

**TSX: TIH**    **\$104.19**    **0.95**

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# TOROMONT

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

TORONTO, Nov. 1, 2022 /CNW/ - Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the third quarter ended September 30, 2022.

	Three months ended September 30			Nine months ended September 30		
<i>(\$ millions, except per share amounts)</i>	2022	2021	% change	2022	2021	% change
Revenues	\$ 1,139.6	\$ 997.2	14 %	\$ 3,080.6	\$ 2,930.5	5 %
Operating income	169.1	134.4	26 %	411.7	327.2	26 %

Net earnings	<b>123.1</b>	93.8	31 %	<b>294.3</b>	227.1	30 %
Basic earnings per share ("EPS")	<b>1.50</b>	1.13	33 %	<b>3.57</b>	2.75	30 %

"The team delivered solid operating and financial performance in the third quarter. The persistent supply constraint pressures, market and economic variables continue to contribute to a fluid and complex operating environment," stated Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "The Equipment Group reported good utilization activity in rental and positive product support demand, while uncertainties persist in timing of equipment and parts deliveries. CIMCO revenues improved in the quarter on project construction and higher product support activity. Across the organization, we remain committed to our operating disciplines, after-market strategies and customer solutions, as we manage through these uncertain conditions."

## HIGHLIGHTS:

### Consolidated Results

- Revenues increased \$142.4 million or 14% in the third quarter. Equipment sales were up 11% compared to prior year, with the Equipment Group up 10% and CIMCO package revenues up 19%, however both groups continue to experience delays in project construction and deliveries due to supply chain constraints in the current year. Product support revenues were 19% higher on increased demand, while rental revenues grew 13% on a larger fleet and higher utilization.
- Revenues increased \$150.1 million (5%) to \$3.1 billion for the year-to-date period, as the improved activity in rentals (up 19%) and product support (up 14%) offset reductions in equipment and package revenues (down 5%) against a tough comparable last year, coupled with continuing supply chain issues.
- Operating income<sup>(1)</sup> increased 26% in the quarter on higher revenues, a favourable sales mix (higher percentage of rentals and product support revenues to total revenues) and improved gross margins. Expense levels were up 13% reflecting planned increases and higher activity levels, as well as certain inflationary impacts.
- Operating income increased 26% in the year-to-date period, and was 13.4% of revenues compared to 11.2% 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 \$29.4 million or 31% in the quarter versus a year ago to \$123.1 million or \$1.50 EPS (basic).
- For the year-to-date period, net earnings increased \$67.2 million or 30% to \$294.3 million, or \$3.57 EPS (basic).
- Bookings<sup>(1)</sup> for the third quarter decreased 23% compared to last year and decreased 24% 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 pandemic restrictions.

- Backlogs<sup>(1)</sup> were \$1.4 billion at September 30, 2022, compared to \$1.1 billion at September 30, 2021, reflecting strong order activity over the past year coupled with ongoing supply constraints.

## Equipment Group

- Revenues were up \$131.1 million or 14% to \$1.0 billion for the quarter with higher activity in new equipment sales, rental and product support, slightly offset by lower used equipment sales due to decreased rental dispositions and power generation sales.
- Revenues were up \$167.0 million or 6% to \$2.8 billion for the year-to-date period with lower equipment sales, offset by higher activity in both rental and product support.
- Operating income increased \$33.3 million or 26% in the third 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 \$83.5 million or 26% to \$399.1 million in the year-to-date period, generally on the same factors as noted above. Operating income margin increased 220 bps to 14.1%.
- Bookings in the third quarter were \$381.1 million, a decrease of 29%. Year-to-date bookings were \$1.3 billion, a decrease of 28%. Strong mining and construction sector orders in the comparable periods last year make 2021 a stronger comparable.
- Backlogs of \$1.2 billion at the end of September 2022 were up \$277.6 million or 31% from the end of September 2021 across all sectors. Approximately 40% of the backlog is expected to be delivered this year, subject to timing of delivery of equipment from suppliers.

## CIMCO

- Revenues of \$94.1 million increased \$11.3 million or 14% compared to the third quarter last year, due to higher package revenues (up 19%) on the progression of construction schedules, coupled with higher product support revenue (up 9%) on stronger market activity. The timing of construction schedules has been impacted by pandemic restrictions and supply chain constraints, affecting the comparability of reported package revenues between periods.
- Revenues decreased \$16.9 million or 6% to \$255.3 million for the year-to-date period on lower package revenues (down 23%) more than offsetting higher product support sales (up 17%). Prior period revenues benefited from certain large industrial projects, making it a tough comparable. Recreational market activity has been stronger in the current year where pandemic restrictions have been easing after a prolonged period of time.
- Operating income increased \$1.3 million or 26% for the quarter reflecting the higher revenues and improved gross margins.
- Operating income was up \$1.1 million or 9% to \$12.6 million for the year-to-date period, reflecting a favourable sales mix and improved gross margins. Operating income margin increased to 4.9% (2021 – 4.2%) largely reflecting the favourable sales mix.
- Bookings increased 50% in the third quarter (\$24.2 million to \$72.7 million) and 22% for the year-to-date period (increased \$29.0 million to \$161.5 million). Industrial orders were higher in both Canada and the US for both the quarter and year-to-date, while recreational orders were

up in Canada, offset by a decrease in the US for the quarter, and down in both regions year-to-date.

- Backlogs of \$202.6 million at September 30, 2022 were up \$48.8 million or 32% from September 30, 2021, on higher current year bookings (noted above) and supply chain challenges. Approximately 30% 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 \$96.16 at the end of September 2022, translates to a market capitalization<sup>(1)</sup> of \$7.9 billion and a total enterprise value<sup>(1)</sup> of \$7.8 billion.
- The Company maintained a strong financial position. Leverage as represented by the net debt to total capitalization<sup>(1)</sup> ratio was -6% at the end of September 2022, compared to -16% at the end of December 2021 and -5% at the end of September 2021.
- The Company renewed its Normal Course Issuer Bid in September 2022. Under the previous bid, the Company purchased 473,100 common shares for \$48.5 million (average cost of \$102.52 per share, including transaction costs) in the nine-month period ended September 30, 2022.
- The Board of Directors approved a quarterly dividend of \$0.39 cents per share, payable on January 5, 2023 to shareholders on record on December 8, 2022.
- The Company's return on equity<sup>(1)</sup> was 21.7% at the end of September 2022, on a trailing twelve-month basis, compared to 19.6% at the end of December 2021 and 19.3% at the end of September 2021. Trailing twelve month pre-tax return on capital employed<sup>(1)</sup> was 30.1% at the end of September 2022, compared to 26.6% at the end of December 2021 and 25.3% at the end of September 2021.

"Across our organization, our team remains committed to the disciplined execution of our operational model, adapting to changes in the business environment, while remaining focused on executing customer deliverables," noted Mr. Medhurst. "Activity remained sound with favourable backlog levels, but supply chains continue to be challenged. 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, in order to support our after-market and value-added product offering to meet and exceed client needs. 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."

## FINANCIAL AND OPERATING RESULTS

All comparative figures in this press release are for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021. All financial information presented in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below, and are reported in Canadian dollars. This press release contains only selected financial and operational highlights and should be read in conjunction with Toromont's unaudited interim condensed consolidated financial statements and

related notes and Management's Discussion and Analysis ("MD&A"), as at and for the three and nine months ended September 30, 2022, which 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).

Additional information is contained in the Company's filings with Canadian securities regulators, including the 2021 Annual Report and 2022 Annual Information Form, which are available on SEDAR and the Company's website.

### **QUARTERLY CONFERENCE CALL AND WEBCAST**

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Wednesday, November 2, 2022 at 8:00 a.m. (EDT). The call may be accessed by telephone at 888-664-6383 (North American toll free) or 416-764-8650 (Toronto area) and quoting participant passcode 77043670. A replay of the conference call will be available until Wednesday, November 9, 2022 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 043670.

Presentation materials to accompany the call will be available on our investor page on our website.

### **NON-GAAP AND OTHER FINANCIAL MEASURES**

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements and MD&A 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.

Management also 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 / Gross Profit Margin**

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

Gross Profit Margin is defined as gross profit (defined above) divided by total revenues.

#### **Operating Income / Operating Income Margin**

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.

Operating income margin is defined as operating income (defined above) divided by total revenues.

	Three months ended		Nine months ended	
	September 30		September 30	
(\$ thousands)	2022	2021	2022	2021
Net earnings	\$ 123,123	\$ 93,764	\$ 294,336	\$ 227,120
<i>plus:</i> Interest expense	7,009	7,093	20,552	21,272
<i>less:</i> Interest and investment income	(6,928)	(1,936)	(13,433)	(6,200)
<i>plus:</i> Income taxes	45,877	35,522	110,232	84,975
<b>Operating income</b>	<b>\$ 169,081</b>	<b>\$ 134,443</b>	<b>\$ 411,687</b>	<b>\$ 327,167</b>
Total revenues	\$ 1,139,599	\$ 997,198	\$ 3,080,639	\$ 2,930,502
<b>Operating income margin</b>	<b>14.8 %</b>	<b>13.5 %</b>	<b>13.4 %</b>	<b>11.2 %</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:

	<b>September 30</b>	December 31	September 30
(\$ thousands)	<b>2022</b>	2021	2021
Long-term debt	<b>\$ 646,879</b>	\$ 646,337	\$ 647,099
less: Cash	<b>770,944</b>	916,830	732,551
Net debt	<b>(124,065)</b>	(270,493)	(85,452)
Shareholders' equity	<b>2,204,889</b>	1,953,329	1,875,154
<b>Total capitalization</b>	<b>\$ 2,080,824</b>	\$ 1,682,836	\$ 1,789,702
<b>Net debt to total capitalization</b>	<b>(6) %</b>	(16) %	(5) %
<b>Net debt to equity</b>	<b>(0.06) :1</b>	<b>(0.14) :1</b>	<b>(0.05) :1</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:

	<b>September 30</b>	December 31	September 30
<i>(\$ thousands, except for shares and share price)</i>			
	<b>2022</b>	2021	2021
Outstanding common shares	<b>82,246,807</b>	82,443,968	82,567,774
<i>times: Ending share price</i>	<b>\$ 96.16</b>	\$ 114.36	\$ 105.73
<b>Market capitalization</b>	<b>\$ 7,908,853</b>	\$ 9,428,292	\$ 8,729,891
Long-term debt	<b>\$ 646,879</b>	\$ 646,337	\$ 647,099
<i>less: Cash</i>	<b>770,944</b>	916,830	732,551
<b>Net debt</b>	<b>\$ (124,065)</b>	\$ (270,493)	\$ (85,452)
<b>Total enterprise value</b>	<b>\$ 7,784,788</b>	\$ 9,157,799	\$ 8,644,439

### 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**

	<b>September 30</b>	December 31	September 30
(\$ thousands)	<b>2022</b>	2021	2021
Net earnings	<b>\$ 399,926</b>	\$ 332,710	\$ 316,070
<i>plus:</i> Interest expense	<b>27,441</b>	28,161	28,558
<i>less:</i> Interest and investment income	<b>(16,260)</b>	(9,027)	(9,275)
<i>plus:</i> Interest income - rental conversions	<b>4,502</b>	2,635	3,482
<i>plus:</i> Income taxes	<b>149,350</b>	124,093	118,996
Adjusted net earnings	<b>\$ 564,959</b>	\$ 478,572	\$ 457,831
Average capital employed	<b>\$ 1,874,914</b>	\$ 1,796,703	\$ 1,812,402
<b>Return on capital employed</b>	<b>30.1 %</b>	26.6 %	25.3 %

**Return on Equity ("ROE")**

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

**Trailing twelve months ended**

	<b>September 30</b>	December 31	September 30
<i>(\$ thousands)</i>	<b>2022</b>	2021	2021
	<b>\$</b>	\$	\$
Net earnings	<b>399,926</b>	332,710	316,070
Opening shareholder's equity (net of adjustments)	<b>\$ 1,845,257</b>	1,695,008	1,639,080
<b>Return on equity</b>	<b>21.7 %</b>	19.6 %	19.3 %

## ADVISORY

Information in this press release 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 press release 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 press release 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 press release. 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 press release, 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.

## **ABOUT TOROMONT**

Toromont Industries Ltd. 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. This press release and more information about Toromont Industries Ltd. can be found at [www.toromont.com](http://www.toromont.com).

## **FOOTNOTE**

- 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 CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**(Unaudited)**

	Three months ended		Nine months ended	
	September 30		September 30	
<i>(\$ thousands, except share amount)</i>	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Revenues</b>	<b>1,139,599</b>	997,198	<b>3,080,639</b>	2,930,502
Cost of goods sold	<b>830,603</b>	738,764	<b>2,271,125</b>	2,229,984
Gross profit	<b>308,996</b>	258,434	<b>809,514</b>	700,518
Selling and administrative expenses	<b>139,915</b>	123,991	<b>397,827</b>	373,351
<b>Operating income</b>	<b>169,081</b>	134,443	<b>411,687</b>	327,167
Interest expense	<b>7,009</b>	7,093	<b>20,552</b>	21,272
Interest and investment income	<b>(6,928)</b>	(1,936)	<b>(13,433)</b>	(6,200)
Income before income taxes	<b>169,000</b>	129,286	<b>404,568</b>	312,095
Income taxes	<b>45,877</b>	35,522	<b>110,232</b>	84,975
<b>Net earnings</b>	<b>123,123</b>	93,764	<b>294,336</b>	227,120

**Earnings per share**

	\$		\$	\$	\$
Basic	<b>1.50</b>	1.13	<b>3.57</b>	2.75	
Diluted	<b>1.49</b>	1.12	<b>3.54</b>	2.73	

**Weighted average number of shares outstanding**

Basic	<b>82,182,632</b>	82,704,637	<b>82,359,832</b>	82,597,423
Diluted	<b>82,810,246</b>	83,522,761	<b>83,039,302</b>	83,346,677

SOURCE Toromont Industries Ltd.

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**Toromont Industries Ltd.**

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