increased 24% in the quarter and 30% year-to-date reflecting higher economic activity levels. Activity levels increased with the easing of pandemic restrictions, and a reopening of recreational centres after prolonged pandemic closure. In the US, revenues were down 9% for the quarter and up 3% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 420 bps in the quarter and 330 bps in the first half versus the comparable periods last year. A favourable sales mix, with a higher proportion of product support revenues to total, accounted for 250 and 280 bps of the increase respectively. Package margins improved in both periods on improved execution and the nature of projects in process. Product support margins were slightly lower in both periods on inflationary factors and supply chain constraints.

Selling and administrative expenses increased \$0.4 million or 3% in the quarter, mainly reflecting increased occupancy costs associated with the relocation of the Canadian head office to Burlington and restructuring other branch facilities. Expenditure control measures on discretionary spend remained in effect. On a year-to-date basis, selling and administrative expenses increased \$0.5 million or 2% on similar reasons as noted for the quarter. As a percentage of revenues, selling and administrative expenses were higher at 17.1% in the first half of 2022 versus 14.3% for the similar period last year, mainly due to the lower revenues.

Operating income decreased \$0.9 million or 16% for the quarter and \$0.2 million or 4% year-to-date, reflecting the lower package revenues, partially offset by the strong product support revenues and higher gross margin on the favourable sales mix.

## Bookings and Backlogs

<i>(\$ millions)</i>	<b>2022</b>	2021	\$ change	% change
Bookings - three months ended June 30	\$ <b>48.9</b>	\$ 46.1	\$ 2.8	6%
Bookings - six months ended June 30	\$ <b>88.7</b>	\$ 84.0	\$ 4.7	6%
Backlogs - as at June 30	\$ <b>174.5</b>	\$ 147.5	\$ 27.0	18%

Bookings were up \$2.8 million or 6% to \$48.9 million in the quarter. Industrial bookings were up in both Canada (+10%) and the US (+71%), as activity increased with the continued easing of most pandemic restrictions and a resumption of capital investment. Recreational bookings were 11% lower on reduced market activity, mainly on lower bookings in Canada down 18% while bookings in the US were up 7%.

On a year-to-date basis, bookings were up \$4.7 million or 6% to \$88.7 million, with similar trends as the quarter. Industrial orders were up 16% in both Canada (up 12%) and the US (up 47%), with a steady increase in activity levels. Recreational orders decreased 9% to \$31.5 million, with decreases in Canada (down 21%) being offset by increases in the US (up 32%) on a smaller volume base.

Backlogs of \$174.5 million increased 18% compared to June 2021. Both recreational and industrial backlog increased, in part reflecting the deferral or delay in construction schedules resulting from supply chain constraints. Recreational backlog increased in both Canada (up 16%) and the US (up 78%). Industrial backlog also increased in both Canada (up 5%) and the US (up 26%). Approximately 95% all of the backlog is expected to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from supply chain constraints.

## CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2022, the ratio of net debt to total capitalization<sup>(1)</sup> was -7% (net cash position), compared to -16% at December 31, 2021, and -1% at June 30, 2021.

### Non-cash Working Capital

The Company's investment in non-cash working capital was \$530.1 million at June 30, 2022. The major components, along with the changes from June 30 and December 31, 2021, are identified in the following table.

(\$ thousands)	June 30	June 30	Change		December 31	Change	
	2022	2021	\$	%	2021	\$	%
Accounts receivable	\$ 569,803	\$ 531,530	\$ 38,273	7%	\$ 451,944	\$ 117,859	26%
Inventories	916,845	712,868	203,977	29%	720,421	196,424	27%
Other current assets	19,684	13,637	6,047	44%	13,994	5,690	41%
Accounts payable and accrued liabilities	(618,477)	(516,293)	(102,184)	20%	(544,512)	(73,965)	14%
Provisions	(26,795)	(26,724)	(71)	-	(25,404)	(1,391)	5%
Income taxes recoverable (payable)	(3,186)	8,616	(11,802)	<i>nm</i>	(15,239)	12,053	(79%)
Derivative financial instruments	12,639	(633)	13,272	<i>nm</i>	5,252	7,387	<i>nm</i>
Dividends payable	(32,124)	(28,929)	(3,195)	11%	(28,851)	(3,273)	11%
Deferred revenues and contract liabilities	(308,303)	(172,516)	(135,787)	79%	(199,696)	(108,607)	54%
<b>Total non-cash working capital</b>	<b>\$ 530,086</b>	<b>\$ 521,556</b>	<b>\$ 8,530</b>	<b>2%</b>	<b>\$ 377,909</b>	<b>\$ 152,177</b>	<b>40%</b>

Accounts receivable increased 7% from June 30, 2021. Days sales outstanding ("DSOs") increased 5 days to 41 days on slower collections in both the Equipment Group (up 5 days) and CIMCO (up 14 days). Collection activity and credit metrics are being closely monitored to prevent further erosion.

In comparison to December 31, 2021, accounts receivable increased 26%, reflecting slower collections. DSO was 36 days at December 31, 2021.

Inventories at June 30, 2022 were 29% higher compared to June 30, 2021:

- Equipment Group inventories were up \$188.9 million or 27%, with increased equipment (up \$110.8 million or 27%), service work-in-process (up \$34.7 million or 52%), and parts (up \$43.4 million or 19%). Inventory levels increased as a result of supply chain constraints causing delays in final delivery of equipment and service work, as well as recent price increases.
- CIMCO inventories were up \$15.1 million or 90%, mainly on higher work-in-process levels (up 92%), reflecting timing of project construction schedules. Parts inventory activity was also up \$2.4 million or 77% on higher activity and recent price increases.

Inventories at June 30, 2022 were 27% higher compared to December 31, 2021, with increases in both Groups:

- Equipment Group inventories were 27% higher with increases in equipment (up 28%), work-in-progress (up 42%), and parts inventories (up 19%). Inventory levels are typically lowest at the end of a fiscal year due to seasonality, with inventories building during the year in advance of the typically busy selling period, however pandemic and economic factors have influenced customer buying patterns and overridden normal seasonality. Additionally, supply chain constraints have impacted the normal sales timeline as delays of equipment, parts and components delay final delivery to end customers.
- CIMCO inventories were up 52% on higher work-in-process (up 56%) and parts (up 37%), reflecting higher service and project activity levels as well as delays in construction schedules.

Other current assets are comprised mainly of prepaid expenses, and vary from period to period based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at June 30, 2022, were 20% higher than at June 30, 2021, reflecting higher activity levels, partially offset by the lower DSU liability on a lower number of units and lower share price.

In comparison to December 31, 2021, accounts payable and accrued liabilities were up 14%, on similar trends as the above, which mainly reflect the timing of purchase and payment for inventory and other supplies and the payment of annual performance incentive bonuses.

Income taxes recoverable/(payable) reflects the difference between tax installments and current tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar (weaker) led to a cumulative net gain of \$12.6 million as at June 30, 2022. This is not expected to affect net earnings as the unrealized losses offset future gains on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to June 30 and December 31, 2021, mainly reflecting the higher dividend rate. The effective quarterly dividend rates were as follows: \$0.31 per share in the first quarter of 2021, \$0.35 per share in the fourth quarter of 2021, and \$0.39 per share in the first and second quarter of 2022. This represents an increase of 12.9% in 2021 and an increase of 11.4% in 2022.

Deferred revenues and contract liabilities represent billings to customers in excess of revenue recognized.

- In the Equipment Group, these balances arise mainly due to progress billings from the sale of power and energy systems and long-term product support maintenance contracts, as well as on sales of equipment with residual value guarantees and customer deposits for machinery to be delivered in the future. At June 30, 2022, these were up 90.4% versus June 30, 2021 and up 56% versus December 31, 2021, largely related to progress billings and customer deposits for deliveries later in the year.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages and vary depending on timing of billings compared to customer's construction schedules. As at June 30, 2022, these were up 28.8% versus June 30, 2021 and up 59% versus December 31, 2021.

## **Legal and Other Contingencies**

Due to the size, complexity and nature of the Company's operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or results of operations.

### **Normal Course Issuer Bid ("NCIB")**

The Company purchased and cancelled 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) under the NCIB program during the six months ended June 30, 2022.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at June 30, 2022, an obligation for the repurchase of shares of \$12.3 million was recognized under the ASPP.

No shares were purchased and cancelled, nor were any obligations raised, under the respective bids or ASPP's in place at the time, during the comparative period in 2021.

### **Long-term Incentive Plan ("LTIP")**

On April 28, 2022, shareholders approved the adoption of certain changes to the Company's long-term incentive plan. There was no change to the Company's existing stock option and cash-settled DSU plans, both of which remain in place. Under the LTIP, the Company introduced performance share units ("PSU"), restricted share units ("RSU"), executive deferred share units ("EDSU") and equity-settled DSUs. The Company has the ability to grant options and awards under all of these respective plans. However, the intention is that going forward, total incentive award grants will be based on historical stock option grant levels at approximately a 50/50 split between stock options and grants under the LTIP.

Details of each grant will be determined at the date of grant, including performance requirements, vesting and settlement method. PSUs and RSUs will settle upon vesting, while EDSUs and DSUs will settle upon cessation of service to the Company. PSU vesting will be based upon the achievement of performance objectives established at the time of grant by the Board of Directors. The maximum number of common shares reserved for issuance, in aggregate, under the LTIP, will be 750,000, representing 0.9% of the issued and outstanding shares at February 26, 2022.

No grants have been awarded under the LTIP as at June 30, 2022

### **Outstanding Share Data**

As at the date of this MD&A, the Company had 82,095,023 common shares and 2,030,628 share options outstanding.

## Dividends

The Company declared and paid the following dividends to common shareholders during the last eight quarters.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
September 8, 2020	October 2, 2020	\$0.31	\$25.5
December 9, 2020	January 5, 2021	\$0.31	\$25.6
March 9, 2021	April 1, 2021	\$0.31	\$25.6
June 9, 2021	July 5, 2021	\$0.35	\$28.9
September 8, 2021	October 4, 2021	\$0.35	\$29.0
December 8, 2021	January 5, 2022	\$0.35	\$28.9
March 9, 2022	April 4, 2022	\$0.39	\$32.2
June 9, 2022	July 5, 2022	\$0.39	\$32.1

The Board of Directors increased the quarterly dividend by 11.4% or 4 cents per share, to 39 cents per common share on February 10, 2022. The next dividend is payable on October 4, 2022 to shareholders on record on September 8, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including cash generated from operations, long and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of senior debentures, notes payable and committed credit facilities.

Toromont's debt portfolio is unsecured, unsubordinated and ranks pari passu.

The Company maintains a \$500.0 million committed revolving credit facility that matures in November 2026. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on these revolving credit facilities as at: June 30, 2022; December 31 and June 30, 2021.

Standby letters of credit issued utilized \$34.3 million of the facility as at June 30, 2022, \$28.8 million as at December 31, 2021 and \$30.0 million as at June 30, 2021.

The Company expects that continued cash flows from operations in 2022, together with cash on hand and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets. The Company also has a certain degree of flexibility in its operating and investing plans to mitigate fluctuations.

## Principal Components of Cash Flow

Cash from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows, are summarized in the following table:

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Cash, beginning of period</b>	\$ 795,731	\$ 613,942	\$ 916,830	\$ 591,128
Cash, provided by (used in):				
<b>Operating activities</b>				
Operations	148,340	123,370	239,361	209,714
Change in non-cash working capital and other	(19,699)	15,022	(170,606)	(14,375)
Net rental fleet additions	(56,187)	(40,172)	(78,548)	(46,236)
	72,454	98,220	(9,793)	149,103
<b>Investing activities</b>	(20,271)	(28,198)	(31,293)	(31,054)
<b>Financing activities</b>	(69,329)	(23,154)	(97,060)	(48,329)
Effect of foreign exchange on cash balances	215	(39)	116	(77)
Increase in cash in the period	(16,931)	46,829	(138,030)	69,643
<b>Cash, end of period</b>	\$ 778,800	\$ 660,771	\$ 778,800	\$ 660,771

### Cash Flows from Operating Activities

Operating activities provided cash in both the second quarter of 2022 and the comparative period in 2021. On a year-to-date basis operating activities utilized cash in the first half of 2022 compared to providing cash in the comparable period last year.

Cash generated from operations increased for the quarter (up 22%) and year-to-date (up 15%) from the similar periods last year on the higher net earnings.

Non-cash working capital used cash in the second quarter of 2022, as higher inventory levels and accounts receivable, were only partially offset by higher accounts payable and customer deposits. Non-cash working capital provided cash in the second quarter of 2021, largely on a reduction of inventory in the quarter.

On a year-to-date basis non-cash working capital used more cash in 2022 as compared to the first six months of 2021, as the higher accounts payable and customer deposits were more than offset by higher accounts receivable and inventory levels and timing of payments of income tax instalments.

Net rental fleet additions (purchases less proceeds of dispositions) increased in both the second quarter and first half of 2022 compared to the similar periods last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada reflecting improved market conditions.

The components and changes in non-cash working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition".

### Cash Flows from Investing Activities

Investments in property, plant and equipment totalled \$20.9 million in the second quarter of 2022 (2021 - \$28.3 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the

- business - \$8.3 million (2021 - \$16.8 million); and
- Normal replacement of service and delivery vehicles - \$12.6 million (2021 - \$11.5 million).

On a year-to-date basis, additions to property, plant and equipment totalled \$32.1 million (2021 - \$32.9 million). In 2021, property dispositions provided proceeds of \$1.6 million, resulting in a capital gain of \$1.2 million, or \$1.0 million after-tax.

### Cash Flows from Financing Activities

During the second quarter of 2022, the Company used \$69.3 million (2021 – used \$23.2 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$32.2 million or \$0.39 per share (2021 - \$25.6 million or \$0.31 per share);
- Cash received on exercise of share options of \$2.9 million (2021 - \$4.9 million);
- Purchase of shares under the NCIB program used \$37.7 million (2021 – \$nil); and
- Lease liability payments of \$2.3 million (2021 - \$2.5 million).

For the six months ended June 30, 2022, financing activities used \$97.1 million (2021 – used \$48.3 million) in cash, major uses and sources of cash during this period included:

- Dividends paid to common shareholders of \$61.1 million or \$0.74 per share (2021 – \$51.1 million or \$0.62 per share);
- Cash received on exercise of share options of \$6.4 million (2021 – \$7.9 million);
- Purchase of shares under the NCIB program used \$37.7 million (2021 – \$nil); and
- Lease liability payments of \$4.7 million (2021 – \$5.1 million).

## **OUTLOOK**

We are closely monitoring global economic factors, in particular, inflationary pressures from price and wage increases, including increases from our key suppliers. Initiatives are underway across all of our operations to improve efficiency and leverage the learnings from the last two years, including use of technology and innovative ways to engage with customers, employees and other partners with reduced discretionary spending.

The ongoing challenges in the global supply chain have resulted in delivery date delays for equipment, components and parts and this is expected to continue. We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with our key suppliers and our customers, such as actively sourcing used equipment, optimizing preparation time on equipment, and offering rebuilds and rental options. We expect a tight supply environment to continue.

There is ongoing concern and uncertainty regarding COVID-19. Staff shortages, reduced customer activity and demand, product availability and other supplier constraints, inflationary impacts and increased government regulations or intervention, are some of the factors that have and may continue to negatively impact our business, consolidated financial results and conditions of the Company. As a result, it is not possible to reliably estimate the length and severity of these developments as well as the impact on the consolidated financial results and condition of the Company in future periods.

The protection and support of our people remains a priority, particularly, our front-line technical workforce who provide valuable service to our customers. Workforce planning initiatives, including hiring and scheduling, continue in light of current and expected activity levels.



The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. The on-going integration and alignment of operating processes and systems, best practices and culture, continues across our territory. The long-term outlook for infrastructure projects and other construction activity is positive across most territories although tied somewhat to the general economic climate which is increasingly uncertain. Mining customers and our operations that support them continue to evaluate appropriate activity levels on a daily/weekly basis. Longer term, mine expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, the branch network, rental fleets, and technologies to create efficiency and effectiveness across the organization. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base and product support levels supports current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO<sub>2</sub> solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides growth opportunities. Recreational markets have been limited due to pandemic restrictions, however over the longer term, opportunity exists. Current backlogs are supportive of future activity. Inflationary costs and highly competitive pricing by competition in the market continue to challenge package revenue growth opportunities.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results in the long term.

## QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2021 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>REVENUES</b>				
Equipment Group	\$ 914,386	\$ 866,970	\$ 786,627	\$ 993,214
CIMCO	82,812	89,065	73,516	87,683
Total revenues	\$ 997,198	\$ 956,035	\$ 860,143	\$ 1,080,897
<b>NET EARNINGS</b>	\$ 93,764	\$ 105,590	\$ 59,532	\$ 111,681
<b>PER SHARE INFORMATION:</b>				
Basic earnings per share	\$ 1.13	\$ 1.28	\$ 0.72	\$ 1.35
Diluted earnings per share	\$ 1.12	\$ 1.27	\$ 0.72	\$ 1.34
Dividends paid per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.39
Weighted average common shares outstanding - basic (in thousands)	82,705	82,401	82,467	82,433

<i>(\$ thousands, except per share amounts)</i>	Q3 2020	Q4 2020	Q1 2021	Q2 2021
<b>REVENUES</b>				
Equipment Group	\$ 834,716	\$ 896,904	\$ 727,383	\$ 1,016,545
CIMCO	86,940	95,281	78,855	110,521
Total revenues	\$ 921,656	\$ 992,185	\$ 806,238	\$ 1,127,066
<b>NET EARNINGS</b>	\$ 77,359	\$ 88,950	\$ 47,956	\$ 85,400
<b>PER SHARE INFORMATION:</b>				
Basic earnings per share	\$ 0.94	\$ 1.08	\$ 0.58	\$ 1.03
Diluted earnings per share	\$ 0.94	\$ 1.07	\$ 0.58	\$ 1.02
Dividends paid per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.35
Weighted average common shares outstanding - basic (in thousands)	82,195	82,373	82,499	82,587

Interim period revenues and earnings historically reflect variability from quarter to quarter due to seasonality. The pandemic and resulting impact on the economy, including global supply chains, has affected seasonal trends in recent periods shown and may result in continued variations to historically experienced trends.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter had typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules. This trend can also be impacted during periods of equipment supply constraints from suppliers.

CIMCO has also had a distinct seasonal trend in results historically, as the timing of construction activity impacts revenue recognition under percentage-of-completion accounting. Revenues are typically lower during the first quarter as winter weather slows down construction schedules. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and customer timing of significant industrial projects. Sequential comparisons are also impacted by CIMCO's relatively high fixed cost structure.

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarter. This trend can be impacted by equipment and parts availability. These seasonal sales trend also typically leads to accounts receivable to be at their highest level at year-end.

In 2020 and 2021, these patterns were disrupted by the governmental and market response and reaction to COVID-19. In 2021, demand for equipment was stronger through the first nine months of the year, reflecting both delayed purchasing from 2020, as well as stronger order flow in light of global supply chain disruptions, thus impacting revenues in the fourth quarter.

Net earnings have generally followed the trend in revenues. Cost reduction and containment strategies continue to be a focus, however, have a delayed effect on net earnings.

The overall economic environment because of the COVID-19 pandemic and other global economic factors have affected and may continue to impact these trends. There can be no certainty that this historical seasonality pattern will recur in 2022 or in the future.

## **RISKS AND RISK MANAGEMENT**

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's MD&A for the year ended December 31, 2021 under "Risks and Risk Management".

## **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

### Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements are consistent with those used in the Company's 2021 audited annual consolidated financial statements, and described in note 1 therein. Several amendments, apply for the first time in 2022, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company for the three and six month period ending June 30, 2022.

### Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in note 2 to the Company's 2021 audited annual consolidated financial statements, contained in the Company's 2021 Annual Report.

## **CONTROLS AND PROCEDURES**

### Disclosure Controls and Procedures

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such disclosure controls and procedures, or have caused it to be designed under their supervision, to provide reasonable assurance that material information with respect to Toromont is made known to them.

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures as designed were effective as at June 30, 2022.

## Internal Control over Financial Reporting

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

There have been no changes in the design of the Company's internal control over financial reporting during the three and six months ended June 30, 2022, that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, a projection of the evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation. Internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

## **ADDITIONAL GAAP MEASURES**

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

### Gross Profit

Gross Profit is defined as total revenues less cost of goods sold.

### Operating Income

Operating income is defined as net earnings before interest expense, interest and investment income and income taxes and is used by management to assess and evaluate the financial performance of its operating segments. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments do not correspond to income tax jurisdictions, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net earnings	\$ 111,681	\$ 85,400	\$ 171,213	\$ 133,356
<i>plus</i> : Interest expense	6,857	7,002	13,543	14,179
<i>less</i> : Interest and investment income	(3,888)	(2,260)	(6,505)	(4,264)
<i>plus</i> : Income taxes	41,833	32,366	64,355	49,453
<b>Operating income</b>	<b>\$ 156,483</b>	<b>\$ 122,508</b>	<b>\$ 242,606</b>	<b>\$ 192,724</b>
Total Revenues	1,080,897	1,127,066	1,941,040	1,933,304
<b>Operating income margin</b>	<b>14.5%</b>	<b>10.9%</b>	<b>12.5%</b>	<b>10.0%</b>

### Net Debt to Total Capitalization/Equity

Net debt to total capitalization/equity are calculated as net debt divided by total capitalization and shareholders' equity, respectively, as defined below, and are used by management as measures of the Company's financial leverage.

Net debt is calculated as long-term debt plus current portion of long-term debt less cash. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

(\$ thousands)	June 30 2022	December 31 2021	June 30 2021
Long-term debt	\$ 646,699	\$ 646,337	\$ 646,867
<i>less</i> : Cash	778,800	916,830	660,771
Net debt	(132,101)	(270,493)	(13,904)
Shareholders' equity	2,067,767	1,953,329	1,833,640
<b>Total capitalization</b>	<b>\$ 1,935,666</b>	<b>\$ 1,682,836</b>	<b>\$ 1,819,736</b>
<b>Net debt to total capitalization</b>	<b>-7%</b>	<b>-16%</b>	<b>-1%</b>
<b>Net debt to equity</b>	<b>-0.06:1</b>	<b>-0.14:1</b>	<b>-0.01:1</b>

### **NON-GAAP MEASURES**

Management believes that providing certain non-GAAP measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with IFRS.

## Working Capital

Working capital is defined as total current assets less total current liabilities. Management views working capital as a measure for assessing overall liquidity.

<i>(\$ thousands)</i>	<b>June 30 2022</b>	December 31 2021	June 30 2021
Total current assets	\$ 2,297,771	\$ 2,108,441	\$ 1,927,521
less: Total current liabilities	988,885	813,702	745,194
<b>Working capital</b>	<b>\$ 1,308,886</b>	<b>\$ 1,294,739</b>	<b>\$ 1,182,327</b>

## Non-Cash Working Capital

Non-cash working capital is defined as total current assets (excluding cash) less total current liabilities (excluding current portion of long-term debt).

<i>(\$ thousands)</i>	<b>June 30 2022</b>	December 31 2021	June 30 2021
Total current assets	\$ 2,297,771	\$ 2,108,441	\$ 1,927,521
less: Cash	778,800	916,830	660,771
	<b>1,518,971</b>	<b>1,191,611</b>	<b>1,266,750</b>
Total current liabilities	988,885	813,702	745,194
<b>Non-cash working capital</b>	<b>\$ 530,086</b>	<b>\$ 377,909</b>	<b>\$ 521,556</b>

## Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market price of the Company's common shares by the total number of common shares outstanding.

Total enterprise value represents the total value of the Company and is often used as a more comprehensive alternative to market capitalization. It is calculated by adding net debt (defined above) to market capitalization.

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	<b>June 30 2022</b>	December 31 2021	June 30 2021
Outstanding common shares	82,205,023	82,443,968	82,655,063
times: Ending share price	\$ 104.08	\$ 114.36	\$ 108.00
<b>Market capitalization</b>	<b>\$ 8,555,899</b>	<b>\$ 9,428,292</b>	<b>\$ 8,926,747</b>
Long-term debt	\$ 646,699	\$ 646,337	\$ 646,867
less: Cash	778,800	916,830	660,771
<b>Net debt</b>	<b>\$ (132,101)</b>	<b>\$ (270,493)</b>	<b>\$ (13,904)</b>
<b>Total enterprise value</b>	<b>\$ 8,423,798</b>	<b>\$ 9,157,799</b>	<b>\$ 8,912,843</b>

## KEY PERFORMANCE INDICATORS (“KPIs”)

Management uses key performance indicators to enable consistent measurement of performance across the organization. These KPIs are non-GAAP financial measures, do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other issuers.

### Gross Profit Margin

This measure is defined as gross profit (defined above) divided by total revenues.

### Operating Income Margin

This measure is defined as operating income (defined above) divided by total revenues.

### Order Bookings and Backlogs

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlogs are defined as the retail value of equipment units ordered by customers with future delivery, and the remaining retail value of package/project orders remaining to be recognized in revenues under the percentage of completion method. Management uses order backlog as a measure of projecting future equipment and project deliveries. There are no directly comparable IFRS measures for order bookings or backlog.

### Return on Capital Employed (“ROCE”)

ROCE is utilized to assess both current operating performance and prospective investments. The adjusted earnings numerator used for the calculation is income before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders’ equity, also referred to as total capitalization.

	Trailing twelve months ended		
	June 30 2022	December 31 2021	June 30 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 370,567	\$ 332,710	\$ 299,664
<i>plus:</i> Interest expense	27,525	28,161	29,339
<i>less:</i> Interest and investment income	(11,268)	(9,027)	(9,057)
<i>plus:</i> Interest income - rental conversions	3,251	2,635	3,633
<i>plus:</i> Income taxes	138,995	124,093	112,837
Adjusted net earnings	\$ 529,070	\$ 478,572	\$ 436,416
Average capital employed	\$ 1,826,669	\$ 1,796,703	\$ 1,800,007
<b>Return on capital employed</b>	<b>29.0%</b>	26.6%	24.2%

### Return on Equity (“ROE”)

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing net earnings by opening shareholders’ equity (adjusted for shares issued and redeemed during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
	June 30 2022	December 31 2021	June 30 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 370,567	\$ 332,710	\$ 299,664
Opening shareholders' equity (net of adjustments)	\$ 1,805,337	\$ 1,695,008	\$ 1,573,428
<b>Return on equity</b>	<b>20.5%</b>	19.6%	19.0%

## FOOTNOTE

- (1) These financial metrics do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and may not be comparable to similar measures used by other issuers. These measurements are presented for information purposes only. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions and a reconciliation to the most directly comparable GAAP measures, under the headings "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators."



**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited)**

(\$ thousands)	Note	June 30 2022	December 31 2021	June 30 2021
<b>Assets</b>				
Current assets				
Cash		\$ 778,800	\$ 916,830	\$ 660,771
Accounts receivable		569,803	451,944	531,530
Inventories		916,845	720,421	712,868
Income taxes recoverable		-	-	8,715
Derivative financial instruments	5	12,639	5,252	-
Other current assets		19,684	13,994	13,637
<b>Total current assets</b>		<b>2,297,771</b>	2,108,441	1,927,521
Property, plant and equipment				
Property, plant and equipment	2	460,348	450,825	434,309
Rental equipment	2	563,840	525,521	546,861
Other assets		28,615	23,735	27,972
Deferred tax assets		270	231	494
Goodwill and intangible assets		473,804	475,043	476,448
<b>Total assets</b>		<b>\$ 3,824,648</b>	\$ 3,583,796	\$ 3,413,605
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities		\$ 650,601	\$ 573,363	\$ 545,222
Provisions		26,795	25,404	26,724
Deferred revenues and contract liabilities		308,303	199,696	172,516
Derivative financial instruments	5	-	-	633
Income taxes payable		3,186	15,239	99
<b>Total current liabilities</b>		<b>988,885</b>	813,702	745,194
Deferred revenues and contract liabilities				
Deferred revenues and contract liabilities		18,514	27,254	32,200
Long-term lease liabilities		16,900	11,780	14,382
Long-term debt	3, 5	646,699	646,337	646,867
Post-employment obligations	9	24,371	82,712	94,543
Deferred tax liabilities		61,512	48,682	46,779
<b>Total liabilities</b>		<b>1,756,881</b>	1,630,467	1,579,965
<b>Shareholders' equity</b>				
Share capital	4	544,134	539,677	526,025
Contributed surplus		18,112	16,352	15,562
Retained earnings		1,496,408	1,392,551	1,290,128
Accumulated other comprehensive income		9,113	4,749	1,925
<b>Total shareholders' equity</b>		<b>2,067,767</b>	1,953,329	1,833,640
<b>Total liabilities and shareholders' equity</b>		<b>\$ 3,824,648</b>	\$ 3,583,796	\$ 3,413,605

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONSOLIDATED INCOME STATEMENTS**  
**(Unaudited)**

(\$ thousands, except share amounts)	Note	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
<b>Revenues</b>	11	\$ 1,080,897	\$ 1,127,066	\$ 1,941,040	\$ 1,933,304
Cost of goods sold		793,886	872,360	1,440,522	1,491,220
Gross profit		287,011	254,706	500,518	442,084
Selling and administrative expenses		130,528	132,198	257,912	249,360
<b>Operating income</b>		<b>156,483</b>	122,508	<b>242,606</b>	192,724
Interest expense	6	6,857	7,002	13,543	14,179
Interest and investment income	6	(3,888)	(2,260)	(6,505)	(4,264)
Income before income taxes		153,514	117,766	235,568	182,809
Income taxes		41,833	32,366	64,355	49,453
<b>Net earnings</b>		<b>\$ 111,681</b>	\$ 85,400	<b>\$ 171,213</b>	\$ 133,356
<b>Earnings per share</b>					
Basic	7	\$ 1.35	\$ 1.03	\$ 2.08	\$ 1.62
Diluted	7	\$ 1.34	\$ 1.02	\$ 2.06	\$ 1.60
<b>Weighted average number of shares outstanding</b>					
Basic	7	82,433,458	82,586,778	82,449,900	82,542,927
Diluted	7	83,194,100	83,462,230	83,214,434	83,332,327

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Net earnings</b>	<b>\$ 111,681</b>	<b>\$ 85,400</b>	<b>\$ 171,213</b>	<b>\$ 133,356</b>
<b>Other comprehensive income (loss), net of income taxes:</b>				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	465	(168)	255	(312)
Unrealized gains (losses) on derivatives designated as cash flow hedges	25,499	(5,182)	12,218	(9,289)
Income tax (expense) recovery	(6,629)	1,350	(3,176)	2,417
Unrealized gains (losses) on cash flow hedges, net of income taxes	18,870	(3,832)	9,042	(6,872)
Realized (gains) losses on derivatives designated as cash flow hedges	(5,117)	9,987	(6,666)	14,233
Income tax expense (recovery)	1,330	(2,599)	1,733	(3,703)
Realized (gains) losses on cash flow hedges, net of income taxes	(3,787)	7,388	(4,933)	10,530
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial and other gains	27,246	10,617	59,499	57,210
Income tax expense	(7,218)	(2,814)	(15,766)	(15,161)
Actuarial and other gains, net of income taxes	20,028	7,803	43,733	42,049
<b>Other comprehensive income</b>	<b>35,576</b>	<b>11,191</b>	<b>48,097</b>	<b>45,395</b>
<b>Total comprehensive income</b>	<b>\$ 147,257</b>	<b>\$ 96,591</b>	<b>\$ 219,310</b>	<b>\$ 178,751</b>

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(\$ thousands)	Note	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
<b>Operating activities</b>					
Net earnings		\$ 111,681	\$ 85,400	\$ 171,213	\$ 133,356
Items not requiring cash:					
Depreciation and amortization		39,649	39,620	78,883	78,691
Stock-based compensation		1,522	1,410	3,043	2,876
Post-employment obligations		715	357	1,158	2,302
Deferred income taxes		(1,060)	1,506	(4,420)	5,117
Gain on sale of rental equipment and property, plant and equipment		(4,167)	(4,923)	(10,516)	(12,628)
		<b>148,340</b>	123,370	<b>239,361</b>	209,714
Net change in non-cash working capital and other	10	(19,699)	15,022	(170,606)	(14,375)
Additions to rental equipment	2	(64,716)	(54,701)	(100,784)	(78,341)
Proceeds on disposal of rental equipment		8,529	14,529	22,236	32,105
<b>Cash provided by (used in) operating activities</b>		<b>72,454</b>	98,220	<b>(9,793)</b>	149,103
<b>Investing activities</b>					
Additions to property, plant and equipment	2	(20,875)	(28,297)	(32,082)	(32,902)
Proceeds on disposal of property, plant and equipment		644	143	874	1,936
Increase in other assets		(40)	(44)	(85)	(88)
<b>Cash used in investing activities</b>		<b>(20,271)</b>	(28,198)	<b>(31,293)</b>	(31,054)
<b>Financing activities</b>					
Dividends paid	4	(32,164)	(25,587)	(61,015)	(51,147)
Cash received on exercise of stock options		2,856	4,939	6,374	7,877
Shares purchased for cancellation	4	(37,688)	-	(37,688)	-
Payment of lease liabilities		(2,333)	(2,506)	(4,731)	(5,059)
<b>Cash used in financing activities</b>		<b>(69,329)</b>	(23,154)	<b>(97,060)</b>	(48,329)
Effect of currency translation on cash balances		215	(39)	116	(77)
(Decrease) increase in cash during the period		(16,931)	46,829	(138,030)	69,643
Cash, at beginning of the period		795,731	613,942	916,830	591,128
<b>Cash, at end of the period</b>		<b>\$ 778,800</b>	\$ 660,771	<b>\$ 778,800</b>	\$ 660,771

Supplemental cash flow information (note 10)

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

	Share capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
(\$ thousands, except share numbers)								
<b>At January 1, 2022</b>	<b>82,443,968</b>	<b>\$ 539,677</b>	<b>\$ 16,352</b>	<b>\$ 1,392,551</b>	<b>\$ 1,868</b>	<b>\$ 2,881</b>	<b>\$ 4,749</b>	<b>\$ 1,953,329</b>
Net earnings	-	-	-	171,213	-	-	-	171,213
Other comprehensive income	-	-	-	43,733	255	4,109	4,364	48,097
Total comprehensive income	-	-	-	214,946	255	4,109	4,364	219,310
Exercise of stock options	123,055	7,657	(1,283)	-	-	-	-	6,374
Stock-based compensation expense	-	-	3,043	-	-	-	-	3,043
Effect of stock compensation plans	123,055	7,657	1,760	-	-	-	-	9,417
Shares purchased for cancellation	(362,000)	(2,386)	-	(35,302)	-	-	-	(37,688)
Share repurchase commitment under NCIB	-	(814)	-	(11,498)	-	-	-	(12,312)
Dividends declared	-	-	-	(64,289)	-	-	-	(64,289)
<b>At June 30, 2022</b>	<b>82,205,023</b>	<b>\$ 544,134</b>	<b>\$ 18,112</b>	<b>\$ 1,496,408</b>	<b>\$ 2,123</b>	<b>\$ 6,990</b>	<b>\$ 9,113</b>	<b>\$ 2,067,767</b>
<b>At January 1, 2021</b>	<b>82,474,658</b>	<b>\$ 516,591</b>	<b>\$ 14,243</b>	<b>\$ 1,169,239</b>	<b>\$ 1,880</b>	<b>\$ (3,301)</b>	<b>\$ (1,421)</b>	<b>\$ 1,698,652</b>
Net earnings	-	-	-	133,356	-	-	-	133,356
Other comprehensive income	-	-	-	42,049	(312)	3,658	3,346	45,395
Total comprehensive income	-	-	-	175,405	(312)	3,658	3,346	178,751
Exercise of stock options	180,405	9,434	(1,557)	-	-	-	-	7,877
Stock-based compensation expense	-	-	2,876	-	-	-	-	2,876
Effect of stock compensation plans	180,405	9,434	1,319	-	-	-	-	10,753
Dividends declared	-	-	-	(54,516)	-	-	-	(54,516)
<b>At June 30, 2021</b>	<b>82,655,063</b>	<b>\$ 526,025</b>	<b>\$ 15,562</b>	<b>\$ 1,290,128</b>	<b>\$ 1,568</b>	<b>\$ 357</b>	<b>\$ 1,925</b>	<b>\$ 1,833,640</b>

See accompanying notes

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three and six months ended June 30, 2022**  
**(Unaudited)**

(\$ thousands, except where otherwise indicated)

**1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Information**

Toromont Industries Ltd. (the “Company” or “Toromont”) is a limited company incorporated and domiciled in Canada whose shares are publicly traded on the Toronto Stock Exchange under the symbol TIH. The registered office is located at 3131 Highway 7 West, Concord, Ontario, Canada.

The Company operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations, a complementary material handling business and an agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities.

**Basis of Preparation**

a) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2021.

These interim condensed consolidated financial statements were authorized for issue by the Board of the Directors on July 26, 2022.

b) Basis of Presentation

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. These interim condensed consolidated financial statements are presented in Canadian dollars, which is Toromont’s functional currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

c) Accounting Policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s audited annual consolidated financial statements for the year ended December 31, 2021.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

d) Use of Estimates and Judgements

The preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Significant estimates and judgements used in the preparation of these interim condensed consolidated financial statements are described in the Company’s audited annual consolidated financial statements for the year ended December 31, 2021. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

For the three and six months ended June 30, 2022, the Company assessed the impact of the uncertainties around the COVID-19 pandemic on its interim consolidated balance sheet carrying amounts. The Company will continue to monitor the impact of the development of the COVID-19 pandemic in future reporting periods.

## 2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

Activity within property, plant and equipment and rental equipment during the period included:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Additions</b>				
Rental equipment	\$ 64,716	\$ 54,701	\$ 100,784	\$ 78,341
Property, plant and equipment	20,875	28,297	32,082	32,902
<b>Total additions</b>	<b>\$ 85,591</b>	<b>\$ 82,998</b>	<b>\$ 132,866</b>	<b>\$ 111,243</b>
<b>Disposals – Net book value ("NBV")</b>				
Rental equipment	\$ 4,757	\$ 9,735	\$ 12,319	\$ 20,850
Property, plant and equipment	251	14	276	563
<b>Total disposals – NBV</b>	<b>\$ 5,008</b>	<b>\$ 9,749</b>	<b>\$ 12,595</b>	<b>\$ 21,413</b>
<b>Depreciation</b>				
Cost of goods sold	\$ 32,068	\$ 31,550	\$ 63,533	\$ 62,614
Selling and administrative expenses	4,445	4,415	8,960	8,639
<b>Total depreciation</b>	<b>\$ 36,513</b>	<b>\$ 35,965</b>	<b>\$ 72,493</b>	<b>\$ 71,253</b>

## 3. LONG-TERM DEBT

	June 30 2022	December 31 2021	June 30 2021
Senior debentures:			
3.71%, \$150.0 million, due September 30, 2025 <sup>(1)</sup>	\$ 150,000	\$ 150,000	\$ 150,000
3.84%, \$500.0 million, due October 27, 2027 <sup>(1)</sup>	500,000	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	(3,301)	(3,663)	(3,133)
<b>Total long-term debt</b>	<b>\$ 646,699</b>	<b>\$ 646,337</b>	<b>\$ 646,867</b>

<sup>(1)</sup> Interest payable semi-annually, principal due on maturity.

The Company maintains a \$500.0 million committed revolving credit facility that matures in November 2026. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the revolving credit facilities as at: June 30, 2022, December 31 and June 30, 2021.

Standby letters of credit issued utilized \$34.3 million of the facility as at June 30, 2022 (December 31, 2021 – \$28.8 million and June 30, 2021 – \$30.0 million).

#### 4. SHARE CAPITAL

##### Normal Course Issuer Bid (“NCIB”)

The Company purchased and cancelled 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) under the NCIB program during the six months ended June 30, 2022.

The Company maintains an Automatic Share Purchase Plan (“ASPP”) with a broker that allows the purchase of common shares for cancellation under the NCIB during predetermined trading blackout periods. As at June 30, 2022, an obligation for the repurchase of shares of \$12.3 million was recognized under the ASPP.

No shares were purchased and cancelled, nor were any obligations raised, under the respective bids or ASPP's in place at the time, during the comparative period in 2021.

##### Dividends Declared

	2022				2021			
	Declared		Paid to		Declared		Paid to	
	Effective	Per Share	Shareholders	Total	Effective	Per Share	Shareholders	Total
Quarter 1 dividend	<b>March 9, 2022</b>	<b>\$0.39</b>	<b>April 4, 2022</b>	<b>\$ 32.2</b>	March 9, 2021	\$0.31	April 1, 2021	\$ 25.6
Quarter 2 dividend	<b>June 9, 2022</b>	<b>\$0.39</b>	<b>July 5, 2022</b>	<b>\$ 32.1</b>	June 9, 2021	\$0.35	July 5, 2021	\$ 28.9
				<b>\$ 64.3</b>		\$0.66		\$54.50

On July 26, 2022, the Board of Directors declared a quarterly dividend of \$0.39 per common share, payable on October 4, 2022, to shareholders of record on September 8, 2022.



## 5. FINANCIAL INSTRUMENTS

### Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	<b>June 30 2022</b>	December 31 2021	June 30 2021
<b>Other financial liabilities:</b>			
Long-term debt	<b>\$ 646,699</b>	\$ 646,337	\$ 646,867
<b>Derivative financial instruments (liabilities) assets, net:</b>			
Foreign exchange forward contracts	<b>\$ 12,639</b>	\$ 5,252	\$ (633)

### Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate as at period-end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

The fair value and carrying value of long-term debt are as follows:

	<b>June 30 2022</b>	December 31 2021	June 30 2021
<b>Long-term debt</b>			
Fair value	<b>\$ 628,469</b>	\$ 695,285	\$ 705,971
Carrying value	<b>\$ 650,000</b>	\$ 650,000	\$ 650,000

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity.

During the six months ended June 30, 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

### Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency-denominated obligations related to purchases of inventory and sales of products. As at June 30, 2022, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$739.8 million at an average exchange rate of \$1.2709, maturing between July 2022 and April 2024; and (ii) EUR purchase contracts with a notional amount of \$1.1 million at an average exchange rate of \$1.4632, maturing between July 2022 and August 2022.

Management estimates that a gain of \$12.6 million (December 31, 2021 – gain of \$5.3 million; June 30, 2021 – loss of \$0.4 million) would be realized if the contracts were terminated on June 30, 2022.

Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$9.4 million (December 31, 2021 – \$3.9 million; June 30, 2021 – \$0.5 million) has been included in other comprehensive income. These gains are not expected to affect net income as the amounts will be reclassified to net income within the next 11 months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable and accrued liabilities. Certain of those forward contracts are not designated as cash flow hedges, but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$3.2 million (December 31, 2021 – gain of \$1.4 million; June 30, 2021 – loss of \$0.9 million) on forward contracts not designated as hedges is included in net income, which offsets gains recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

## 6. INTEREST AND INVESTMENT INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Credit facilities	\$ 388	\$ 544	\$ 721	\$ 1,292
Senior debentures	6,313	6,289	12,505	12,532
Interest on lease liabilities	156	169	317	355
	<b>\$ 6,857</b>	<b>\$ 7,002</b>	<b>\$ 13,543</b>	<b>\$ 14,179</b>

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Interest on conversion of rental equipment	\$ 1,163	\$ 536	\$ 1,922	\$ 1,306
Other	2,725	1,724	4,583	2,958
	<b>\$ 3,888</b>	<b>\$ 2,260</b>	<b>\$ 6,505</b>	<b>\$ 4,264</b>

## 7. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net earnings available to common shareholders	\$ 111,681	\$ 85,400	\$ 171,213	\$ 133,356
Weighted average common shares outstanding	82,433,458	82,586,778	82,449,900	82,542,927
Dilutive effect of stock option conversions	760,642	875,452	764,534	789,400
Diluted weighted average common shares outstanding	<b>83,194,100</b>	<b>83,462,230</b>	<b>83,214,434</b>	<b>83,332,327</b>
Earnings per share:				
Basic	\$ 1.35	\$ 1.03	\$ 2.08	\$ 1.62
Diluted	\$ 1.34	\$ 1.02	\$ 2.06	\$ 1.60

For the three and six months period ended June 30, 2022, there were no anti-dilutive options.

For the three and six months period ended June 30, 2021, 367,957 outstanding share options with an average exercise price of \$104.91 were considered anti-dilutive and were excluded from the calculation.

## 8. STOCK-BASED COMPENSATION

### Share Option Plan

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	2,167,025	\$ 68.44	2,328,038	\$ 58.67
Granted	-	-	367,957	104.91
Exercised <sup>(1)</sup>	(123,055)	51.79	(180,405)	43.66
Forfeited	(13,342)	83.98	(86,400)	57.55
Options outstanding, June 30	2,030,628	\$ 69.34	2,429,190	\$ 66.83
Options exercisable, June 30	787,660	\$ 57.75	666,370	\$ 47.35

<sup>(1)</sup> The weighted average share price at date of exercise for the six months ended June 30, 2022 was \$111.41 (2021 – \$100.88).

The following table summarizes stock options outstanding and exercisable as at June 30, 2022:

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price
\$23.40 – \$26.52	69,740	2.0	\$ 26.16	69,740	\$ 26.16
\$36.65 – \$39.79	210,200	3.6	\$ 38.35	210,200	\$ 38.35
\$53.88 – \$66.22	889,345	6.4	\$ 63.53	355,235	\$ 62.33
\$66.23 – \$72.95	498,772	8.1	\$ 72.95	79,457	\$ 72.95
\$104.91	362,571	8.9	\$ 104.91	72,481	\$ -
	2,030,628	6.8	\$ 69.34	787,113	\$ 57.71

### Deferred Share Unit (“DSU”) Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	202,969	\$ 23,074	394,154	\$ 35,555
Units taken or taken in lieu and dividends	18,703	2,071	18,191	1,721
Redemptions	-	-	(157,421)	(15,346)
Fair market value adjustment	-	(2,501)	-	5,261
Outstanding, June 30	221,672	\$ 22,644	254,924	\$ 27,191

The liability for DSUs is recorded in accounts payable and accrued liabilities.

## Long-term Incentive Plan (“LTIP”)

On April 28, 2022, shareholders approved the adoption of certain changes to the Company’s long-term incentive plan. There was no change to the Company’s existing stock option and cash-settled DSU plans, both of which remain in place. Under the LTIP, the Company introduced performance share units (“PSU”), restricted share units (“RSU”), executive deferred share units (“EDSU”) and equity-settled DSUs. The Company has the ability to grant options and awards under all of these respective plans. However, the intention is that going forward, total incentive award grants will be based on historical stock option grant levels at approximately a 50/50 split between stock options and grants under the LTIP.

Details of each grant will be determined at the date of grant, including performance requirements, vesting and settlement method. PSUs and RSUs will settle upon vesting, while EDSUs and DSUs will settle upon cessation of service to the Company. PSU vesting will be based upon the achievement of performance objectives established at the time of grant by the Board of Directors. The maximum number of common shares reserved for issuance, in aggregate, under the LTIP, will be 750,000, representing 0.9% of the issued and outstanding shares at February 26, 2022.

No grants have been awarded under the LTIP as at June 30, 2022.

## 9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Defined benefit plans	\$ 3,565	\$ 4,586	\$ 6,994	\$ 9,497
Defined contribution plans	4,577	4,223	8,843	8,072
401(k) matched savings plans	77	62	153	130
	<b>\$ 8,219</b>	<b>\$ 8,871</b>	<b>\$ 15,990</b>	<b>\$ 17,699</b>

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net change in non-cash working capital and other				
Accounts receivable	\$ (89,248)	\$ (48,686)	\$ (117,859)	\$ 10,050
Inventories	(79,817)	47,219	(196,424)	15,536
Accounts payable and accrued liabilities	72,532	3,815	61,732	(41,923)
Provisions	1,790	1,690	1,391	79
Deferred revenues and contract liabilities	66,532	5,179	99,867	39,224
Income taxes	10,758	4,167	(12,053)	(31,897)
Derivative financial instruments	(5,053)	(600)	(1,835)	(5,466)
Other	2,807	2,238	(5,425)	22
	<b>\$ (19,699)</b>	<b>\$ 15,022</b>	<b>\$ (170,606)</b>	<b>\$ (14,375)</b>
Cash paid during the period for:				
Interest	\$ 9,605	\$ 9,605	\$ 12,388	\$ 12,388
Income taxes	\$ 32,141	\$ 26,707	\$ 80,835	\$ 77,721
Cash received during the period for:				
Interest	\$ 3,862	\$ 2,213	\$ 6,403	\$ 4,142
Income taxes	\$ -	\$ -	\$ -	\$ 1,461

## 11. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO as described in note 1, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments and does not meet the definition of a reportable operating segment as defined in IFRS 8 – *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

Segment performance is assessed based on operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current income taxes, deferred income taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

The aggregation of the operating segments is based on the economic characteristics of the business units. These business units are considered to have similar economic characteristics including nature of products and services, class of customers and markets served and similar distribution models.

No reportable segment is reliant on any single external customer.

The following table sets forth information by segment for the three and six months ended June 30, 2022 and 2021:

Three months ended June 30	Equipment Group		CIMCO		Consolidated	
	2022	2021	2022	2021	2022	2021
Equipment/package sales	\$ 467,274	\$ 559,524	\$ 45,576	\$ 73,712	\$ 512,850	\$ 633,236
Rentals	108,860	91,463	-	-	108,860	91,463
Product support	414,445	362,859	42,107	36,809	456,552	399,668
Power generation	2,635	2,699	-	-	2,635	2,699
<b>Total revenues</b>	<b>\$ 993,214</b>	<b>\$ 1,016,545</b>	<b>\$ 87,683</b>	<b>\$ 110,521</b>	<b>\$ 1,080,897</b>	<b>\$ 1,127,066</b>
<b>Operating income</b>	<b>\$ 151,412</b>	<b>\$ 116,447</b>	<b>\$ 5,071</b>	<b>\$ 6,061</b>	<b>\$ 156,483</b>	<b>\$ 122,508</b>
Interest expense					6,857	7,002
Interest and investment income					(3,888)	(2,260)
Income taxes					41,833	32,366
<b>Net earnings</b>					<b>\$ 111,681</b>	<b>\$ 85,400</b>

Six months ended June 30	Equipment Group		CIMCO		Consolidated	
	2022	2021	2022	2021	2022	2021
Equipment/package sales	\$ 804,381	\$ 882,619	\$ 76,119	\$ 120,101	\$ 880,500	\$ 1,002,720
Rentals	202,081	163,761	-	-	202,081	163,761
Product support	768,079	692,083	85,080	69,275	853,159	761,358
Power generation	5,300	5,465	-	-	5,300	5,465
<b>Total revenues</b>	<b>\$ 1,779,841</b>	<b>\$ 1,743,928</b>	<b>\$ 161,199</b>	<b>\$ 189,376</b>	<b>\$ 1,941,040</b>	<b>\$ 1,933,304</b>
<b>Operating income</b>	<b>\$ 236,378</b>	<b>\$ 186,260</b>	<b>\$ 6,228</b>	<b>\$ 6,464</b>	<b>\$ 242,606</b>	<b>\$ 192,724</b>
Interest expense					13,543	14,179
Interest and investment income					(6,505)	(4,264)
Income taxes					64,355	49,453
<b>Net earnings</b>					<b>\$ 171,213</b>	<b>\$ 133,356</b>

Operating income from rental operations was \$22.5 million for the three months ended June 30, 2022 (2021 – \$12.5 million) and \$32.5 million for the six months ended June 30, 2022 (2021 – \$14.5 million).

## 12. BUSINESS SEASONALITY

Interim period revenues and earnings historically reflect seasonality. As such, the operating results for any interim period are not necessarily indicative of full-year performance.

For the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has typically been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern can be impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules. This trend can also be impacted during periods of equipment supply constraints from suppliers.

At CIMCO, a distinct seasonal trend reflects the timing of construction activity, which impacts revenue recognition under percentage-of-completion accounting. Revenues are typically lower during the first quarter as winter weather slows down construction schedules. Revenues typically increase in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and customer timing of significant industrial projects. Sequential earnings comparisons are also impacted by CIMCO's relatively high fixed cost structure.

In 2021, this pattern was interrupted, as demand was stronger through the first nine months of the year. The governmental and market response and reaction to the COVID-19 pandemic in 2020 dampened and delayed purchasing to 2021. In addition, in 2021, orders were accelerated in light of global supply chain disruptions.

The overall economic environment, reflecting the COVID-19 pandemic and other global economic factors, have affected and may continue to impact these trends. There can be no certainty that this historical seasonality pattern will recur in the current year or future years.

### **How to get in touch with us**

Tel: 416.667.5511

Fax: 416.667.5555

E-mail: [InvestorRelations@aim.toromont.com](mailto:InvestorRelations@aim.toromont.com)

[www.toromont.com](http://www.toromont.com)

### **How to reach our transfer agent and registrar**

Investors are encouraged to contact TSX Trust Company for information regarding their security holdings.

TSX Trust Company

P.O. Box 700

Station B

Montreal, Quebec

H3B 3K3

Toll-Free North America: 1.800.387.0825

Local: 416.682.3860

E-mail: [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)

[www.tsxtrust.com](http://www.tsxtrust.com)

### **Common Shares**

Listed on the Toronto Stock Exchange

Stock Symbol – TIH

### **Toromont Industries Ltd.**

Corporate Office

3131 Highway 7 West

P.O. Box 5511

Concord ON L4K 1B7