

Q U A R T E R T H R E E 2 0 2 2



## **Management's Discussion & Analysis**

**FOR THE THREE MONTH PERIOD ENDED  
SEPTEMBER 30, 2022**

**Dated November 7, 2022**

# Titanium Transportation Group Inc.

Management's Discussion and Analysis for the third quarter ended September 30, 2022

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## GENERAL INFORMATION

The following is Titanium Transportation Group Inc.'s management discussion and analysis dated November 7, 2022 ("MD&A"), which provides a comparative overview of the Company's performance for the three month and nine month periods ended September 30, 2022 with the corresponding three month and nine month periods ended September 30, 2021, and it reviews the Company's financial position as at September 30, 2022. Throughout this MD&A, any reference to "Company", "we", "us", "our" or "Titanium" shall mean Titanium Transportation Group Inc. and all of its direct and indirect wholly-owned subsidiaries. This discussion should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2021 as well as the unaudited condensed consolidated interim financial statements of the Company for the third quarter ended September 30, 2022 ("consolidated interim financial statements").

The consolidated interim financial statements of the Company and extracts from those consolidated interim financial statements contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements comply with IAS 34, Interim Financial Reporting, and do not include all of the information required for annual financial statements. The Company's presentation currency is the Canadian dollar. All financial information presented has been rounded to the nearest thousand, except per share amounts and where otherwise indicated. The Company's consolidated interim financial statements for the third quarter ended September 30, 2022 were approved by its Board of Directors on November 7, 2022. Readers are cautioned that certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumption prove incorrect, actual results may vary significantly from those expected. See "Forward Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, the information in this report is dated as of November 7, 2022. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## OVERVIEW

The Company is an asset-based transportation and logistics company servicing Canada and the United States with asset terminals in Bolton, Bracebridge, Napanee, North Bay, Windsor, Belleville, Cornwall, and Brantford, ON, along with additional parking/switch yards in Sudbury, Brockville and Trenton, ON. In Canada there are freight brokerage offices in Bolton, ON, Windsor, ON and Montreal, QC while the U.S. freight brokerage offices are located in Charlotte, NC, Nashville, TN, Chicago, IL, Denver, CO, and Atlanta, GA. The Company has over 1,000 customers across various industries, including large multinational corporations. The Company has approximately 800 power units, 3,000 trailers, and 1,100 independent owner operators and full-time employees.

The Truck Transportation segment provides transport of general merchandise by long-haul, dedicated and local trucking services throughout Canada and the U.S. with a variety of trailer types, including dry vans and flatbeds that support both heated and multi-axle services. Through the use of a modern fleet, the Truck Transportation segment provides reliable and high quality service to various customers, attains a high asset utilization through its network of terminals and yards across Ontario, and creates a platform for revenue growth and cost efficiencies through the integration of acquisitions.

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The Logistics segment is a non-asset based third-party logistics provider of ancillary transportation services, such as freight brokerage, North American and international freight forwarding, intermodal, special and expedited services. The Logistics segment succeeds due to the extensive experience and expertise of the Company's dedicated personnel, up to date and innovative information technology and systems, as well as strong strategic relationships with third-party providers.

The Company's operational results are influenced by industry-wide economic factors and by capital allocation including operating and spending decisions. Industry-wide economic factors which impact operational results include freight demand, truck capacity, fuel prices, driver availability, overall economic conditions, exchange rates, government regulation and weather. The Company makes key decisions when allocating capital between its Truck Transportation and Logistics segments, hiring employees or contract for services of independent contractors and determining sustainable compensation structures, investing in new equipment and technology, and considering business acquisitions. Operating and spending decisions are made after the analysis of numerous important financial and operational metrics including EBITDA<sup>1</sup> and operating income, revenue generated per truck and per mile, empty miles, driver retention and fuel efficiency.

## Q3 2022 Key Highlights

- ◆ Consolidated revenue for Q3 2022 was \$113.4 million -- a 11.5% increase over Q3 2021. Market condition continued to support higher freight rates, which increased revenues in all segments.
- ◆ Operating income was \$8.3 million for Q3 2022, representing an 8.5% operating margin<sup>1</sup>, compared to \$1.7 million and 1.8%, respectively, in Q3 2021.
- ◆ Truck Transportation segment revenue for Q3 2022 was \$54.9 million, a 28.5% increase year over year. Operating income was \$3.3 million, generating a corresponding 7.3% margin, compared to negative \$0.8 million in Q3 2021.
- ◆ Logistics segment revenue was \$59.6 million for Q3 2022, a 0.3% increase when compared to \$59.4 million in the same period in 2021. Operating income was \$5.8 million, representing an 11.0% operating margin for the quarter -- compared to \$3.4 million and 6.1%, respectively, in Q3 2021.

### Revenue by Industry

Manufactured Goods	27.7%
Food & Beverages	22.9%
Retail	14.7%
Services	8.0%
Automotive	7.3%
Metals & Mining	5.9%
Logistics/Trucking	5.2%
Recycling	4.5%
Other	3.8%

Based on Q3 2022 revenue

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<sup>1</sup> Refer to "Results of Operations" on page 3 and "Non-IFRS Financial Measures" on page 12 for more information about operating income and EBITDA and for a reconciliation of operating income and EBITDA to net income.

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## RESULTS OF OPERATIONS

**Financial Highlights** (unaudited)  
(in '000 Canadian dollars)

	<b>3 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>9 months ended</b>
	<b>Sept 30 2022</b>	<b>Sept 30 2021</b>	<b>Sept 30 2022</b>	<b>Sept 30 2021</b>
Revenue	97,108	93,146	334,979	265,181
Fuel surcharge	16,248	8,542	50,547	22,980
	113,356	101,688	385,526	288,161
Operating expenses	97,832	94,449	339,750	265,675
EBITDA <sup>(1)</sup>	15,524	7,239	45,776	22,486
EBITDA margin <sup>(1)</sup>	16.0 %	7.8 %	13.7 %	8.5 %
Depreciation	6,930	5,025	18,251	14,735
Amortization of customer lists	327	505	981	762
Operating income <sup>(1)</sup>	8,267	1,709	26,544	6,989
Operating margin <sup>(1)</sup>	8.5 %	1.8 %	7.9 %	2.6 %
Gain on sale of property and equipment	(3,344)	(839)	(5,839)	(1,255)
Finance costs	1,257	952	3,188	2,754
Finance income	(55)	(66)	(148)	(173)
Foreign exchange loss (gain)	1,429	(158)	1,891	221
Transaction costs	-	-	-	800
Gain on Sale of Marketable Securities	-	-	-	(111)
Income tax expense	2,443	466	7,370	1,292
Net income and comprehensive income attributable to owners of the Company	6,537	1,354	20,082	3,461
Net income per share - basic	0.15	0.03	0.46	0.09
Net income per share - diluted	0.14	0.03	0.45	0.08

(1) Refer to "Non-IFRS Financial Measures".

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## EXECUTIVE SUMMARY

Titanium delivered strong Q3 financial results reflecting our strategic execution of investments in technology, rolling stock, U.S. growth initiatives, and sound operational execution. This performance was achieved despite ongoing inflationary pressures on input costs, including rising energy costs and ongoing supply chain challenges.

Consolidated revenue of \$113.4 million is the highest Q3 revenue in Company history. For the first nine months of 2022, consolidated revenue increased by \$97.4 million, or almost 34%, compared to the same period in 2021, to \$385.5 million.

Consolidated net income in Q3 2022 was \$6.5 million, compared to \$1.4 million in Q3 2021 – an increase of more than 382%. For the first nine months of 2022, net income rose to \$20.1 million from \$3.5 million during the same period in 2021 – an increase of about 480%.

Basic and diluted earnings per share increased from \$0.03 in Q3 2021 to \$0.15 and \$0.14, respectively, in Q3 2022. For the first nine months of 2022, basic earnings per share increased to \$0.46 from \$0.09 in Q3 2021 and diluted earnings per share rose from \$0.08 in 2021 to \$0.45 in 2022.

Our trucking segment delivered double-digit growth during the quarter recording \$54.9 million in revenue. Favourable freight pricing and pricing optimization activities combined with synergies from previous acquisitions drove segment revenue growth of 28.5% in the quarter. Profitability improved significantly, with EBITDA margins at 22.9% compared to 12.2% in 2021.

The Company also realized significant cashflow from the sale of excess aged equipment as part of our fleet renewal process, improving working capital from \$4.1 million at the start of the year to \$39.6 million in Q3.

The logistics segment held its own despite softening in market conditions -- up 0.3% to \$59.6 million compared to the prior year period. Increased volume from our new U.S. offices in Denver, CO and Atlanta, GA were offset by significant downward pressure on transactional pricing, particularly in the U.S. Additionally, logistics segment margins expanded to 11.0%, from 6.1% in the prior quarter, reflecting technology-driven efficiencies realized and value-added services provided to our shippers and suppliers via our new proprietary customer integration solutions and the Titanium Fusion Portal.

Our team has made significant progress on technology integration with customers, shippers and suppliers. This remains a top priority and enables Titanium to provide best-in-class supply chain solutions.

Looking ahead, we remain cautiously optimistic notwithstanding the macro-economic headwinds expected to persist through the balance of the year. Inflationary pressures are expected to put continued upward pressure on input costs which in turn will create additional pricing pressures into the fourth quarter.

Overall, Titanium delivered record results through the first nine months of 2022, and we expect to deliver a strong finish through to the end of the year. The Company's fundamentals remain strong. We are well positioned for accretive opportunities as they may arise.

We expect to deliver continued profitability. As a result, while the company continues to maintain its revenue expectations for fiscal 2022 to be between \$460 million to \$480 million, the Company also expects to exceed previous EBITDA guidance.

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## Selected Segmented Financial Information (unaudited)

(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2022	Sept 30 2021	Sept 30 2022	Sept 30 2021
<b>Truck Transportation</b>				
Revenue	45,593	37,956	136,028	113,541
Fuel surcharge	9,355	4,819	26,875	13,178
	54,948	42,775	162,903	126,719
Operating expenses				
Carriers and independent contractors	16,281	13,970	48,795	41,146
Vehicle operating	14,360	11,639	47,644	34,676
Wages and casual labour	12,160	11,292	36,456	33,649
Other operating	1,718	1,255	4,913	4,562
	44,519	38,156	137,808	114,033
EBITDA <sup>(1)</sup>	10,429	4,619	25,095	12,686
EBITDA margin <sup>(1)</sup>	22.9 %	12.2 %	18.4 %	11.2 %
Depreciation	6,787	4,939	17,869	14,380
Amortization of customer lists	327	505	981	762
Operating income (loss) <sup>(1)</sup>	3,315	(825)	6,245	(2,456)
Operating margin <sup>(1)</sup>	7.3 %	(2.2)%	4.6 %	(2.2)%
Gain on sale of property and equipment	(3,344)	(839)	(5,839)	(1,255)
Finance costs	1,098	884	2,853	2,593
Finance income	(55)	(66)	(148)	(173)
Transaction costs	-	-	-	800
Gain on Sale of Marketable Securities	-	-	-	(111)
Income tax expense (recovery)	1,595	(181)	2,718	(927)
Net income (loss)	4,021	(623)	6,661	(3,383)

(1) Refer to "Non-IFRS Financial Measures".

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## Selected Segmented Financial Information (unaudited), continued

(in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2022	Sept 30 2021	Sept 30 2022	Sept 30 2021
<b>Logistics</b>				
Revenue	52,735	55,725	202,497	154,920
Fuel surcharge	6,893	3,723	23,672	9,800
	59,628	59,448	226,169	164,720
Operating expenses				
Carriers and independent contractors	46,793	51,015	181,745	139,642
Wages and casual labour	5,913	3,975	17,617	10,569
Other operating	1,119	1,034	3,427	2,372
	53,825	56,024	202,789	152,583
EBITDA/ Operating income <sup>(1)</sup>	5,803	3,424	23,380	12,137
EBITDA/ Operating margin <sup>(1)</sup>	11.0 %	6.1 %	11.5 %	7.8 %
Depreciation	143	86	382	355
Finance costs	159	68	334	161
Income tax expense	1,402	807	5,831	2,850
Net income	4,099	2,463	16,833	8,771

(1) Refer to "Non-IFRS Financial Measures".

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**Revenue** (unaudited)  
(in '000 Canadian dollars)

	<b>3 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>9 months ended</b>
	<b>Sept 30 2022</b>	<b>Sept 30 2021</b>	<b>Sept 30 2022</b>	<b>Sept 30 2021</b>
<b>Truck Transportation</b>				
Revenue	45,593	37,956	136,028	113,541
Fuel surcharge	9,355	4,819	26,875	13,178
	<b>54,948</b>	<b>42,775</b>	<b>162,903</b>	<b>126,719</b>
<b>Logistics</b>				
Revenue	52,735	55,725	202,497	154,920
Fuel surcharge	6,893	3,723	23,672	9,800
	<b>59,628</b>	<b>59,448</b>	<b>226,169</b>	<b>164,720</b>

For the three month and nine month periods ended September 30, 2022, the Company's consolidated revenues increased by \$11.7 million and \$97.4 million, or 11.5% and 33.8%, respectively, when compared to the same periods ended September 30, 2021. The improvement in top line revenues reflected optimization in our pricing strategy to capitalize on the market conditions in the quarter.

The Truck Transportation segment experienced an increase in revenue of \$12.2 million or 28.5% for the third quarter of 2022 and an increase of \$36.2 million or 28.6% for the nine month period ended September 30, 2022 when compared to 2021. The increase primarily reflects the revenue contribution from increases in contract and transactional pricing, which increased by 39.5% year-over-year. Offsetting the improved pricing is a decrease in volume which reflects emerging slowdowns near the end of the quarter. In addition, the acquisition of BSC also contributed a total of \$1.7 million for three month period ended September 30, 2022.

Logistics segment revenue increased \$0.2 million or 0.3%, for the three month period ended September 30, 2022 and \$61.4, million, or 37.3%, for the nine month period ended September 30, 2022, when compared to 2021. Emerging softness in the North American market was the key driver. This was offset by increased volume from our strategic expansion into Denver and Atlanta.

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## Operating Expenses and Income (unaudited) (in '000 Canadian dollars)

	3 months ended	3 months ended	9 months ended	9 months ended
	Sept 30 2022	Sept 30 2021	Sept 30 2022	Sept 30 2021
<b>Truck Transportation</b>				
Revenue	54,948	42,775	162,903	126,719
Operating expenses	44,519	38,156	137,808	114,033
EBITDA <sup>(1)</sup>	10,429	4,619	25,095	12,686
EBITDA margin <sup>(1)</sup>	22.9 %	12.2 %	18.4 %	11.2 %
Depreciation and amortization	7,114	5,444	18,850	15,142
Operating income (loss) <sup>(1)</sup>	3,315	(825)	6,245	(2,456)
Operating margin <sup>(1)</sup>	7.3 %	(2.2)%	4.6 %	(2.2)%
<b>Logistics</b>				
Revenue	59,628	59,448	226,169	164,720
Operating expenses	53,825	56,024	202,789	152,583
EBITDA/ Operating income <sup>(1)</sup>	5,803	3,424	23,380	12,137
EBITDA/ Operating margin <sup>(1)</sup>	11.0 %	6.1 %	11.5 %	7.8 %
<b>Corporate</b>				
Operating expenses	709	804	2,700	2,337

(1) Refer to "Non-IFRS Financial Measures".

For the Truck Transportation segment, operating expenses increased by \$6.4 million, or 16.7%, for the three month period ended September 30, 2022 and by \$23.8 million, or 20.8%, for the nine month period ended September 30, 2022, when compared to the same periods in 2021. The increase in expenses year-over-year reflects the inflationary pressure on operating costs after the pandemic. For the three and nine month period ended September 30, 2022, the segment operating margin improved markedly to 7.3% and 4.6% compared to a negative margin of -2.2% and -2.2% in 2021. Optimization of the Company's pricing strategy along with cost control initiatives implemented using our internally developed navigational tools were vital in the margin expansion in the segment.

For the Logistics segment, operating expenses decreased by \$2.2 million or 3.9% for the three month period ended September 30, 2022 and increased by \$50.2 million or 32.9% for the nine month period ended September 30, 2022, when compared to the same periods in 2021. The decrease in expenses year-over-year was due to improvements in subcontractor sourcing using newly developed technology. Combined with increases in volume due to the two new U.S. offices, the segment saw operating margin increase from 6.1% to 11.0% in the three month period ended, and 7.8% to 11.5% for the nine month period ended September 30, 2022.

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## SUMMARY OF QUARTERLY RESULTS

(in '000 Canadian dollars)

The following table sets out quarterly financial information for the Company's eight most recently completed quarters:

	<b>Q3'22</b>	<b>Q2'22</b>	<b>Q1'22</b>	<b>Q4'21</b>	<b>Q3'21</b>	<b>Q2'21</b>	<b>Q1'21</b>	<b>Q4'20</b>
Revenue	113,356	136,183	135,987	111,283	101,688	100,798	85,675	65,850
EBITDA <sup>(1)</sup>	15,524	16,335	13,917	8,783	7,239	7,731	7,515	6,529
EBITDA margin <sup>(1)</sup>	16.0 %	14.0 %	11.5 %	8.7 %	7.8 %	8.4 %	9.5 %	10.4 %
Operating income <sup>(1)</sup>	8,267	10,131	8,146	2,942	1,709	2,671	2,608	2,968
Operating margin <sup>(1)</sup>	8.5 %	8.7 %	6.7 %	2.9 %	1.8 %	2.9 %	3.3 %	4.7 %
Net income (loss) and comprehensive income (loss) attributable to the owners of the Company	6,537	7,577	5,969	1,573	1,354	938	1,169	2,094
Per share - basic	0.15	0.17	0.14	0.04	0.03	0.02	0.03	0.06
Per share - diluted	0.14	0.17	0.13	0.04	0.03	0.02	0.03	0.06

(1) Refer to "Non-IFRS Financial Measures".

Changes from quarter to quarter are mainly the result of seasonality of operations, changes in industry conditions and acquisitions. Historically, the Company has experienced weaker demand in the first quarter, moderate demand in the third and fourth quarters and stronger demand in the second quarter. Freight demand improved for the second half of 2020 as many end markets served by Titanium resumed activities after the initial COVID-19 related shutdowns. The economic recovery was particularly strong in the United States, in part reflecting the accelerated roll-out of COVID-19 vaccinations and easing of restrictions associated with the virus. In contrast, the Canadian market lagged behind in the recovery process in part reflecting ongoing COVID restrictions.

Consumer activities gradually began to resume as pandemic restrictions began to ease in 2021. However, the supply chain struggled to keep pace with the higher levels of aggregate demand. This, combined with monetary measures introduced during the pandemic and the geopolitical impacts of Russia's invasion of Ukraine, led to significant inflationary pressure in the North American and global economies. Operating costs rapidly increased starting Q2 2021 and continued through to Q3 2022. Fuel prices climbed as global political unrest added to the uncertainty in the market, which in turn further increased operating costs. Similarly, the increased operating costs, combined with tight capacity, created the conditions for an upward adjustment in freight rates.

In addition, there has historically been an increase in revenue and a decrease in margins in quarters following an acquisition. Revenues have often decreased, stabilized and then increased while EBITDA margins have increased in quarters after a business acquisition. For the acquisition of ITS, Truck Transportation segment EBITDA was significantly impacted by integration costs to bring the acquired fleet up to Titanium standards. Acquired revenue also followed historical trend as we rebranded the fleet under the Titanium banner. Margins and EBITDA steadily recovered since Q4 2021, where virtually all integration of the acquisition had completed.

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## LIQUIDITY AND CAPITAL RESOURCES

(in '000 Canadian dollars)

	<b>September 30</b>	<b>December 31</b>
	<b>2022</b>	<b>2021</b>
Working capital (deficit) <sup>(1)</sup>	39,619	4,126
Total assets	274,827	233,666
Net debt <sup>(2)</sup>	71,453	83,067
Shareholders' equity	93,811	73,714
Net debt to equity ratio <sup>(3)</sup>	0.76	1.13

(1) Working capital (deficit) is defined as current assets less current liabilities.

(2) Net debt is defined as bank indebtedness, acquisition loan, loans payable and finance lease liabilities, net of cash, finance lease receivables, both current and long-term portions.

(3) Net debt to equity ratio is defined as net debt divided by shareholders' equity.

The Company's working capital position improved as at September 30, 2022 compared to December 31, 2021. After a slight decline in Q1 2022 due to the acquisition of BSC, where consideration for the transaction consisted of \$9.0 million in cash and \$1.5 million in share consideration, our solid operating results from the first half of 2022 allowed our capital position to quickly recover and improved to 0.76. Our operations continued to generate significant cashflow for the year at \$49.5 million, and we have also realized \$17.4 million through disposition of excess aged equipment. The substantial inflow was the reason we were able to improve our capital position despite incurring \$48.9 million in debt relating to replacing excess aged equipment.

In terms of rolling stock expenditures, the industry is still facing significant supply chain disruption. We were able to increase our expected capital purchases to \$31.0 million towards 150 new power units and 150 trailers over the next year. In addition, we expect to realize proceeds from the sale of excess aged equipment of approximately \$7.0 million. Our rolling stock replacement policy is to replace power units after 6 years, van trailers after 10 years and flatbed trailers after 15 years. We believe there is sufficient financing available to fund planned capital expenditures in the future and to provide for the further organic and inorganic growth of the business.

The following table sets out the Company's contractual obligations, excluding future interest payments:

(in '000 Canadian dollars)

	<b>Total</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>	<b>After 5 Years</b>
Loans	73,960	18,514	15,946	15,398	14,341	7,833	1,928
Finance leases	24,518	5,980	3,986	2,959	2,224	1,923	7,446
	<b>98,478</b>	<b>24,494</b>	<b>19,932</b>	<b>18,357</b>	<b>16,565</b>	<b>9,756</b>	<b>9,374</b>

Titanium actively seeks debt refinancing when possible, especially with respect to debt acquired through business acquisitions, to the extent that penalties for early retirement of debt are not significant and lower cost financing is available. We believe the Company's operating cash flows are sufficient to fund daily operating activities and meet regular debt repayment obligations.

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The portion of the Company's bank credit facilities which were unused as of September 30, 2022 include approximately \$38.6 million under the revolving demand operating facility, and \$5.5 million under a finance lease loan facility. In addition, the Company has \$27.7 million available in finance leasing and loan facilities through other institutions.

The Company's credit facility and finance leasing agreements require Titanium to maintain three covenants on a quarterly basis. These covenants are measured on a consolidated rolling twelve-month basis. We were in compliance with all covenants as of September 30, 2022 and we believe the Company will be in compliance with all required covenants for the next twelve months. The first covenant requires the Company's debt to tangible net worth ratio to be less than 3.5. Debt to tangible net worth is a ratio of total liabilities plus future minimum lease payments on non-realty operating leases to shareholder's equity less goodwill, customer lists and deferred tax assets. The second covenant requires the Company's debt service coverage ratio to be greater than 1.15. Debt service coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, depreciation, amortization and non-cash items, less unfinanced capital expenditures, plus proceeds of sale of equipment, to contractually required principal and interest payments made over the prior twelve months. The third covenant requires the Company's fixed charge coverage ratio to be greater than 1.00. Fixed charge coverage is a ratio of net income before interest income and expenses, gains on sale of equipment, to contractually required principal and interest payments made over the prior twelve months.

The Company must calculate its covenants by adjusting its net income and debt to treat realty leases as an operating lease rather than a finance lease.

## Common Shares

The Company offers a share purchase plan (the "Plan"), which allows all employees and independent contractors, but excluding insiders of the Company, to contribute up to 5% of their compensation to a maximum of \$9,600 per year towards the purchase of Titanium common shares. Contributions are matched at a rate of 100% by the Company and shares are issued from treasury to fund the Plan. In the case of employees, matched shares are subject to a three year vesting period. In the case of independent contractors, matched shares are issued after three years of service. The maximum number of shares approved for issuance under the Plan is reviewed by the board of directors annually. Of the shares issued to date, 454,800 have not yet vested.

During the quarter ended September 30, 2022, dividends of \$0.9 million or \$0.02 per common share (2021 - \$0.9 million) was declared and paid by the Company to its shareholders.

As of November 7, 2022, there are 44,903,120 common shares of the Company outstanding. In addition, there are 2,207,600 stock options outstanding, of which 1,289,300 are exercisable.

## TRANSACTIONS WITH RELATED PARTIES

The Company provides truck transportation services to companies under common control. These companies include Vision Extrusions Group Limited, Vision Profile Extrusions Ltd. and Sunview Patio Doors Ltd. Aggregate revenues from these companies totaled \$4.0 million for the nine month period ended September 30, 2022 (2021 - \$2.9 million).

The Company was leasing its head office from Caledon First Investments Limited, a company under common control, until the building was sold during Q4 2021. No payments were made to this company for the three month and nine month periods ended September 30, 2022 (2021 - \$0.5 million and \$1.4 million).

These transactions were carried out in the normal course of business and were measured at the exchange amount, which management has concluded approximates an arm's-length arrangement.

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## FORWARD LOOKING STATEMENTS

This MD&A contains forward looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "may", or by such words as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", "objective" and similar expressions or variations of such words. Forward looking statements are, by their nature, not guarantees of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results or that estimates or projections will be sustained.

Readers are cautioned not to place undue reliance on these forward looking statements, which are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The following factors could cause the Company's actual financial performance to differ materially from that expressed in any forward looking statement: highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, the Company's ability to identify, successfully complete and integrate suitable acquisitions, fuel price variation and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in Canadian and US government regulations applicable to the Company's operations, changes in key personnel, adverse weather conditions, accidents and litigation, the market for used equipment, changes in interest rates, changes in the cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers and availability of financing on reasonable commercial terms. The Company expressly disclaims any obligation to update forward looking statements if circumstances or management's views or estimates change, except as otherwise required pursuant to applicable law.

From time to time, we will disclose our current annual run rate revenue and EBITDA. Although not intended as such, this may be interpreted as forward looking information. Run rates are presented in order to provide investors with insight into the current size of the Company and do not take into account expected future growth or changes in economic conditions. Historical figures may not be a good indicator of the Company's size, due to acquisitions and the time that it takes to fully realize synergies. We estimate we will deliver consolidated revenue between \$460 million to \$480 million.

## NON-IFRS FINANCIAL MEASURES

This MD&A includes the following financial measures that do not have any standardized meaning under IFRS and may not be comparable to similar measures employed by other companies:

"Earnings before interest, income taxes, depreciation and amortization" ("EBITDA") is calculated as net income before depreciation, amortization, asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs, accelerated customer list amortization and goodwill impairment.

"EBITDA margin" is calculated as EBITDA as a percentage of revenue before fuel surcharge.

"Operating income" is calculated as net income before asset impairments, gains or losses on the sale of equipment, finance income and costs, gains or losses on foreign exchange, income tax expense, transaction costs, accelerated customer list amortization and goodwill impairment.

"Operating margin" is calculated as operating earnings as a percentage of revenue before fuel surcharge.

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"Adjusted net income" is calculated as net income before items that are not in the normal course of business, such as accelerated customer list amortization and goodwill impairment.

Management of the Company believes that these financial measures are useful for investors and other readers, when used in conjunction with other IFRS financial measures, as they are measures used internally by management to evaluate performance. However, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS.

## **RISKS AND UNCERTAINTIES**

The Company's business is subject to a number of risk factors which are described in our most recently filed annual information form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

As the duration and impact of the COVID-19 pandemic to the global economy is indeterminable, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company will continue to closely monitor the situation as it develops day-to-day and will take further actions, if necessary, to ensure the wellbeing of our workforce, customers, suppliers and other stakeholders, as well as minimize the disruption to Titanium's services.

The Company has taken measures to mitigate the potential negative impact on its financial results as a result of the outbreak. These measures are described under the section COVID-19 information in this MD&A. As the current market remain uncertain, the Company's exposure to interest rate risk and foreign exchange risk are heightened due to the volatility of the market. We continue to monitor the economic conditions on a daily basis to mitigate these risks.

The Company does not expect any material changes to other risk factors provided that temporary COVID-19 precautionary measures relax in the near future. If these measures extend indefinitely, there may be adverse effects on Titanium's credit risks as customers may become financially distressed. There may also be additional risks to the Company's operations as available workforce may contract for the Company, its customers and its suppliers. Furthermore, a prolonged period of precautionary measures will likely have severe effects on the Company's liquidity position. All of the above will have adverse impact to the Company's financial performance if the precautionary measures remain indefinite.

## **CHANGES IN ACCOUNTING POLICIES**

The following new standards, interpretations and amendments to standards became effective for the period beginning January 1, 2022. The full description of each of these changes in accounting policies is available in our consolidated interim financial statements. The impact of the adoption of these standards is outlined below.

*IAS 37, Provisions, Contingent Liabilities and Contingent Assets.*

The following new standards and amendments to standards are not yet effective for the year ended September 30, 2022 and have not been applied in preparing the consolidated interim financial statements:

*IAS 1, Presentation of Financial Statements*