

# TOROMONT

For immediate release

## TOROMONT ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2023 AND QUARTERLY DIVIDEND

Toronto, Ontario (October 30, 2023) – Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the third quarter ended September 30, 2023.

(\$ millions, except per share amounts)	Three months ended September 30			Nine months ended September 30		
	2023	2022	% change	2023	2022	% change
Revenue	\$ 1,174.0	\$ 1,086.5	8 %	\$ 3,395.4	\$ 2,986.8	14 %
Operating income	\$ 193.1	\$ 165.7	17 %	\$ 499.7	\$ 408.7	22 %
Net earnings	\$ 145.6	\$ 123.1	18 %	\$ 380.7	\$ 294.3	29 %
Basic earnings per share ("EPS")	1.77	1.50	18 %	4.63	3.57	30 %

"We are pleased with the operating and financial performance through the first nine months of the year," stated Michael S. McMillan, President and Chief Executive Officer of Toromont Industries Ltd. "The Equipment Group executed well, delivering against the opening order backlog in line with customer schedules and improvement in inventory flow, coupled with good growth in rental and product support activity, as well as a continued focus on expense control. CIMCO revenue and bottom line improved in the quarter on good execution and higher product support activity. Across the organization, we continue to navigate through uncertain economic conditions and remain committed to our operating disciplines, driving our after-market strategies and delivering customer solutions."

### HIGHLIGHTS:

#### Consolidated Results

- Revenue increased \$87.5 million or 8% in the third quarter compared to the similar period last year, with higher revenues in both groups. Equipment Group was up 7% in the quarter on higher equipment sales (up 7%), product support revenues (up 7%) and rental activity (up 11%). CIMCO revenue increased 15%, with progress on package sales (up 2%) and strong product support growth (up 29%).
- Revenue increased \$408.5 million (14%) to \$3.4 billion for the year-to-date period. Revenue increased in both groups, with the Equipment Group up 13% and CIMCO up 17% year-to-date, on similar trends as noted for the quarter.
- Operating income<sup>(1)</sup> increased 17% in the quarter reflecting the higher revenue and gross margins, along with the lower relative expense ratio. Operating income as a percentage of sales increased to 16.4% from 15.3% in the prior year.
- Operating income increased 22% in the year-to-date period, and was 14.7% of revenue compared to 13.7% in the similar period last year, reflecting similar trends as noted for the quarter.

- Net earnings from continuing operations increased \$25.1 million or 21% in the quarter versus a year ago to \$145.6 million or \$1.77 EPS (basic) and \$1.76 EPS (fully diluted).
- For the year-to-date period, net earnings from continuing operations increased \$83.2 million or 29% to \$375.1 million, or \$4.56 EPS (basic) and \$4.52 EPS (fully diluted).
- Bookings<sup>(1)</sup> for the third quarter decreased 5% compared to last year and increased 5% on a year-to-date basis. The Equipment Group reported lower bookings during the quarter (down 10%), after a strong start to the year and given the uncertain economic conditions. CIMCO reported increased bookings (up 18%) on good demand for our products and services. Year-to-date both groups reported increased bookings, with the Equipment Group up 4% and CIMCO up 17%.
- Backlog<sup>(1)</sup> was \$1.2 billion as at September 30, 2023, compared to \$1.4 billion as at September 30, 2022, reflecting good order intake, progress on construction and delivery schedules as well as some improvement in equipment flow through the supply chain.

### **Equipment Group**

- Revenue was up \$73.2 million or 7% to \$1.1 billion for the quarter. Equipment sales (up 7%) improved across most markets. New equipment sales increased 5% on delivery against the opening order backlog, reflecting improving equipment availability and customer delivery schedules. Rental revenue continued to grow on higher market activity, good execution and an expanded heavy and light equipment fleet. Product support saw strong activity, with increases in both parts and service, reflecting good demand and increased technician levels.
- Revenue was up \$364.7 million or 13% to \$3.1 billion for the year-to-date period, across most geographical markets and revenue streams, with similar trends as noted for the quarter.
- Operating income increased \$21.1 million or 13% in the third quarter, reflecting the higher revenue and gross margins.
- Operating income increased \$76.2 million or 19% to \$472.3 million in the year-to-date period, reflecting the higher revenue and gross margins. Operating income margin increased 80 bps to 15.3%, with a lower relative expense level.
- Bookings in the third quarter were \$322.8 million, a decrease of 10%, after a stronger start to the year. Bookings in the first nine months of 2023 were \$1.3 billion, an increase of 4% from the prior year, with good activity in Mining. Construction market remains cautious given current business and economic factors which continue to override normal seasonality.
- Backlog of \$1.0 billion at the end of September 2023 was down \$190.3 million or 16% from the end of September 2022, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders.

### **CIMCO**

- Revenue increased \$14.3 million or 15% compared to the third quarter last year, with slightly higher package revenue (up 2%) on the progression of construction schedules, coupled with higher product support revenue (up 29%) on good market activity.

- Revenue increased \$43.8 million or 17% to \$299.1 million for the year-to-date period on higher package revenue (up 15%), mainly lead by an increase in the industrial market, offset by lower recreational market activity compared to the same period last year. Product support sales also increased (up 20%) on higher activity in both Canada and the US. The timing of construction schedules continues to be somewhat impacted by supply chain constraints, affecting the comparability of reported package revenue between periods.
- Operating income increased \$6.3 million or 100% for the quarter on higher revenue and higher gross margins, partly offset by higher selling and administrative expenses in support of the increased activity levels.
- Operating income was up \$14.8 million or 118% to \$27.4 million for the year-to-date period, for similar reasons as the quarter. Operating income margin increased to 9.1% (2022 was 4.9%) reflecting higher gross margins and lower relative expense levels.
- Bookings increased 18% in the third quarter to \$86.0 million, and increased 17% for the year-to-date period to \$189.7 million. Booking activity can be variable from quarter to quarter based on customer schedules.
- Backlog of \$245.3 million at September 30, 2023 was up \$42.7 million or 21% from last year, reflecting good order intake, and some deferral or delay in construction schedules resulting from supply chain constraints.

## Financial Position

- Toromont's share price of \$110.62 at the end of September 2023, translated to market capitalization<sup>(1)</sup> of \$9.1 billion and total enterprise value<sup>(1)</sup> of \$9.0 billion.
- The Company maintained a strong financial position. Leverage as represented by the net debt to total capitalization<sup>(1)</sup> ratio was -7% at the end of September 2023, compared to -14% at the end of December 2022 and -6% at the end of September 2022. The change in the ratio reflects significant investments made in working capital and capital assets in order to support current and future activity levels.
- The Company purchased 238,000 common shares for \$25.0 million in the nine-month period ended September 30, 2023 (473,100 common shares for \$48.5 million for the comparative period). The Company renewed its Normal Course Issuer Bid in September 2023.
- The Board of Directors approved a quarterly dividend of \$0.43 cents per share, payable on January 4, 2024 to shareholders on record on December 8, 2023.
- The Company's return on equity<sup>(1)</sup> was 24.3% at the end of September 2023, on a trailing twelve-month basis, compared to 23.3% at the end of December 2022 and 21.5% at the end of September 2022. Trailing twelve month pre-tax return on capital employed<sup>(1)</sup> was 31.5% at the end of September 2023, compared to 32.5% at the end of December 2022 and 30.4% at the end of September 2022.

"We are mindful of the uncertain economic environment and continue to monitor key metrics and supply-dynamics," continued Mr. McMillan. "We have seen some softening in demand for equipment in construction markets after a period of strong growth. We will continue to follow our disciplined approach, working our operational model while delivering results for our customers, suppliers and employees. While focused on managing discretionary spend, we continue to recruit technicians, to support our critical after-market service strategies and value-added product offering over the long term."

## **FINANCIAL AND OPERATING RESULTS**

All comparative figures in this press release are for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022. 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, 2023, 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 2022 Annual Report and 2023 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 Tuesday, October 31, 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 38920463. A replay of the conference call will be available until Tuesday, November 7, 2023 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 920463. The live webcast can also be accessed at [www.toromont.com](http://www.toromont.com).

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 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 income from continuing operations 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.

(\$ thousands)	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Net income from continuing operations	\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
<i>plus:</i> Interest expense	7,053	7,007	20,976	20,547
<i>less:</i> Interest and investment income	(11,747)	(6,790)	(32,850)	(13,065)
<i>plus:</i> Income taxes	52,161	44,923	136,492	109,369
<b>Operating income</b>	<b>\$ 193,086</b>	<b>\$ 165,695</b>	<b>\$ 499,673</b>	<b>\$ 408,684</b>
Total revenue	\$ 1,174,045	\$ 1,086,507	\$ 3,395,364	\$ 2,986,819
<b>Operating income margin</b>	<b>16.4%</b>	<b>15.3%</b>	<b>14.7%</b>	<b>13.7%</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 and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

(\$ thousands)	September 30	December 31	September 30
	2023	2022	2022
Long-term debt	\$ 647,603	\$ 647,060	\$ 646,879
<i>less:</i> Cash and cash equivalents	807,418	927,780	770,944
Net debt	(159,815)	(280,720)	(124,065)
Shareholders' equity	2,610,765	2,325,359	2,204,889
<b>Total capitalization</b>	<b>\$ 2,450,950</b>	<b>\$ 2,044,639</b>	<b>\$ 2,080,824</b>
<b>Net debt to total capitalization</b>	<b>(7)%</b>	<b>(14)%</b>	<b>(6)%</b>
<b>Net debt to equity</b>	<b>(0.06):1</b>	<b>(0.12):1</b>	<b>(0.06):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 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>	<b>September 30 2023</b>	December 31 2022	September 30 2022
Outstanding common shares	<b>82,352,479</b>	82,318,159	82,246,807
<i>times: Ending share price</i>	<b>\$ 110.62</b>	\$ 97.71	\$ 96.16
<b>Market capitalization</b>	<b>\$ 9,109,831</b>	\$ 8,043,307	\$ 7,908,853
Long-term debt	<b>\$ 647,603</b>	\$ 647,060	\$ 646,879
<i>less: Cash and cash equivalents</i>	<b>807,418</b>	927,780	770,944
<b>Net debt</b>	<b>\$ (159,815)</b>	\$ (280,720)	\$ (124,065)
<b>Total enterprise value</b>	<b>\$ 8,950,016</b>	\$ 7,762,587	\$ 7,784,788

## 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 from continuing operations 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, adjusted for discontinued operations.

(\$ thousands)	Trailing twelve months ended		
	September 30 2023	December 31 2022	September 30 2022
Net earnings from continuing operations	\$ 533,322	\$ 450,096	\$ 397,365
<i>plus:</i> Interest expense	27,760	27,331	27,433
<i>less:</i> Interest and investment income	(41,502)	(21,717)	(15,775)
<i>plus:</i> Interest income – rental conversions	3,591	4,760	4,502
<i>plus:</i> Income taxes	190,507	163,388	148,327
Adjusted net earnings	\$ 713,678	\$ 623,858	\$ 561,852
Average capital employed	\$ 2,268,512	\$ 1,917,644	\$ 1,846,523
<b>Return on capital employed</b>	<b>31.5%</b>	<b>32.5%</b>	<b>30.4%</b>

## Return on Equity ("ROE")

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

(\$ thousands)	Trailing twelve months ended		
	September 30 2023	December 31 2022	September 30 2022
Net earnings from continuing operations	\$ 533,322	\$ 450,096	\$ 397,365
Opening shareholder's equity (net of adjustments)	\$ 2,191,616	\$ 1,935,365	\$ 1,845,257
<b>Return on equity</b>	<b>24.3%</b>	<b>23.3%</b>	<b>21.5%</b>

## 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", "would", "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.

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 COVID-19 or a potential new world health issue; increased regulation of or restrictions placed on our businesses; 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, including reduction or disruption in supply or demand for our products stemming from external factors; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability and cost of financing; level and volatility of price and liquidity of Toromont's common shares; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cybersecurity breaches; failure to attract and retain key employees as well as the general workforce; 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; increased insurance premiums; and risk related to integration of acquired operations including cost of integration and ability to achieve the expected benefits. 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 and a complementary material handling 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).



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## **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 CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<i>(\$ thousands, except share amount)</i>				
<b>Revenue</b>	\$ 1,174,045	\$ 1,086,507	\$ 3,395,364	\$ 2,986,819
Cost of goods sold	838,545	784,533	2,479,418	2,187,982
Gross profit	335,500	301,974	915,946	798,837
Selling and administrative expenses	142,414	136,279	416,273	390,153
<b>Operating income</b>	<b>193,086</b>	165,695	<b>499,673</b>	408,684
Interest expense	7,053	7,007	20,976	20,547
Interest and investment income	(11,747)	(6,790)	(32,850)	(13,065)
Income before income taxes	197,780	165,478	511,547	401,202
Income taxes	52,161	44,923	136,492	109,369
<b>Income from continuing operations</b>	<b>145,619</b>	120,555	<b>375,055</b>	291,833
Income from discontinued operations	—	2,568	5,605	2,503
<b>Net earnings</b>	<b>\$ 145,619</b>	\$ 123,123	<b>\$ 380,660</b>	\$ 294,336
<b>Basic earnings per share</b>				
Continuing operations	\$ 1.77	\$ 1.47	\$ 4.56	\$ 3.54
Discontinued operations	\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	\$ 1.77	\$ 1.50	\$ 4.63	\$ 3.57
<b>Diluted earnings per share</b>				
Continuing operations	\$ 1.76	\$ 1.46	\$ 4.52	\$ 3.51
Discontinued operations	\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	\$ 1.76	\$ 1.49	\$ 4.59	\$ 3.54
<b>Weighted average number of shares outstanding</b>				
Basic	82,281,891	82,182,632	82,302,881	82,359,832
Diluted	82,923,627	82,810,246	82,909,989	83,039,302

## **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 nine months ended September 30, 2023, 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 nine months ended September 30, 2023, the annual MD&A contained in the 2022 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2022.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to October 30, 2023.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2022 Annual Report and the 2023 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).

### **Use of Non-IFRS Financial Measures**

The MD&A presents certain financial and operating performance measures that management believes provide meaningful information in assessing Toromont's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, non-IFRS or non-Generally Accepted Accounting Principles ("GAAP") measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Definitions and a reconciliations of the Company's non-IFRS or non-GAAP measures are included in the "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators" sections of this report.

### **Forward-Looking Information**

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", "would", "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.

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 COVID-19 or a potential new world health issue; increased regulation of or restrictions placed on our businesses; 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, including reduction or disruption in supply or demand for our products stemming from external factors; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability and cost of financing; level and volatility of

price and liquidity of Toromont's common shares; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cybersecurity breaches; failure to attract and retain key employees as well as the general workforce; 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; increased insurance premiums; and risk related to integration of acquired operations including cost of integration and ability to achieve the expected benefits. 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.

## **DISPOSITION AND DISCONTINUED OPERATIONS**

On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest Ltd. was reported in the Equipment Group. This transaction is not expected to have a material impact on Toromont's overall future operations, revenue or earnings.

The results of operations from this business have been presented as a discontinued operation. See note 3 in the interim condensed consolidated financial statements. This MD&A reflects the results of continuing operations, unless otherwise noted.

**CONSOLIDATED OPERATING RESULTS**

	Three months ended September 30				Nine months ended September 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
<i>(\$ thousands, except per share amounts)</i>								
<b>REVENUE</b>	<b>\$ 1,174,045</b>	\$ 1,086,507	\$ 87,538	8 %	<b>\$ 3,395,364</b>	\$ 2,986,819	\$ 408,545	14 %
Cost of goods sold	<b>838,545</b>	784,533	54,012	7 %	<b>2,479,418</b>	2,187,982	291,436	13 %
Gross profit <sup>(1)</sup>	<b>335,500</b>	301,974	33,526	11 %	<b>915,946</b>	798,837	117,109	15 %
Selling and administrative expenses	<b>142,414</b>	136,279	6,135	5 %	<b>416,273</b>	390,153	26,120	7 %
<b>OPERATING INCOME <sup>(1)</sup></b>	<b>193,086</b>	165,695	27,391	17 %	<b>499,673</b>	408,684	90,989	22 %
Interest expense	<b>7,053</b>	7,007	46	1 %	<b>20,976</b>	20,547	429	2 %
Interest and investment income	<b>(11,747)</b>	(6,790)	(4,957)	73 %	<b>(32,850)</b>	(13,065)	(19,785)	nm
Income before income taxes	<b>197,780</b>	165,478	32,302	20 %	<b>511,547</b>	401,202	110,345	28 %
Income taxes	<b>52,161</b>	44,923	7,238	16 %	<b>136,492</b>	109,369	27,123	25 %
<b>Net income from continuing operations</b>	<b>\$ 145,619</b>	\$ 120,555	\$ 25,064	21 %	<b>\$ 375,055</b>	\$ 291,833	\$ 83,222	29 %
<b>Net income from discontinued operations</b>	<b>—</b>	2,568	(2,568)	(100)%	<b>5,605</b>	2,503	3,102	nm
<b>NET EARNINGS</b>	<b>\$ 145,619</b>	\$ 123,123	\$ 22,496	18 %	<b>\$ 380,660</b>	\$ 294,336	\$ 86,324	29 %
<b>BASIC EARNINGS PER SHARE</b>								
Continuing operations	<b>\$ 1.77</b>	\$ 1.47	\$ 0.30	20 %	<b>\$ 4.56</b>	\$ 3.54	\$ 1.02	29 %
Discontinued operations	<b>\$ —</b>	\$ 0.03	\$ (0.03)	(100)%	<b>\$ 0.07</b>	\$ 0.03	\$ 0.04	nm
	<b>\$ 1.77</b>	\$ 1.50	\$ 0.27	18 %	<b>\$ 4.63</b>	\$ 3.57	\$ 1.06	30 %
<b>KEY RATIOS:</b>								
Gross profit margin <sup>(1)</sup>	<b>28.6%</b>	27.8%			<b>27.0%</b>	26.7%		
Selling and administrative expenses as a % of revenue	<b>12.1%</b>	12.5%			<b>12.3%</b>	13.1%		
Operating income margin <sup>(1)</sup>	<b>16.4%</b>	15.3%			<b>14.7%</b>	13.7%		
Income taxes as a % of income before income taxes	<b>26.4%</b>	27.1%			<b>26.7%</b>	27.3%		

(1) Described in the sections titled "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Measures".

Results for the third quarter of 2023 reflected good execution on new equipment deliveries against order backlog and favourable operating leverage. Higher revenue in both the Equipment Group and CIMCO, higher gross margins, lower relative expenses and higher interest income on cash balances, all contributed to higher net earnings. Rental and product support revenue increased on greater customer activity, utilization of the larger fleet and improved execution. General macroeconomic factors such as inflation, higher interest rates and Canadian dollar movements continue to challenge the business, as well as influence buying patterns, and are expected to continue to do so for the near term.

Revenue increased \$87.5 million or 8% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenue increased 7% in the quarter on higher new and used equipment sales, rental revenue and product support activity. CIMCO revenue increased 15% in the quarter on strong product support activity levels and slightly higher package revenue.

Revenue for the year-to-date period increased 14% from the comparable period last year to \$3.4 billion. Equipment Group revenue increased 13% and CIMCO revenue increased 17% versus the first nine months of last year, mainly on similar trends as noted for the quarter, except in the Equipment Group as used equipment sales were lower (down 3%). While we continue to see improvement in the inflow of inventory through the

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supply chain, challenges still exist in some product lines and parts, and the current uncertain economic environment may continue to impact business activity levels and revenue.

Gross profit margin increased 80 basis points ("bps") in the quarter to 28.6% and increased 30 bps to 27.0% year-to-date versus comparable periods last year. The Equipment Group margins increased in the quarter, on higher equipment margins, partly offset by lower rental and product support margins. On a year-to-date basis, Equipment Group margins were largely unchanged. CIMCO margins increased in both the quarter and year-to-date on increased package and product support margins, as well as, a favourable sales mix (higher product support to total revenue).

Selling and administrative expenses increased \$6.1 million or 5% in the quarter compared to last year. Compensation costs were approximately \$3.6 million higher year over year, reflective of higher staffing levels, regular salary increases and increased profit sharing accruals on the higher income. Bad debt expense decreased \$0.6 million in the quarter on improved aging of balances. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Mark-to-market adjustments on deferred share units ("DSUs") resulted in a \$1.0 million increase in expense, as a result of the higher share price in the current period.

Selling and administrative expenses for the year-to-date period increased \$26.1 million or 7% compared to the similar period last year. Compensation costs increased approximately \$15.1 million, reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income, partially offset by lower pension expense. Other expenses such as training, travel and occupancy costs have increased as a result of higher activity levels and inflationary pressures. Allowance for doubtful accounts decreased \$4.3 million compared to last year on improved aged receivables. A higher share price in the current period resulted in a \$1.9 million mark-to-market expense on cash-settled DSUs, compared to a recovery of \$3.2 million in 2022. The sale of an excess property in the first quarter of 2023 resulted in a gain of \$3.5 million. Selling and administrative expenses were 80 basis points lower as a percentage of revenue (12.3% versus 13.1% last year).

Operating income increased \$27.4 million or 17% in the quarter to \$193.1 million and increased \$91.0 million or 22% to \$499.7 million year-to-date, on the higher revenue, higher gross margins and lower relative expense levels. Operating income as a percentage of revenue increased 100 bps in the year-to-date period (14.7% versus 13.7% last year), reflecting the lower relative expense levels.

Interest expense was largely unchanged at \$7.1 million in the quarter and \$21.0 million year-to-date.

Interest and investment income increased \$5.0 million in the quarter and increased \$19.8 million year-to-date on higher interest rates on cash deposits.

The effective income tax rate was 26.4% in the quarter and 26.7% on a year-to-date basis, compared to 27.1% and 27.3% respectively in 2022.

Net earnings (including discontinued operations) increased \$22.5 million or 18% to \$145.6 million for the quarter and increased \$86.3 million or 29% to \$380.7 million year-to-date. Basic earnings per share ("EPS") increased 18% to \$1.77 for the quarter and increased 30% to \$4.63 year-to-date.

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Other comprehensive income in the quarter was \$19.8 million (2022 – income \$33.1 million) and \$10.4 million year-to-date (2022 – income \$81.2 million). This included an actuarial gain on post-employment benefit plans of \$12.0 million after-tax for the quarter (2022 – actuarial gain of \$6.6 million) and year-to-date actuarial gain of \$18.0 million (2022 – actuarial gain of \$50.3 million). These gains reflect actuarial changes used in the valuation, as well as changes in the fair value of pension plan assets. Other comprehensive loss/income also included a favourable net change in the fair value of cash flow hedges of \$7.2 million after-tax for the quarter (2022 – a favourable net change of \$25.4 million) and year-to-date an unfavourable net change of \$7.6 million after-tax (2022 – a favourable net change of \$29.5 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and reflect 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 revenue 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.

The operating results below have been restated and reflect continuing operations, unless otherwise noted. AgWest Ltd. was previously reported in the Equipment Group results and now represent our discontinued operations results.

**Equipment Group**

	Three months ended September 30				Nine months ended September 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
<i>(\$ thousands)</i>								
Equipment sales and rentals								
New	\$ 394,799	\$ 374,362	\$ 20,437	5 %	\$ 1,167,201	\$ 972,044	\$ 195,157	20 %
Used	80,177	69,056	11,121	16 %	233,090	239,639	(6,549)	(3)%
Rentals	138,925	125,508	13,417	11 %	353,832	327,569	26,263	8 %
Total equipment sales and rentals	613,901	568,926	44,975	8 %	1,754,123	1,539,252	214,871	14 %
Product support	448,891	420,854	28,037	7 %	1,333,578	1,184,341	149,237	13 %
Power generation	2,823	2,621	202	8 %	8,514	7,921	593	7 %
<b>Total revenue</b>	<b>\$ 1,065,615</b>	<b>\$ 992,401</b>	<b>\$ 73,214</b>	<b>7 %</b>	<b>\$ 3,096,215</b>	<b>\$ 2,731,514</b>	<b>\$ 364,701</b>	<b>13 %</b>
<b>Operating income</b>	<b>\$ 180,426</b>	<b>\$ 159,350</b>	<b>\$ 21,076</b>	<b>13 %</b>	<b>\$ 472,320</b>	<b>\$ 396,111</b>	<b>\$ 76,209</b>	<b>19 %</b>
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	42.1%	42.4%			43.1%	43.4%		
Operating income margin	16.9%	16.1%			15.3%	14.5%		
Group total revenue as a % of consolidated revenue	90.8%	91.3%			91.2%	91.5%		

The Equipment Group delivered good results in the quarter. Equipment availability improved and deliveries against order backlog continued. Rental and product support activity continued to increase. Lower relative expense levels drove improvements in operating income.

Total equipment sales (new and used) increased \$31.6 million or 7% in the quarter and increased \$188.6 million or 16% year-to-date, predominantly reflecting inflow and delivery of equipment, along with end

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customer demand. New equipment sales increased 5% in the quarter and 20% year-to-date, across most market segments and regions. Used equipment sales increased 16% during the quarter and decreased 3% year-to-date. Used equipment sales from trades and purchases have been lower in the current year as supply and demand dynamics shifted. Used equipment sales also include rental fleet dispositions, which have increased in the current year after a period of constraint, reflecting fleet management decisions (age of the fleet), as well as availability and cost of new equipment. Overall, total equipment sales revenue by market segments were as follows for the quarter (year-to-date): construction markets up 13% (+4%), mining down 5% (+62%), power systems down 6% (+15%), and material handling up 53% (+59%).

Rental revenue increased \$13.4 million (+11%) in the quarter and increased \$26.3 million (+8%) year-to-date. All market sectors and most regions were up, reflecting higher market activity, strong execution and an expanded heavy and light equipment fleet. Revenue increased for both the heavy equipment fleet (up 11% in the quarter and 18% year-to-date) and light equipment fleet (up 6% in the quarter and 7% year-to-date) on fleet expansions reflecting improved market activity. Power rentals increased 31% in the quarter (up 10% year-to-date) and material handling rentals increased 1% in the quarter (8% year-to-date). The RPO fleet (rent with a purchase option) was \$55.3 million at September 30, 2023 versus \$38.7 million at September 30, 2022.

Product support revenue increased \$28.0 million or 7% in the quarter and increased \$149.2 million or 13% year-to-date, with increases in both parts (up 4% in the quarter and 12% year-to-date) and service (up 14% in both the quarter and year-to-date). Activity was up across all markets and most regions in the quarter (first nine months of the year) as follows: construction markets up 3% (+9%), mining up 7% (+16%), power systems up 22% (+20%) and material handling up 7% (+8%).

Gross profit margins increased 40 bps in the quarter and remained unchanged year-to-date compared to the similar periods last year. In the quarter the margin increase largely reflected higher new equipment margins up 130 bps, offset by lower rental margins down 40 bps and lower product support margins down 60 bps. Year-to-date higher new equipment and product support margins were offset by lower rental margins coupled with an unfavourable sales mix of lower product support to total revenue.

Selling and administrative expenses were up \$3.9 million or 3% in the quarter, and up \$21.0 million or 6% for the first nine months of 2023. 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 and inflationary pressures. Bad debt expense decreased \$0.8 million in the quarter and \$5.6 million for the year-to-date, reflecting good collection activity and improved aging of receivables. Selling and administrative expenses were 80 basis points lower as a percentage of revenue on a year-to-date basis (11.9% versus 12.7% last year).

Operating income increased \$21.1 million or 13% to \$180.4 million in the quarter and increased \$76.2 million or 19% to \$472.3 million for the year-to-date, reflecting higher revenue and gross margins, partially offset by higher expenses. Operating income as a percentage of revenue improved to 15.3% on a year-to-date basis, reflecting lower relative expense levels.



## Bookings and Backlog

(\$ millions)	2023		2022	\$ change	% change
Bookings – three months ended September 30	\$	<b>322.8</b>	\$ 358.6	\$ (35.8)	(10)%
Bookings – nine months ended September 30	\$	<b>1,339.4</b>	\$ 1,290.8	\$ 48.6	4 %
Backlog – as at September 30	\$	<b>971.1</b>	\$ 1,161.4	\$ (190.3)	(16)%

New bookings decreased \$35.8 million or 10% in the third quarter, after a stronger start to the year, as well as continued caution with respect to the current economic environment. Bookings were up in mining (+97%), offset by lower orders in construction (-18%), power systems (-36%) and material handling (-30%).

On a year-to-date basis, bookings increased \$48.6 million or 4% to \$1,339.4 million. Bookings were up in mining (+104%) and power systems (+ 21%), largely offset by lower orders in construction (-16%) and material handling (-23%). Construction continues to be lower, after significant activity last year, coupled with caution given the current uncertain business and economic factors, all overriding normal seasonality.

Backlog of \$1.0 billion at September 30, 2023, was down \$190.3 million or 16%, compared to the same time last year, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. As at September 30, 2023, the breakdown of backlog by market was as follows: construction 27%; mining 38%; power systems 32%; and material handling 3%. Approximately 90% of the backlog is expected to be delivered over the next twelve months, however this is subject to timing of vendor supply and customer delivery schedules.

Bookings and backlog 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, which are in turn reflective of economic factors and general activity levels, and the availability of equipment from either inventory or suppliers.

## CIMCO

(\$ thousands)	Three months ended September 30				Nine months ended September 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
Package sales	\$ <b>49,292</b>	48,265	1,027	2 %	\$ <b>142,649</b>	\$ 124,384	\$ 18,265	15 %
Product support	<b>59,138</b>	45,841	13,297	29 %	<b>156,500</b>	130,921	25,579	20 %
<b>Total revenue</b>	\$ <b>108,430</b>	\$ 94,106	\$ 14,324	15 %	\$ <b>299,149</b>	\$ 255,305	\$ 43,844	17 %
<b>Operating income</b>	\$ <b>12,660</b>	\$ 6,345	\$ 6,315	100 %	\$ <b>27,353</b>	\$ 12,573	\$ 14,780	118 %
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	<b>54.5%</b>	48.7%			<b>52.3%</b>	51.3%		
Operating income margin	<b>11.7%</b>	6.7%			<b>9.1%</b>	4.9%		
Group total revenue as a % of consolidated revenue	<b>9.2%</b>	8.7%			<b>8.8%</b>	8.5%		

CIMCO demonstrated improved results for the third quarter and first nine months of 2023 compared to the prior year, with the advancement on construction schedules against a strong order backlog and improved execution. Operating income increased on the higher revenues, improved gross margins, and favourable sales mix (a higher proportion of product support revenues to total), partially offset by higher expenses.

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Package revenue was up \$1.0 million or 2% in the quarter, with recreational market revenue up 6%, partially offset by lower industrial market revenue down 2%. Revenues in the US increased 28% while revenues in Canada were 6% lower. Package revenue reflects 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).

Year-to-date, package sales increased \$18.3 million or 15% compared to the similar period in the prior year, on stronger industrial revenue (up 28%), partially offset by lower recreational revenue (down 6%). Revenues were higher in both Canada (up 2%) and the US (up 59%). The US remains a focus area for growth for the Company.

Product support revenue increased in the third quarter by \$13.3 million or 29% and increased by \$25.6 million or 20% year-to-date. Revenue in Canada increased 21% in the quarter and 13% year-to-date reflecting higher activity levels. In the US, revenue was up 55% for the quarter and 42% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 500 bps in the quarter and 350 bps year-to-date versus the comparable periods of 2022. Package margins improved on good execution and the nature of projects in process. Product support margins increased on improved execution and a higher volume of activity. Sales mix was favourable in both periods, with a higher proportion of product support revenue to total revenue.

Selling and administrative expenses increased \$2.3 million or 16% in the quarter and increased \$5.1 million or 12% for the first nine months. Bad debt expenses increased \$0.3 million in the quarter and \$1.3 million year-to-date, reflecting aged receivables. Compensation costs increased reflecting staffing levels, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel, training and information technology expenses increased to support activity levels. Foreign exchange translation on US operations increased expenses by \$0.1 million in the quarter and \$0.5 million through September 2023. As a percentage of revenue, selling and administrative expenses were lower at 15.8% in the first nine months of 2023 versus 16.5% for the similar period last year, reflecting good cost control and leverage against the higher revenues.

Operating income increased \$6.3 million or 100% for the quarter largely reflecting the higher revenue and improved gross margins, coupled with a lower relative expense level. On a year-to-date basis operating income increased \$14.8 million or 118%, for similar reasons as the quarter. Operating income as a percentage of revenue improved to 11.7% for the quarter and 9.1% on a year-to-date basis compared to similar periods last year.

**Bookings and Backlog**

<i>(\$ millions)</i>	<b>2023</b>	2022	\$ change	% change
Bookings – three months ended September 30	<b>\$ 86.0</b>	\$ 72.7	\$ 13.3	18 %
Bookings – nine months ended September 30	<b>\$ 189.7</b>	\$ 161.5	\$ 28.2	17 %
Backlog – as at September 30	<b>\$ 245.3</b>	\$ 202.6	\$ 42.7	21 %

Bookings increased \$13.3 million or 18% to \$86.0 million in the quarter, with higher bookings in both the industrial market (up 20%), and the recreational market (up 14%). Industrial bookings were higher in Canada (+115%), offset by lower bookings in the US (-98% on a large order secured in the third quarter of 2022 not repeated). General activity is improving, with stronger capital investment levels. Recreational bookings were up in the US (+78%), slightly offset by lower bookings in Canada (-18%).

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On a year-to-date basis, bookings increased \$28.2 million or 17% to \$189.7 million, with higher bookings in the industrial market, partially offset by lower bookings in the recreational market. Industrial orders were up 29%, up in Canada (+62%) and down in the US (-52% on a tough comparable). Recreational orders decreased 3%, with a decrease in Canada (-23%), largely offset by an increase in the US (+37%) on a smaller volume base.

Backlog of \$245.3 million increased \$42.7 million or 21% compared to the same time last year, with an increase in both markets. Recreational backlog was up 39%, as marginally lower backlog in Canada (-3%) was offset by higher backlog in the US (+89%), largely reflecting good order intake, and some deferral or delay in construction schedules resulting from supply chain constraints. Industrial backlog increased 11%, with an increase in Canada (+55%), offset by a decrease in the US (-98% on a tough comparable). Approximately 90% of the backlog is expected to be realized as revenue over the next twelve months, 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 September 30, 2023, the ratio of net debt to total capitalization<sup>(1)</sup> was -7% (net cash position), compared to -14% at December 31, 2022, and -6% at September 30, 2022.

**Non-cash Working Capital**

The Company's investment in non-cash working capital was \$848.1 million at September 30, 2023. The major components, along with the changes from prior periods, are identified in the following table.

(\$ thousands)	September 30	September 30	Change		December 31	Change	
	2023	2022	\$	%	2022	\$	%
Accounts receivable	\$ 637,633	\$ 611,064	\$ 26,569	4 %	\$ 579,682	\$ 57,951	10 %
Inventories	1,140,096	954,499	185,597	19 %	1,025,759	114,337	11 %
Other current assets	27,827	20,819	7,008	34 %	17,444	10,383	60 %
Accounts payable and accrued liabilities	(586,909)	(605,752)	18,843	(3)%	(658,980)	72,071	(11)%
Provisions	(29,289)	(26,784)	(2,505)	9 %	(27,653)	(1,636)	6 %
Income tax payable	(9,019)	(20,179)	11,160	(55)%	(28,653)	19,634	(69)%
Derivative financial instruments	5,458	53,181	(47,723)	(90)%	18,530	(13,072)	(71)%
Dividends payable	(35,410)	(32,071)	(3,339)	10 %	(32,104)	(3,306)	10 %
Deferred revenue and contract liabilities	(302,282)	(313,736)	11,454	(4)%	(309,349)	7,067	(2)%
<b>Total non-cash working capital</b>	<b>\$ 848,105</b>	<b>\$ 641,041</b>	<b>\$ 207,064</b>	<b>32 %</b>	<b>\$ 584,676</b>	<b>\$ 263,429</b>	<b>45 %</b>

Accounts receivable increased 4% from September 30, 2022, in part reflecting the 8% increase in revenue in the quarter. Days sales outstanding ("DSOs") increased 2 days to 47 days overall, mainly reflecting an increase in the Equipment Group with DSO up 3 days. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2022, accounts receivable increased 10%, reflecting slower collections. DSO was 42 days at December 31, 2022.

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Inventories at September 30, 2023 increased 19% compared to September 30, 2022:

- Equipment Group inventories were up \$175.7 million or 19%, with increased equipment (up \$152.6 million or 29%) and parts (up \$24.5 million or 8%), partly offset by lower work-in-progress (down \$1.4 million or 1%). Inventory levels increased as equipment and parts are received in preparation for delivery against order backlog and specific customer delivery schedules. Price increases and foreign exchange rates on US sourced supplies have also served to increase inventory. Work-in-process levels reflect improved billing cycles. AgWest inventory at September 30, 2022 totalled \$28.1 million.
- CIMCO inventories were up \$9.9 million or 34%, mainly as work-in-process levels increased \$10.2 million (up 43%), reflecting timing of project construction and product support schedules. Parts inventory decreased \$0.3 million or 5% reflecting close management of inventory levels.

Inventories at September 30, 2023 were 11% higher compared to December 31, 2022, with increases in both Groups:

- Equipment Group inventories were up \$110.7 million or 11% higher with increases in equipment (up \$106.2 million or 19%) and service work-in-progress (up \$8.9 million or 10%), partly offset by lower parts inventories (down \$4.3 million or 1%). Inventory levels are typically lowest at the end of the year due to seasonality, with inventories building during the year in advance of the busier selling period. Economic and other factors including supply chain issues have altered this pattern over the past two years. AgWest inventory at December 31, 2022 totalled \$21.9 million.
- CIMCO inventories were up \$3.6 million or 10%, driven by higher work-in-process levels (up \$4.2 million or 14%), slightly offset by lower parts inventories (down \$0.6 million or 10%) reflecting the progression of construction schedules and higher product support activity.

Other current assets are comprised mainly of prepaid expenses, and vary over time based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at September 30, 2023, were 3% lower than at September 30, 2022, largely reflecting the timing of purchases and payment for inventory and other supplies. This was partly offset by higher DSU liability (higher share price) and higher profit sharing accruals on the higher earnings.

In comparison to December 31, 2022, accounts payable and accrued liabilities decreased 11%, mainly reflecting the timing of purchase and payment for inventory and other supplies slightly offset by higher DSU liability (higher share price).

Income tax payable reflects the difference between tax installments and current income tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of \$5.5 million as at September 30, 2023. This is not expected to affect net earnings as the unrealized gains will offset future losses on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to September 30 and December 31, 2022, reflecting the higher dividend rate. The dividend rate was increased 10.3% effective with the first quarter of 2023, and representing the 34th year of consecutive dividend increases.

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

- In the Equipment Group, these balances arise due to: progress billings from the sale of power and energy systems and long-term product support maintenance contracts; and, customer deposits for equipment to be delivered in the future. As at September 30, 2023, these were down 11.1% versus

September 30, 2022 largely related to delivery against order backlog. Compared to December 31, 2022, deferred revenues were down 9.4% reflecting equipment delivery against customer orders.

- 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 September 30, 2023, these were up 60.1% versus September 30, 2022, and up 56.0% versus December 31, 2022.

### **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 financial position or results of operations.

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

The Company's NCIB program was renewed in September 2023. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 18, 2024. All shares purchased under the bid will be cancelled.

No common shares were purchased and cancelled during the quarter. The Company purchased and cancelled 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) during the nine months ended September 30, 2023.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company prior to the commencement of each blackout period. As at September 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 473,100 common shares for \$48.5 million (average cost of \$102.52 per share, including transaction costs) during the nine months ended September 30, 2022. As at September 30, 2022, there was no obligation for the repurchase of shares under the ASPP.

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

A total of 14,340 restricted share units ("RSUs") and 56,563 performance share units ("PSUs") were outstanding under the LTIP as at September 30, 2023, including reinvested dividends. LTIP expense of \$784 was included in selling and administrative expenses with a credit to contributed surplus during the quarter.

### **Outstanding Share Data**

As at the date of this MD&A, the Company had 82,352,479 common shares and 1,852,291 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)
Dec. 8, 2021	Jan. 5, 2022	\$0.35	\$28.9
Mar. 9, 2022	Apr. 4, 2022	\$0.39	\$32.2
Jun. 9, 2022	Jul. 5, 2022	\$0.39	\$32.1
Sep. 8, 2022	Oct. 4, 2022	\$0.39	\$32.1
Dec. 8, 2022	Jan. 5, 2023	\$0.39	\$32.1
Mar. 9, 2023	Apr. 4, 2023	\$0.43	\$35.4
Jun. 9, 2023	Jul. 5, 2023	\$0.43	\$35.6
Sep. 8, 2023	Oct. 4, 2023	\$0.43	\$35.4

The Board of Directors increased the quarterly dividend by 10.3% or 4 cents per share, to 43 cents per common share on February 14, 2023.

The next dividend is payable on January 4, 2024 to shareholders on record on December 8, 2023.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including cash on hand, 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 has a \$500.0 million committed revolving credit facility, maturing in November 2026, with a syndicate of financial institutions. 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 facility as at September 30, 2023, December 31, 2022 and September 30, 2022.

Standby letters of credit issued utilized \$39.6 million of the facility as at September 30, 2023 (December 31, 2022 – \$28.9 million and September 30, 2022 – \$34.6 million).

The Company expects that continued cash flows from operations, together with cash and cash equivalents 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 Interim Condensed Consolidated Statements of Cash Flows, are summarized in the following table:

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Cash and cash equivalents, beginning of period</b>	\$ 733,999	\$ 778,800	\$ 927,780	\$ 916,830
Cash, provided by (used in):				
<b>Operating activities</b>				
Operations	184,255	159,823	489,944	399,535
Change in non-cash working capital and other	(34,002)	(63,690)	(295,004)	(230,056)
Net rental fleet additions	(16,608)	(53,449)	(154,160)	(131,997)
	133,645	42,684	40,780	37,482
<b>Investing activities</b>	(32,218)	(18,650)	(69,252)	(31,775)
<b>Financing activities</b>	(28,090)	(35,456)	(118,034)	(132,431)
Effect of foreign exchange on cash and cash equivalents balances	82	467	(13)	583
<b>Increase (decrease) in cash and cash equivalents during the period from continuing operations</b>	\$ 73,419	\$ (10,955)	\$ (146,519)	\$ (126,141)
<b>Discontinued operations</b>	\$ —	\$ 3,099	\$ 26,157	\$ (1,095)
<b>Cash and cash equivalents, end of period</b>	\$ 807,418	\$ 770,944	\$ 807,418	\$ 789,594

### Cash Flows from Operating Activities

Operating activities provided cash in both the third quarter and on a year-to-date basis for 2023 and 2022.

Cash generated from operations increased for the quarter (up 15%) and year-to-date (up 23%) from the similar periods last year on the higher net earnings.

Non-cash working capital used cash in the third quarter of 2023, as working capital levels increased on higher accounts receivable and inventories, reflecting seasonality and higher activity levels. Non-cash working capital utilized cash in the third quarter of 2022, largely on similar factors. Comparatively, non-cash working capital used more cash in the third quarter of 2023, than the similar period last year as investments in working capital had been made earlier in the year.

On a year-to-date basis non-cash working capital used more cash in 2023 as compared to the first nine months of 2022, on lower levels of accounts payable.

Net rental fleet additions (purchases less proceeds of dispositions) were lower in the third quarter and were higher for the first nine months of 2023 compared to the similar periods last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada after two years of reduced investment and reflective of market conditions, partially offset by increased disposal of aged units.

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 \$32.6 million in the third quarter of 2023 (2022 – \$19.0 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business – \$17.1 million (2022 – \$4.4 million); and
- Normal replacement of service and delivery vehicles – \$13.9 million (2022 – \$10.5 million).

For the year-to-date period, investments in property, plant and equipment totalled \$77.7 million (2022 – \$51.1 million). The Company sold an excess property in 2023 for gross proceeds of \$7.4 million resulting in a capital gain of \$3.5 million or \$3.1 million after-tax.

### Cash Flows from Financing Activities

During the third quarter of 2023, the Company used \$28.1 million (2022 – used \$35.5 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$35.6 million or \$0.43 per share (2022 – \$32.1 million or \$0.39 per share);
- Cash received on exercise of share options of \$10.0 million (2022 – \$9.7 million);
- Purchase of shares under the NCIB program used \$nil (2022 – \$10.8 million); and
- Lease liability payments of \$2.5 million (2022 – \$2.2 million).

For the nine months ended September 30, 2023, financing activities used \$118.0 million (2022 – used \$132.4 million) in cash, major uses and sources of cash during the period included:

- Dividends paid to common shareholders of \$103.2 million or \$1.25 per share (2022 – \$93.1 million or \$1.13 per share);
- Cash received on exercise of share options of \$17.0 million (2022 – \$16.1 million);
- Purchase of shares under the NCIB program used \$25.0 million (2022 – \$48.5 million); and
- Lease liability payments of \$6.9 million (2022 – \$6.9 million).

### Cash Flows from Discontinued Operations

Net proceeds on disposition of AgWest Ltd provided \$26.2 million through September 2023. See note 3 to the interim condensed financial statements for further information on this transaction.

## **OUTLOOK**

We are closely monitoring regional, national and global economic factors, in particular, inflationary pressures from price and wage increases, interest rate changes, and general economic health of the industries we serve.

While improving, the global supply chain remains challenged in certain lines and components. We continue to actively manage supply chain constraints by taking appropriate mitigation steps.



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We continue to enhance and leverage the use of technology to efficiently and effectively engage with customers, employees and other partners, while improving our operational efficiency.

The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. 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 investment and expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, expanding and enhancing the branch network, optimizing rental fleets, and using technologies to create efficiency and effectiveness across the organization. Integration and alignment of operating processes and systems, best practices and culture, continues across our territory. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base 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. Current backlog is supportive of future activity. Inflationary costs and competitive market conditions 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 quarterly consolidated financial data for the eight most recently completed quarters on a continuing operations basis. This quarterly information is unaudited but has been prepared on the same basis as the 2022 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	<b>Q3 2023</b>	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>REVENUE</b>								
Equipment Group	<b>\$1,065,615</b>	\$1,070,194	\$ 960,406	\$1,032,849	\$ 992,401	\$ 966,015	\$ 773,098	\$ 849,923
CIMCO	<b>108,430</b>	104,762	85,957	95,678	94,106	87,683	73,516	89,065
Revenue - continuing operations	<b>\$1,174,045</b>	\$1,174,956	\$1,046,363	\$1,128,527	\$1,086,507	\$1,053,698	\$ 846,614	\$ 938,988
<b>NET EARNINGS - continuing operations</b>	<b>\$ 145,619</b>	\$ 133,317	\$ 96,119	\$ 158,267	\$ 120,555	\$ 111,010	\$ 60,268	\$ 105,427
<b>PER SHARE INFORMATION:</b>								
Basic earnings per share	<b>\$ 1.77</b>	\$ 1.62	\$ 1.17	\$ 1.92	\$ 1.47	\$ 1.34	\$ 0.73	\$ 1.28
Diluted earnings per share	<b>\$ 1.76</b>	\$ 1.61	\$ 1.16	\$ 1.91	\$ 1.46	\$ 1.33	\$ 0.72	\$ 1.27
Dividends paid per share	<b>\$ 0.43</b>	\$ 0.43	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.35	\$ 0.35
Weighted average common shares outstanding – basic (in thousands)	<b>82,282</b>	82,294	82,333	82,279	82,183	82,433	82,467	82,401

Interim period revenue 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 revenue is 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. Revenue is typically lower during the first quarter as winter weather slows down construction schedules. Revenue increases in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and the customer's 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 trends also typically lead to accounts receivable to be at their highest level at year-end.

These patterns were disrupted since early 2020 by a number of factors. In 2020, the governmental and market response and reaction to COVID-19 reduced demand and activity in most areas. 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 revenue in the fourth quarter. In 2022 and 2023, patterns were disrupted by supply chain pressures impacting the timing of receipt and delivery of products and services to final customers.

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

Market and economic factors, local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur 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, 2022 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 2022 audited annual consolidated financial statements, and described in note 2 therein. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Company for the nine-month period ending September 30, 2023.

A number of amendments to standards and interpretations have been issued, but are not yet effective up to the date of authorization of these interim condensed consolidated financial statements, which may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

Amendments to IAS 1 – *Presentation of Financial Statements* (effective January 1, 2024):

- Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next 12 months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months.

Management is currently assessing the impact of these amendments.

### **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 3 to the Company's 2022 audited annual consolidated financial statements, contained in the Company's 2022 Annual Report.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO") 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 by others and is recorded, processed, summarized and reported within the time periods specified in securities legislation.

### **Internal Control over Financial Reporting**

The CEO and CFO, together with management, are 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 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 nine months ended September 30, 2023, 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 interim condensed 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 revenue less cost of goods sold.

## Operating Income

Operating income is defined as net income from continuing operations 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		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Net income from continuing operations	\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
<i>plus:</i> Interest expense	7,053	7,007	20,976	20,547
<i>less:</i> Interest and investment income	(11,747)	(6,790)	(32,850)	(13,065)
<i>plus:</i> Income taxes	52,161	44,923	136,492	109,369
<b>Operating income</b>	<b>\$ 193,086</b>	<b>\$ 165,695</b>	<b>\$ 499,673</b>	<b>\$ 408,684</b>
Total revenue	\$ 1,174,045	\$ 1,086,507	\$ 3,395,364	\$ 2,986,819
<b>Operating income margin</b>	<b>16.4%</b>	<b>15.3%</b>	<b>14.7%</b>	<b>13.7%</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 and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

(\$ thousands)	September 30	December 31	September 30
	2023	2022	2022
Long-term debt	\$ 647,603	\$ 647,060	\$ 646,879
<i>less:</i> Cash and cash equivalents	807,418	927,780	770,944
Net debt	(159,815)	(280,720)	(124,065)
Shareholders' equity	2,610,765	2,325,359	2,204,889
<b>Total capitalization</b>	<b>\$ 2,450,950</b>	<b>2,044,639</b>	<b>2,080,824</b>
<b>Net debt to total capitalization</b>	<b>(7)%</b>	<b>(14)%</b>	<b>(6)%</b>
<b>Net debt to equity</b>	<b>(0.06):1</b>	<b>(0.12):1</b>	<b>(0.06):1</b>

## NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination

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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>September 30 2023</b>	December 31 2022	September 30 2022
Total current assets	\$ 2,618,432	\$ 2,569,195	\$ 2,410,507
<i>less:</i> Total current liabilities	962,909	1,056,739	998,522
<b>Working capital</b>	<b>\$ 1,655,523</b>	<b>\$ 1,512,456</b>	<b>\$ 1,411,985</b>

**Non-Cash Working Capital**

Non-cash working capital is defined as total current assets, excluding cash and cash equivalents, less total current liabilities, excluding current portion of long-term debt, if applicable.

<i>(\$ thousands)</i>	<b>September 30 2023</b>	December 31 2022	September 30 2022
Total current assets	\$ 2,618,432	\$ 2,569,195	\$ 2,410,507
<i>less:</i> Cash and cash equivalents	807,418	927,780	770,944
	<b>1,811,014</b>	1,641,415	1,639,563
Total current liabilities	962,909	1,056,739	998,522
<b>Non-cash working capital</b>	<b>\$ 848,105</b>	<b>\$ 584,676</b>	<b>\$ 641,041</b>

**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.

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The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	<b>September 30 2023</b>	December 31 2022	September 30 2022
Outstanding common shares	<b>82,352,479</b>	82,318,159	82,246,807
<i>times: Ending share price</i>	<b>\$ 110.62</b>	\$ 97.71	\$ 96.16
<b>Market capitalization</b>	<b>\$ 9,109,831</b>	\$ 8,043,307	\$ 7,908,853
Long-term debt	<b>\$ 647,603</b>	\$ 647,060	\$ 646,879
<i>less: Cash and cash equivalents</i>	<b>807,418</b>	927,780	770,944
<b>Net debt</b>	<b>\$ (159,815)</b>	\$ (280,720)	\$ (124,065)
<b>Total enterprise value</b>	<b>\$ 8,950,016</b>	\$ 7,762,587	\$ 7,784,788

### 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 revenue.

#### Operating Income Margin

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

#### 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 from continuing operations 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, adjusted for discontinued operations.

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	<b>Trailing twelve months ended</b>		
	<b>September 30 2023</b>	December 31 2022	September 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 533,322	\$ 450,096	\$ 397,365
<i>plus:</i> Interest expense	27,760	27,331	27,433
<i>less:</i> Interest and investment income	(41,502)	(21,717)	(15,775)
<i>plus:</i> Interest income – rental conversions	3,591	4,760	4,502
<i>plus:</i> Income taxes	190,507	163,388	148,327
Adjusted net earnings	\$ 713,678	\$ 623,858	\$ 561,852
Average capital employed	\$ 2,268,512	\$ 1,917,644	\$ 1,846,523
<b>Return on capital employed</b>	<b>31.5%</b>	32.5%	30.4%

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

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

	<b>Trailing twelve months ended</b>		
	<b>September 30 2023</b>	December 31 2022	September 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 533,322	\$ 450,096	\$ 397,365
Opening shareholder's equity (net of adjustments)	\$ 2,191,616	\$ 1,935,365	\$ 1,845,257
<b>Return on equity</b>	<b>24.3%</b>	23.3%	21.5%



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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)

(\$ thousands)	Note	September 30 2023	December 31 2022	September 30 2022
<b>Assets</b>				
Current assets				
Cash and cash equivalents		\$ 807,418	\$ 927,780	\$ 770,944
Accounts receivable		637,633	579,682	611,064
Inventories		1,140,096	1,025,759	954,499
Derivative financial instruments	7	5,458	18,530	53,181
Other current assets		27,827	17,444	20,819
<b>Total current assets</b>		<b>2,618,432</b>	2,569,195	2,410,507
Property, plant and equipment	4	507,233	470,624	468,637
Rental equipment	4	702,420	616,289	592,430
Other assets		85,506	52,527	46,166
Deferred tax assets		873	925	317
Goodwill and intangible assets		470,707	472,565	473,185
<b>Total assets</b>		<b>\$ 4,385,171</b>	\$ 4,182,125	\$ 3,991,242
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities		\$ 622,319	\$ 691,084	\$ 637,823
Provisions		29,289	27,653	26,784
Deferred revenue and contract liabilities		302,282	309,349	313,736
Income taxes payable		9,019	28,653	20,179
<b>Total current liabilities</b>		<b>962,909</b>	1,056,739	998,522
Deferred revenue and contract liabilities		21,141	23,276	19,798
Long-term lease liabilities		24,133	16,160	17,757
Long-term debt	5, 7	647,603	647,060	646,879
Post-employment obligations	11	27,602	30,592	33,011
Deferred tax liabilities		91,018	82,939	70,386
<b>Total liabilities</b>		<b>1,774,406</b>	1,856,766	1,786,353
<b>Shareholders' equity</b>				
Share capital	6	579,661	561,078	555,744
Contributed surplus		24,857	19,262	18,069
Retained earnings		2,000,484	1,731,661	1,595,467
Accumulated other comprehensive income		5,763	13,358	35,609
<b>Total shareholders' equity</b>		<b>2,610,765</b>	2,325,359	2,204,889
<b>Total liabilities and shareholders' equity</b>		<b>\$ 4,385,171</b>	\$ 4,182,125	\$ 3,991,242

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
<b>Revenue</b>	13	\$ 1,174,045	\$ 1,086,507	\$ 3,395,364	\$ 2,986,819
Cost of goods sold	4	838,545	784,533	2,479,418	2,187,982
Gross profit		335,500	301,974	915,946	798,837
Selling and administrative expenses		142,414	136,279	416,273	390,153
<b>Operating income</b>		<b>193,086</b>	165,695	<b>499,673</b>	408,684
Interest expense	8	7,053	7,007	20,976	20,547
Interest and investment income	8	(11,747)	(6,790)	(32,850)	(13,065)
Income before income taxes		197,780	165,478	511,547	401,202
Income taxes		52,161	44,923	136,492	109,369
<b>Income from continuing operations</b>		<b>145,619</b>	120,555	<b>375,055</b>	291,833
Income from discontinued operations	3	—	2,568	5,605	2,503
<b>Net earnings</b>		<b>\$ 145,619</b>	\$ 123,123	<b>\$ 380,660</b>	\$ 294,336
<b>Basic earnings per share</b>					
Continuing operations		\$ 1.77	\$ 1.47	\$ 4.56	\$ 3.54
Discontinued operations		\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	9	\$ 1.77	\$ 1.50	\$ 4.63	\$ 3.57
<b>Diluted earnings per share</b>					
Continuing operations		\$ 1.76	\$ 1.46	\$ 4.52	\$ 3.51
Discontinued operations		\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	9	\$ 1.76	\$ 1.49	\$ 4.59	\$ 3.54
<b>Weighted average number of shares outstanding</b>					
Basic	9	82,281,891	82,182,632	82,302,881	82,359,832
Diluted	9	82,923,627	82,810,246	82,909,989	83,039,302

See accompanying notes

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Net earnings</b>	\$ 145,619	\$ 123,123	\$ 380,660	\$ 294,336
<b>Other comprehensive income, net of income taxes:</b>				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	479	1,064	—	1,319
Unrealized gains on derivatives designated as cash flow hedges	14,069	47,474	1,778	59,692
Income tax expense	(3,658)	(12,344)	(462)	(15,520)
Unrealized gains on cash flow hedges, net of income taxes	10,411	35,130	1,316	44,172
Realized gains on derivatives designated as cash flow hedges	(4,287)	(13,106)	(12,042)	(19,772)
Income tax expense	1,115	3,408	3,131	5,141
Realized gains on cash flow hedges, net of income taxes	(3,172)	(9,698)	(8,911)	(14,631)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Remeasurement gain on defined benefit plans	16,379	8,966	24,474	68,465
Income tax expense	(4,341)	(2,377)	(6,486)	(18,143)
Remeasurement gain on defined benefit plans, net of income taxes	12,038	6,589	17,988	50,322
<b>Other comprehensive income</b>	<b>19,756</b>	<b>33,085</b>	<b>10,393</b>	<b>81,182</b>
<b>Total comprehensive income</b>	<b>\$ 165,375</b>	<b>\$ 156,208</b>	<b>\$ 391,053</b>	<b>\$ 375,518</b>

See accompanying notes

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

(\$ thousands, except share amounts)	Share capital			Accumulated other comprehensive income (loss)				Total shareholders' equity
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	
<b>At January 1, 2023</b>	<b>82,318,159</b>	<b>\$ 561,078</b>	<b>\$ 19,262</b>	<b>\$ 1,731,661</b>	<b>\$ 2,992</b>	<b>\$ 10,366</b>	<b>\$ 13,358</b>	<b>\$ 2,325,359</b>
Net earnings	—	—	—	380,660	—	—	—	380,660
Other comprehensive earnings	—	—	—	17,988	—	(7,595)	(7,595)	10,393
Total comprehensive earnings	—	—	—	398,648	—	(7,595)	(7,595)	391,053
Exercise of share options	272,320	20,215	(3,195)	—	—	—	—	17,020
Share-based compensation plans	—	—	8,790	—	—	—	—	8,790
Effect of share compensation plans	272,320	20,215	5,595	—	—	—	—	25,810
Shares purchased for cancellation	(238,000)	(1,632)	—	(23,364)	—	—	—	(24,996)
Dividends declared	—	—	—	(106,461)	—	—	—	(106,461)
<b>At September 30, 2023</b>	<b>82,352,479</b>	<b>\$ 579,661</b>	<b>\$ 24,857</b>	<b>\$ 2,000,484</b>	<b>\$ 2,992</b>	<b>\$ 2,771</b>	<b>\$ 5,763</b>	<b>\$ 2,610,765</b>
<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	—	—	—	294,336	—	—	—	294,336
Other comprehensive income	—	—	—	50,322	1,319	29,541	30,860	81,182
Total comprehensive income	—	—	—	344,658	1,319	29,541	30,860	375,518
Exercise of share options	275,939	19,187	(3,089)	—	—	—	—	16,098
Share-based compensation plans	—	—	4,806	—	—	—	—	4,806
Effect of share compensation plans	275,939	19,187	1,717	—	—	—	—	20,904
Shares purchased for cancellation	(473,100)	(3,120)	—	(45,382)	—	—	—	(48,502)
Dividends declared	—	—	—	(96,360)	—	—	—	(96,360)
<b>At September 30, 2022</b>	<b>82,246,807</b>	<b>\$ 555,744</b>	<b>\$ 18,069</b>	<b>\$ 1,595,467</b>	<b>\$ 3,187</b>	<b>\$ 32,422</b>	<b>\$ 35,609</b>	<b>\$ 2,204,889</b>

See accompanying notes

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

(\$ thousands)	Note	Three months ended		Nine months ended	
		2023	2022	2023	2022
			September 30		September 30
<b>Operating activities</b>					
Income from continuing operations		\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
Items not requiring cash:					
Depreciation and amortization		45,894	41,764	132,046	120,314
Share-based compensation		2,455	1,763	7,634	4,806
Post-employment obligations		40	1,156	(2,248)	2,314
Deferred income taxes		(347)	(2,555)	2,613	(6,686)
Gain on sale of rental equipment and property, plant and equipment		(9,406)	(2,860)	(25,156)	(13,046)
		184,255	159,823	489,944	399,535
Net change in non-cash working capital and other	12	(34,002)	(63,690)	(295,004)	(230,056)
Additions to rental equipment	4	(35,931)	(58,750)	(198,198)	(159,534)
Proceeds on disposal of rental equipment		19,323	5,301	44,038	27,537
Continuing operations		133,645	42,684	40,780	37,482
Discontinued operations		—	3,646	—	(945)
<b>Cash provided by operating activities</b>		<b>133,645</b>	<b>46,330</b>	<b>40,780</b>	<b>36,537</b>
<b>Investing activities</b>					
Additions to property, plant and equipment	4	(32,636)	(19,047)	(77,720)	(51,050)
Proceeds on disposal of property, plant and equipment		486	397	8,577	710
Decrease in other assets		(68)	—	(109)	(85)
Continuing operations		(32,218)	(18,650)	(69,252)	(50,425)
Discontinued operations		—	(513)	(411)	(31)
Proceeds from sale of discontinued operations (net of cash)	3	—	—	26,606	—
<b>Cash used in investing activities</b>		<b>(32,218)</b>	<b>(19,163)</b>	<b>(43,057)</b>	<b>(50,456)</b>
<b>Financing activities</b>					
Dividends paid	6	(35,638)	(32,125)	(103,155)	(93,140)
Cash received on exercise of share options		10,022	9,724	17,020	16,098
Shares purchased for cancellation	6	—	(10,814)	(24,996)	(48,502)
Payment of lease liabilities		(2,474)	(2,241)	(6,903)	(6,887)
Continuing operations		(28,090)	(35,456)	(118,034)	(132,431)
Discontinued operations		—	(34)	(38)	(119)
<b>Cash used in financing activities</b>		<b>(28,090)</b>	<b>(35,490)</b>	<b>(118,072)</b>	<b>(132,550)</b>
Effect of currency translation on cash balances		82	467	(13)	583
Increase (decrease) in cash and cash equivalents during the period					
Continuing operations		73,419	(10,955)	(146,519)	(144,791)
Discontinued operations		—	3,099	26,157	(1,095)
Cash and cash equivalents, at beginning of the period		733,999	778,800	927,780	916,830
<b>Cash and cash equivalents, at end of the period</b>		<b>\$ 807,418</b>	<b>\$ 770,944</b>	<b>\$ 807,418</b>	<b>\$ 770,944</b>

**Supplemental cash flow information (note 12)**

See accompanying notes

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

## 1. DESCRIPTION OF BUSINESS

### 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 ("TSX") 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 and a complementary material handling 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

#### a) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 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, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on October 30, 2023.

#### 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.

Certain comparative figures have been reclassified to conform to the current period's presentation.

#### 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, 2022.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Company.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

A number of amendments to standards and interpretations have been issued, but are not yet effective up to the date of authorization of these interim condensed consolidated financial statements, which may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

Amendments to IAS 1 – *Presentation of Financial Statements* (effective January 1, 2024):

- Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next 12 months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months.

Management is currently assessing the impact of these amendments.

### d) Use of Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, 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, 2022. 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.

### e) Discontinued Operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have an impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the interim condensed consolidated financial statements and the notes to the interim condensed consolidated financial statements, unless otherwise noted, and are presented net of tax in the interim condensed consolidated statements of income for the current and comparative periods. Refer to note 3, "Discontinued Operations" for further information.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three and nine months ended September 30, 2023**  
(\$ thousands, except where otherwise indicated) (Unaudited)

**3. DISCONTINUED OPERATIONS**

On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest Ltd. was reported in the Equipment Group.

Proceeds on sale of shares	<b>\$ 41,261</b>
Less assets and liabilities sold:	
Working capital	<b>15,010</b>
Property, plant and equipment	<b>3,404</b>
	<b>18,414</b>
Cash disposed of	<b>14,655</b>
Gain on disposition	<b>8,192</b>
Income taxes	<b>2,808</b>
<b>Gain on divestiture, net of tax</b>	<b>\$ 5,384</b>

**Results of Discontinued Operations**

The results of AgWest Ltd. for the three and nine months ended September 30, 2023, were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Revenue</b>	<b>\$ —</b>	<b>\$ 53,092</b>	<b>\$ 20,866</b>	<b>\$ 93,820</b>
<b>Net income, net of tax</b>	<b>—</b>	<b>2,568</b>	<b>221</b>	<b>2,503</b>
<b>Gain on divestiture, net of tax</b>	<b>—</b>	<b>—</b>	<b>5,384</b>	<b>—</b>
<b>Income from discontinued operations</b>	<b>\$ —</b>	<b>\$ 2,568</b>	<b>\$ 5,605</b>	<b>\$ 2,503</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

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

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
<b>Cost</b>						
<b>January 1, 2023</b>	\$ 177,099	\$ 327,067	\$ 314,214	\$ 40,094	\$ 858,474	\$ 1,133,080
Additions	5,122	31,055	41,909	44	78,130	198,198
Disposals	(3,643)	—	(9,446)	—	(13,089)	(67,745)
Business disposition	(135)	(4,313)	(5,463)	—	(9,911)	—
Foreign currency translation adjustments	—	(5)	(16)	—	(21)	—
<b>September 30, 2023</b>	\$ 178,443	\$ 353,804	\$ 341,198	\$ 40,138	\$ 913,583	\$ 1,263,533
<b>Accumulated depreciation</b>						
<b>January 1, 2023</b>	\$ —	\$ 138,322	\$ 212,345	\$ 37,183	\$ 387,850	\$ 516,791
Depreciation expense	—	10,250	23,054	883	34,187	88,439
Depreciation of disposals	—	—	(9,258)	—	(9,258)	(44,117)
Business disposition	—	(3,178)	(3,237)	—	(6,415)	—
Foreign currency translation adjustments	—	(1)	(13)	—	(14)	—
<b>September 30, 2023</b>	\$ —	\$ 145,393	\$ 222,891	\$ 38,066	\$ 406,350	\$ 561,113
<b>Net book value – September 30, 2023</b>	\$ 178,443	\$ 208,411	\$ 118,307	\$ 2,072	\$ 507,233	\$ 702,420

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
<b>Cost</b>						
<b>January 1, 2022</b>	\$ 173,083	\$ 315,055	\$ 272,839	\$ 39,944	\$ 800,921	\$ 969,841
Additions	7,872	9,877	33,866	32	51,647	159,534
Disposals	(231)	(3)	(3,604)	—	(3,838)	(41,360)
Foreign currency translation adjustments	13	217	589	—	819	—
<b>September 30, 2022</b>	\$ 180,737	\$ 325,146	\$ 303,690	\$ 39,976	\$ 849,549	\$ 1,088,015
<b>Accumulated depreciation</b>						
<b>January 1, 2022</b>	\$ —	\$ 125,321	\$ 188,752	\$ 36,023	\$ 350,096	\$ 444,320
Depreciation expense	—	10,040	22,742	865	33,647	77,678
Depreciation of disposals	—	(3)	(3,350)	—	(3,353)	(26,413)
Foreign currency translation adjustments	—	51	471	—	522	—
<b>September 30, 2022</b>	\$ —	\$ 135,409	\$ 208,615	\$ 36,888	\$ 380,912	\$ 495,585
<b>Net book value – September 30, 2022</b>	\$ 180,737	\$ 189,737	\$ 95,075	\$ 3,088	\$ 468,637	\$ 592,430

During the nine months ended September 30, 2023, depreciation expense of \$110.1 million was charged to cost of goods sold (2022 – \$97.9 million), and \$12.5 million was charged to selling and administrative expenses (2022 – \$13.4 million).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### 5. LONG-TERM DEBT

	September 30 2023	December 31 2022	September 30 2022
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	(2,397)	(2,940)	(3,121)
<b>Total long-term debt</b>	<b>\$ 647,603</b>	<b>\$ 647,060</b>	<b>\$ 646,879</b>

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

The Company has a \$500.0 million committed revolving credit facility, maturing in November 2026, with a syndicate of financial institutions. 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 facility as at September 30, 2023, December 31, 2022 and September 30, 2022.

Standby letters of credit issued utilized \$39.6 million of the facility as at September 30, 2023 (December 31, 2022 – \$28.9 million and September 30, 2022 – \$34.6 million).

### 6. SHARE CAPITAL

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

The Company's NCIB program was renewed in September 2023. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 18, 2024. All shares purchased under the bid will be cancelled.

No common shares were purchased and cancelled during the quarter. The Company purchased and cancelled 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) during the nine months ended September 30, 2023.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company prior to the commencement of each blackout period. As at September 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 473,100 common shares for \$48.5 million (average cost of \$102.52 per share, including transaction costs) during the nine months ended September 30, 2022. As at September 30, 2022, there was no obligation for the repurchase of shares under the ASPP.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three and nine months ended September 30, 2023**  
(\$ thousands, except where otherwise indicated) (Unaudited)

**Dividends Declared**

Dividend	2023				2022			
	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)
Quarter 1	Mar. 9, 2023	\$ 0.43	Apr. 4, 2023	\$ 35.4	Mar. 9, 2022	\$ 0.39	Apr. 4, 2022	\$ 32.2
Quarter 2	Jun. 9, 2023	0.43	Jul. 5, 2023	35.6	Jun. 9, 2022	0.39	Jul. 5, 2022	32.1
Quarter 3	Sep. 8, 2023	0.43	Oct. 4, 2023	35.4	Sep. 8, 2022	0.39	Oct. 4, 2022	32.1
		\$ 1.29		\$ 106.4		\$ 1.17		\$ 96.4

On October 30, 2023, the Board of Directors declared a quarterly dividend of \$0.43 per common share, payable on January 4, 2024, to shareholders on record on December 8, 2023.

**7. FINANCIAL INSTRUMENTS**

**Financial Assets and Liabilities – Classification and Measurement**

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

	September 30 2023	December 31 2022	September 30 2022
<b>Other financial liabilities:</b>			
Long-term debt	\$ 647,603	\$ 647,060	\$ 646,879
<b>Derivative financial instruments assets, net:</b>			
Foreign exchange forward contracts	\$ 5,458	\$ 18,530	\$ 53,181

**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:

	September 30 2023	December 31 2022	September 30 2022
<b>Long-term debt:</b>			
Fair value	\$ 612,552	\$ 626,585	\$ 622,335
Carrying value	\$ 650,000	\$ 650,000	\$ 650,000

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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 nine months ended September 30, 2023 and 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 September 30, 2023, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$561.4 million at an average exchange rate of \$1.3399, maturing between October 2023 and September 2024; and (ii) US dollar sale contracts with a notional amount of \$53.0 million at an average exchange rate of \$1.3488, maturing between October 2023 and September 2024.

Management estimates that a gain of \$5.5 million (December 31, 2022 – gain of \$18.5 million; September 30, 2022 – gain of \$53.2 million) would be realized if the contracts were terminated on September 30, 2023. Certain of these forward contracts are designated as cash flow hedges and, accordingly, an unrealized gain of \$3.4 million (December 31, 2022 – unrealized gain of \$13.3 million; September 30, 2022 – unrealized gain of \$43.9 million) has been included in other comprehensive income. These gains are not expected to affect net earnings as the amounts will be reclassified to net earnings within the next 12 months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable and accrued liabilities. Certain of these 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 \$2.1 million (December 31, 2022 – gain of \$5.2 million; September 30, 2022 – gain of \$9.3 million) on forward contracts not designated as hedges is included in net earnings, which offsets gains recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

## 8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Credit facilities	\$ 425	\$ 523	\$ 1,301	\$ 1,244
Senior debentures	6,332	6,332	18,888	18,837
Interest on lease liabilities	296	152	787	466
	\$ 7,053	\$ 7,007	\$ 20,976	\$ 20,547

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The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest on conversion of rental equipment	\$ 804	\$ 1,533	\$ 2,286	\$ 3,455
Interest income	10,943	5,257	30,564	9,610
	<b>\$ 11,747</b>	<b>\$ 6,790</b>	<b>\$ 32,850</b>	<b>\$ 13,065</b>

**9. EARNINGS PER SHARE**

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Income from continuing operations	\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
Income from discontinued operations	—	2,568	5,605	2,503
<b>Net earnings available to common shareholders</b>	<b>\$ 145,619</b>	<b>\$ 123,123</b>	<b>\$ 380,660</b>	<b>\$ 294,336</b>
Weighted average common shares outstanding	82,281,891	82,182,632	82,302,881	82,359,832
Effect of dilutive securities	641,736	627,614	607,108	679,470
<b>Weighted average common shares outstanding – diluted</b>	<b>82,923,627</b>	<b>82,810,246</b>	<b>82,909,989</b>	<b>83,039,302</b>
<b>Basic earnings per share</b>				
Continuing operations	\$ 1.77	\$ 1.47	\$ 4.56	\$ 3.54
Discontinued operations	—	0.03	0.07	0.03
	<b>\$ 1.77</b>	<b>\$ 1.50</b>	<b>\$ 4.63</b>	<b>\$ 3.57</b>
<b>Diluted earnings per share</b>				
Continuing operations	\$ 1.76	\$ 1.46	\$ 4.52	\$ 3.51
Discontinued operations	—	0.03	0.07	0.03
	<b>\$ 1.76</b>	<b>\$ 1.49</b>	<b>\$ 4.59</b>	<b>\$ 3.54</b>

For the three-month period ended September 30, 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculation. For the comparative period in 2022, 528,908 outstanding share options with an average exercise price of \$106.14 were considered anti-dilutive and were excluded from the calculation.

For the nine-month period ended September 30, 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options for the comparative period in 2022.

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**10. SHARE-BASED COMPENSATION**

**Share Option Plan**

A reconciliation of the outstanding options for the nine months ended September 30, 2023 and September 30, 2022 was as follows:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	1,967,892	\$ 73.21	2,167,025	\$ 68.44
Granted	168,545	112.48	166,500	107.36
Exercised <sup>(1)</sup>	(272,320)	62.50	(275,939)	58.34
Forfeited	(11,826)	104.85	(13,342)	83.98
<b>Options outstanding, September 30</b>	<b>1,852,291</b>	<b>\$ 78.16</b>	<b>2,044,244</b>	<b>\$ 72.87</b>
<b>Options exercisable, September 30</b>	<b>1,041,906</b>	<b>\$ 65.73</b>	<b>994,033</b>	<b>\$ 59.68</b>

<sup>(1)</sup> The weighted average share price at the date of exercise for the nine months ended September 30, 2023 was \$111.99 (2022 – \$108.38).

The following table summarizes share options outstanding and exercisable as at September 30, 2023:

Range of exercise prices	Options outstanding			Options exercisable		
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price	Weighted average exercise price
\$26.52 – \$36.65	112,390	1.6	\$ 34.30	112,390	\$ 34.30	\$ 34.30
\$39.79 – \$53.89	208,500	3.4	47.37	208,500	47.37	47.37
\$65.72 – \$72.95	878,120	6.1	69.31	576,946	68.57	68.57
\$104.91 – \$112.48	653,281	8.4	107.42	144,070	105.46	105.46
	<b>1,852,291</b>	<b>6.3</b>	<b>\$ 78.16</b>	<b>1,041,906</b>	<b>\$ 65.73</b>	<b>\$ 65.73</b>

The fair values of the share options granted during 2023 and 2022 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Fair value price per option	\$ 24.20	\$ 22.27
Share price	\$ 112.48	\$ 107.36
Expected life of options (years)	4.94	5.30
Expected share price volatility	22.0%	21.50%
Expected dividend yield	1.53%	1.45%
Risk-free interest rate	3.40%	2.77%

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**Deferred Share Unit ("DSU") Plans**

A reconciliation of the cash-settled DSU plan was as follows:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	190,128	\$ 18,528	202,969	\$ 23,074
Units taken or taken in lieu and dividends	2,273	237	19,543	2,157
Redemptions	(1,829)	(193)	(33,148)	(3,535)
Fair market value adjustments	—	1,644	—	(3,418)
<b>Outstanding, September 30</b>	<b>190,572</b>	<b>\$ 20,216</b>	<b>189,364</b>	<b>\$ 18,278</b>

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

During the quarter, 3,847 equity-settled DSU units were taken in lieu of cash payment for director fees valued at \$0.4 million, which is included in selling and administrative expenses with a credit to contributed surplus. The plan had a total of 29,379 units as at September 30, 2023.

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

A total of 14,340 restricted share units ("RSUs") and 56,563 performance share units ("PSUs") were outstanding under the LTIP as at September 30, 2023, including reinvested dividends. LTIP expense of \$784 was included in selling and administrative expenses with a credit to contributed surplus during the quarter.

**11. EMPLOYEE FUTURE BENEFITS**

Employee future benefits expense includes the following components:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Defined benefit plans	\$ 1,781	\$ 3,863	\$ 5,378	\$ 10,857
Defined contribution plans	4,504	4,335	13,927	13,178
401(k) matched saving plans	114	81	328	234
	<b>\$ 6,399</b>	<b>\$ 8,279</b>	<b>\$ 19,633</b>	<b>\$ 24,269</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net change in non-cash working capital and other				
Accounts receivable	\$ (56,320)	\$ (36,514)	\$ (60,145)	\$ (152,597)
Inventories	(24,926)	(54,677)	(136,218)	(237,643)
Accounts payable and accrued liabilities	14,747	11,645	(70,184)	65,072
Provisions	1,594	(75)	2,203	1,294
Deferred revenue and contract liabilities	28,866	7,385	(6,667)	104,858
Income taxes	11,655	16,214	(18,790)	4,615
Derivative financial instruments	(4,151)	(6,228)	2,816	(8,056)
Other	(5,467)	(1,440)	(8,019)	(7,599)
	<b>\$ (34,002)</b>	<b>\$ (63,690)</b>	<b>\$ (295,004)</b>	<b>\$ (230,056)</b>
Cash paid during the period for:				
Interest	\$ —	\$ 2,782	\$ 12,388	\$ 15,170
Income taxes	\$ 42,048	\$ 31,351	\$ 156,069	\$ 112,186
Cash received during the period for:				
Interest	\$ 7,604	\$ 5,380	\$ 25,166	\$ 11,783
Income taxes	\$ 1,203	\$ 410	\$ 1,203	\$ 410

### 13. 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.



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The following table sets forth information by segment for the three and nine months ended September 30, 2023 and September 30, 2022:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 474,976	\$ 443,417	\$ 49,292	\$ 48,265	\$ 524,268	\$ 491,682
Rentals	138,925	125,509	—	—	138,925	125,509
Product support	448,891	420,854	59,138	45,841	508,029	466,695
Power generation	2,823	2,621	—	—	2,823	2,621
<b>Total revenue</b>	<b>\$ 1,065,615</b>	<b>\$ 992,401</b>	<b>\$ 108,430</b>	<b>\$ 94,106</b>	<b>\$ 1,174,045</b>	<b>\$ 1,086,507</b>
<b>Operating income</b>	<b>\$ 180,426</b>	<b>\$ 159,350</b>	<b>\$ 12,660</b>	<b>\$ 6,345</b>	<b>\$ 193,086</b>	<b>\$ 165,695</b>
Interest expense					7,053	7,007
Interest and investment income					(11,747)	(6,790)
Income taxes					52,161	44,923
<b>Income from continuing operations</b>					<b>\$ 145,619</b>	<b>\$ 120,555</b>

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 1,400,291	\$ 1,211,683	\$ 142,649	\$ 124,384	\$ 1,542,940	\$ 1,336,067
Rentals	353,832	327,569	—	—	353,832	327,569
Product support	1,333,578	1,184,341	156,500	130,921	1,490,078	1,315,262
Power generation	8,514	7,921	—	—	8,514	7,921
<b>Total revenue</b>	<b>\$ 3,096,215</b>	<b>\$ 2,731,514</b>	<b>\$ 299,149</b>	<b>\$ 255,305</b>	<b>\$ 3,395,364</b>	<b>\$ 2,986,819</b>
<b>Operating income</b>	<b>\$ 472,320</b>	<b>\$ 396,111</b>	<b>\$ 27,353</b>	<b>\$ 12,573</b>	<b>\$ 499,673</b>	<b>\$ 408,684</b>
Interest expense					20,976	20,547
Interest and investment income					(32,850)	(13,065)
Income taxes					136,492	109,369
<b>Income from continuing operations</b>					<b>\$ 375,055</b>	<b>\$ 291,833</b>

Operating income from rental operations was \$34.3 million for the three months ended September 30, 2023 (2022 – \$32.9 million) and \$68.9 million for the nine months ended September 30, 2023 (2022 – \$65.4 million).

### 14. BUSINESS SEASONALITY

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenue is recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has 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.

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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. Revenue is typically lower during the first quarter as winter weather slows down construction schedules. Revenue increases in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and the customer's 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 trends also typically lead to accounts receivable to be at their highest level at year-end.

Market and economic factors, local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur in the future.