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TOROMONT ANNOUNCES 2022 FOURTH QUARTER AND FULL YEAR RESULTS AND INCREASES QUARTERLY DIVIDEND

TORONTO, Feb. 14, 2023 /CNW/ - Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the three months and year ended December 31, 2022.

(\$ millions, except per share amounts)	Three months ended December 31			Years ended December 31		
	2022	2021	% change	2022	2021	% change
Revenue	\$ 1,150.1	\$ 956.0	20 %	\$ 4,230.7	\$ 3,886.5	9 %

Operating income	212.5	148.8	43 %	624.2	475.9	31 %
Net earnings	159.9	105.6	51 %	454.2	332.7	37 %
Basic earnings per share ("EPS")	1.94	1.28	52 %	5.52	4.03	37 %

"Our team delivered solid operating and financial performance in the fourth quarter and throughout the year, ending in a strong position. We continue to monitor supply and other uncertain market and economic variables," stated Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "The Equipment Group continued to execute well delivering strong rental and product support results while optimizing equipment and parts sales. Supply chain challenges persisted, albeit some product lines have shown recent improvement. CIMCO revenue improved in the quarter on project construction and higher product support activity. Across the organization, we remain committed to our operating disciplines, driving our after-market strategies and delivering customer solutions."

Considering the Company's strong financial position and long-term outlook, the Board of Directors today increased the quarterly dividend by 10.3% to 43 cents per share. Toromont has paid dividends every year since 1968 and this is the 34th consecutive year of dividend increases. The next dividend is payable on April 4, 2023 to shareholders on record on March 9, 2023.

HIGHLIGHTS:

Consolidated Results

- Revenue increased \$194.1 million or 20% in the fourth quarter compared to the similar period last year. Equipment Group revenue was up 22% and CIMCO revenue was up 7% compared to prior year, however both groups continue to experience delays in equipment deliveries and project construction due to supply chain constraints in the quarter. Product support revenue was 19% higher on increased demand in both Groups, while rental revenue grew 10% on a larger fleet and higher activity levels.
- Revenue increased \$344.2 million (9%) to \$4.2 billion for the year. Equipment Group revenue increased 10% while CIMCO revenue was down 3% on a tough comparable last year. Rental revenue was up 17% and exceeded levels in 2019 (pre-pandemic). Product support revenues were up 16%, with growth in both groups, reflecting continuing activity in end markets and the company's growth strategies in this important market.
- In the fourth quarter of 2022, a property was sold resulting in a pre-tax gain of \$17.7 million (\$15.4 million after-tax). This facility was previously a Battlefield branch, acquired in the 2017 QM acquisition. The disposition was part of the rental integration and operation excellence footprint strategy.
- Operating income⁽¹⁾ increased 43% in the quarter reflecting the higher revenue, the gain on property disposal, and lower expenses. Operating income as a percentage of sales increased to 18.5% (16.9% excluding the property gain) from 15.6% in the prior year.

- Operating income increased 31% in the year, and was 14.8% of revenue compared to 12.2% in the similar period last year, reflecting the continued favourable sales mix, improved gross margin and lower expense ratio (including the property dispositions).
- Net earnings increased \$54.3 million or 51% in the quarter versus a year ago to \$159.9 million or \$1.94 EPS (basic) and \$1.93 EPS (fully diluted).
- For the year, net earnings increased \$121.5 million or 37% to \$454.2 million, or \$5.52 EPS (basic) and \$5.47 EPS (fully diluted).
- Bookings⁽¹⁾ decreased 33% in the quarter compared to the similar period and were down 27% on a full year basis. Equipment Group bookings were lower in both periods against a tough comparable last year with significant construction and mining orders received based on market conditions at that time. CIMCO had good booking activity in the year, up 10%.
- Backlog⁽¹⁾ remained relatively unchanged from this time last year at \$1.3 billion, reflecting strong order activity over the past year coupled with selective equipment inflow, however ongoing supply constraints still persist.

Equipment Group

- Revenue was up \$187.4 million or 22% to \$1.1 billion for the quarter. Equipment sales (up 27%) improved across most markets, but there was slippage of unit deliveries within the construction market. Rental, used purchase and product support revenue continued to grow on higher activity, fleet optimization and utilization and increased technician levels.
- Revenue was up \$354.5 million or 10% to \$3.9 billion for the year. Equipment sales, product support and rental activity were higher across most geographical markets and product groups. New equipment and parts supply chains remained a challenge through most of the year, which affected product availability, delaying deliveries, slowing work-in-process, and dampening sales growth. Rental revenue, used purchase and product support remained strong throughout the year on higher activity and fleet utilization given the increased capital investment in the heavy equipment purchases and light rental fleet.
- Operating income increased \$63.3 million or 47% in the fourth quarter, reflecting higher revenue and gross margins, the property disposition, partially offset by an unfavourable sales mix (with a lower proportion rental and product support revenue to total) and higher expenses reflective of the increased activity.
- Operating income increased \$146.7 million or 33% to \$597.7 million in the year, reflecting the higher revenue and gross margins, coupled with lower relative expense levels. Operating income margin increased 260 bps to 15.4%.
- Bookings in the fourth quarter were \$405.5 million, a decrease of 34% on lower construction and power systems orders, slightly offset by higher mining, agriculture and material handling orders. Bookings in 2022 were \$1.8 billion, a decrease of 29% from the prior year. Strong mining and construction sector orders in the comparable periods last year make 2021 a stronger comparable.
- Backlog of \$1.1 billion at the end of December 2022 was down \$43.1 million or 4% from the end of December 2021, reflecting modest improvement of equipment delivery from vendors. Approximately 90% of the backlog is expected to be delivered in 2023, subject to timing of receipt of equipment from suppliers.

CIMCO

- Revenue increased \$6.6 million or 7% compared to the fourth quarter last year, with higher package revenue (up 2%) on the progression of construction schedules, coupled with higher product support revenue (up 14%) on good market activity.
- Revenue decreased \$10.3 million or 3% to \$351.0 million for the year on lower package revenue (down 17%) which more than offset higher product support sales (up 17%). The prior period benefited from certain large industrial projects, making it a tough comparable. Additionally, the timing of construction schedules has been impacted by pandemic restrictions and supply chain constraints, affecting the comparability of reported package revenue between periods.
- Operating income increased \$0.5 million or 3% for the quarter as higher revenue was dampened by lower gross margins and higher selling and administrative expenses.
- Operating income was up \$1.5 million or 6% to \$26.5 million for the year, reflecting a favourable sales mix and improved gross margins. Operating income margin increased to 7.5% (2021 – 6.9%) largely reflecting the favourable sales mix.
- Bookings decreased 19% in the fourth quarter to \$45.5 million, however increased 10% for the year to \$206.9 million. Booking activity can be variable from quarter to quarter based on customer decision making schedules. For the year, bookings were 3% higher in Canada and 31% higher in the US. Both markets were higher, with industrial bookings up 10% and recreational orders up 9%.
- Backlog of \$198.4 million at December 31, 2022 was up \$37.3 million or 23% from last year, in both the recreational and industrial markets, in part reflecting the delay in construction schedules resulting from supply chain constraints. Substantially all of the backlog is expected to be realized as revenue in 2023, however this is subject to construction schedules and potential changes stemming from supply chain constraints

Financial Position

- Toromont's share price of \$97.71 at the end of December 2022, translates to a market capitalization⁽¹⁾ of \$8.0 billion and a total enterprise value⁽¹⁾ of \$7.8 billion.
- The Company maintained a strong financial position. Leverage, as represented by the net debt to total capitalization⁽¹⁾ decreased to -14% at the end of December 31, 2022 compared to -16% at the end of December 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 year ended December 31, 2022.
- Return on opening shareholders' equity⁽¹⁾ was 23.5% for 2022, compared to 19.6% for 2021, while return on capital employed⁽¹⁾ was 32.3% for 2022, compared to 26.6% for 2021. Both metrics increased year over year on improved earnings coupled with disciplined asset management.

"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 strong backlog levels. We continue to monitor inflationary pressures and supply-demand dynamics as the economic

environment continues to evolve and change. Technician hiring improved in the year and remains a priority in order to support our after-market strategy and value-added product offering to meet and exceed client's long-term 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 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 audited consolidated financial statements and related notes and Management's Discussion and Analysis ("MD&A"), as at and for the year ended December 31, 2022, which are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

The Company's audited consolidated financial statements and MD&A contain detailed information about Toromont's financial position, results, liquidity and capital resources, strategy, plans and outlook, which investors are encouraged to read carefully.

NON-GAAP AND OTHER FINANCIAL MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's audited 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 revenue less cost of goods sold.

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

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 revenue.

	Three months ended		Year ended	
	December 31		December 31	
(\$ thousands)	2022	2021	2022	2021
	\$	\$	\$	\$
Net earnings	159,862	105,590	454,198	332,710
<i>plus:</i> Interest expense	6,786	6,889	27,338	28,161
<i>less:</i> Interest and investment income	(8,799)	(2,827)	(22,232)	(9,027)
<i>plus:</i> Income taxes	54,633	39,118	164,865	124,093
Operating income	\$ 212,482	\$ 148,770	\$ 624,169	\$ 475,937
	\$	\$	\$	\$
Total revenue	1,150,097	956,035	4,230,736	3,886,537
Operating income margin	18.5 %	15.6 %	14.8 %	12.2 %

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 and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

<i>(\$ thousands)</i>	2022	2021
Long-term debt	\$ 647,060	\$ 646,337
<i>less:</i> Cash and cash equivalents	927,780	916,830
Net debt	(280,720)	(270,493)
Shareholders' equity	2,325,359	1,953,329
Total capitalization	\$ 2,044,639	\$ 1,682,836
Net debt to total capitalization	(14) %	(16) %
Net debt to equity	(0.12):1	(0.14):1

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the closing share 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 debt/net debt (defined above) to market capitalization.

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	2022		2021	
Outstanding common shares		82,318,159		82,443,968
<i>times: Ending share price</i>	\$	97.71	\$	114.36
Market capitalization	\$	8,043,307	\$	9,428,292
Long-term debt	\$	647,060	\$	646,337
<i>less: Cash and cash equivalents</i>		927,780		916,830
Net debt	\$	(280,720)	\$	(270,493)
Total enterprise value	\$	7,762,587	\$	9,157,799

Order Bookings and Backlog

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlog is 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 revenue 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.

<i>(\$ thousands)</i>	2022		2021	
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Net earnings	\$	454,198	\$	332,710
<i>plus:</i> Interest expense		27,338		28,161
<i>less:</i> Interest and investment income		(22,232)		(9,027)
<i>plus:</i> Interest income – rental conversions		4,760		2,635
<i>plus:</i> Income taxes		164,865		124,093
Adjusted net earnings	\$	628,929	\$	478,572
Average capital employed	\$	1,944,501	\$	1,796,703
Return on capital employed		32.3 %		26.6 %

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 year).

(\$ thousands)		2022		2021
Net earnings	\$	454,198	\$	332,710
Opening shareholder's equity (net of adjustments)	\$	1,935,365	\$	1,695,008
Return on equity		23.5 %		19.6 %

QUARTERLY CONFERENCE CALL AND WEBCAST

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Wednesday, February 15, 2023 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 15698233. A replay of the conference call will be available until Wednesday, February 22, 2023 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 698233. The live webcast can also be accessed at www.toromont.com.

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

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 or at our website 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.

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."

SOURCE Toromont Industries Ltd.

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