

Toromont Announces Results for the Third Quarter of 2018 and Quarterly Dividend

TORONTO, Nov. 05, 2018 -- Toromont Industries Ltd. (TSX: TIH) reported its financial results for the third quarter ended September 30, 2018.

<i>millions, except per share amounts</i>	Three months ended September 30			Nine months ended September 30		
	2018	2017	change %	2018	2017	change %
Revenues	\$ 900.1	\$ 584.2	54 %	\$ 2,538.2	\$ 1,527.4	66 %
Operating income	\$ 99.8	\$ 68.6	45 %	\$ 247.9	\$ 163.0	52 %
Net earnings	\$ 68.7	\$ 49.4	39 %	\$ 167.1	\$ 116.8	43 %
Basic earnings per share ("EPS")	\$ 0.84	\$ 0.63	33 %	\$ 2.06	\$ 1.49	38 %

These results include the operations of the significant acquisition completed by the Company on October 27, 2017. This transaction expanded Toromont's operations to include the Caterpillar dealerships for Quebec, the Maritime Provinces and Western Labrador and the MCFA lift truck dealership for Quebec and Ontario, in addition to other distribution rights. The acquired operations are collectively referenced as "Toromont QM or TQM" throughout this report.

"We have considerable work to complete to unlock the significant value of the TQM acquisition, but remain pleased with the integration and transition progress and with the earnings accretion over the relatively short timeline since the transaction closing. The team has embraced the sharing of best practices including key operational and financial disciplines, to further strengthen our position as a world class dealership," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "Overall, the Company delivered good results in the third quarter on solid execution in the legacy Equipment Group together with the incremental contribution from the acquired businesses."

Highlights:

- Consolidated results
 - Net earnings increased \$19.3 million or 39% in the quarter versus a year ago to \$68.7 million or \$0.84 EPS. The following table identifies the components of contributions to the third quarter results versus a year ago:

<i>millions, except per share amounts</i>	Three months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	54.1	\$ 50.7	7%	0.68	\$ 0.65	5 %
Toromont QM ^(c)	18.8	-	-	0.24	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(4.2)	(1.3)	nm	(0.05)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 68.7	\$ 49.4	39%	\$ 0.84	\$ 0.63	33%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Earnings in the legacy Toromont businesses ("Legacy Toromont") increased 7% in the quarter versus a year ago on solid growth in the Equipment Group, partially offset by weaker results at CIMCO. Toromont QM contributed \$18.8 million and achieved improved profitability versus a year ago in the predecessor organization. Integration-related costs included severance and other one-time-only costs and combined with interest expense on the acquisition financing were \$4.2 million in the quarter versus \$1.3 million a year ago. Due to increases in Toromont's share price, significant increases in the mark-to-market adjustments related to Deferred Share Units ("DSUs") were experienced in all periods. These increased expenses by \$3.6 million in the third quarter and \$4.4 million for the first nine months of 2018, and \$4.0 million and \$6.1 million for the comparable periods of 2017.

- On a year-to-date basis, net earnings increased \$50.3 million or 43% to \$167.1 million or \$2.06 EPS. The following table identifies the components of contributions to year-to-date results versus a year ago:

<i>millions, except per share amounts</i>	Nine months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	139.6	\$ 118.7	18%	1.77	\$ 1.51	17%
Toromont QM ^(c)	42.5	-	-	0.54	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(15.0)	(1.9)	nm	(0.19)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.06)	-	-
As reported	\$ 167.1	\$ 116.8	43%	\$ 2.06	\$ 1.49	38%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Legacy Toromont earnings increased 18% with EPS closely tracking the increase at 17%.
- Equipment Group
 - Revenues of \$800.1 million in the quarter increased \$312.1 million or 64% versus last year. Legacy Toromont revenues were down 2% in the quarter as higher rentals and product support were more than offset by lower equipment sales. Toromont QM contributed \$322.5 million in the quarter, reflecting an increase of 20% from revenues achieved at the predecessor organization in the third quarter last year, with growth across most lines of business.
 - Revenues were up \$981.3 million or 75% to \$2.3 billion year-to-date. Legacy Toromont reported a 5% growth versus last year. Toromont QM contributed \$912.6 million in revenues year-to-date, an increase of 19% from revenues reported under the predecessor organization for the comparable period.
 - Operating income¹ was up \$34.1 million or 57% in the quarter. Legacy Toromont increased \$9.6 million or 16% on higher margins. Toromont QM contributed \$24.5 million in the quarter, net of integration-related costs.
 - Operating income¹ was up \$88.8 million or 61% year-to-date. Legacy Toromont increased \$33.5 million or 23% while Toromont QM contributed \$55.3 million, net of integration related costs.
 - Bookings¹ increased \$136.0 million in the quarter and \$429.0 million year-to-date. At Legacy Toromont, bookings increased 19% in the quarter and were relatively unchanged on a year-to-date basis. Toromont QM reported good activity in the quarter (\$101.1 million) and year-to-date (\$427.7 million) across most market segments. Backlogs¹ were \$366.0 million at the end of September 30, 2018, including \$132.5 million at Toromont QM. Approximately two-thirds of the orders in backlog are expected to be delivered over the remainder of this year.
- CIMCO
 - Revenues increased 4% to \$100.0 million in the quarter, largely on product support growth. Operating income decreased 32% to \$6.3 million, reflecting lower margins on package sales, partially offset by a lower expense ratio.
 - Revenues were up 13% year-to-date to \$251.0 million. Package sales grew 22% with increases in both Canada (up 25%) and the US (up 10%). Product support was up 3% on growth in Canada, while the US was relatively unchanged. The lower operating income margin¹ (5.9% versus 8.4% last year) was attributable to problems encountered on one US-based project.
 - Bookings were down in the quarter (64%) and year-to-date (29%) against record levels set last year. In Canada, both industrial and recreational orders were lower for the quarter and year-to-date. In the US, recreational activity was strong in the quarter but lower year-to-date, while industrial activity was lower for both the quarter and year-to-date. Backlogs of \$126.0 million were down \$50.0 million compared to the record set last year but still significantly higher than the previous five-year average. Approximately half of the backlog is expected to be delivered over the remainder of this year.
- Financial position remains strong

- Toromont's share price of \$66.77 at the end of September 2018 translated to a market capitalization¹ of \$5.4 billion and a total enterprise value¹ of \$5.9 billion.
- Toromont maintained a very strong financial position. Leverage as represented by the net debt to total capitalization¹ ratio at September 30, 2018 was 25% versus 28% at June 30, 2018, 33% at March 31, 2018 and 40% at December 31, 2017.
- The Board of Directors announced a quarterly dividend of 23 cents per common share, payable January 3, 2019 to shareholders of record on December 7, 2018. The quarterly dividend was previously increased 21% to 23 cents per share effective with the dividend paid April 2, 2018.

"Infrastructure projects and broader construction activity, continue to present opportunities for Toromont's Equipment Group. Opportunities exist for equipment supply into the mining sector, for new mines planned and in support of the replacement and expansion requirements at existing mine sites," continued Mr. Medhurst. "We're now one year into our ownership of TQM and our senior leadership team remains focused on the integration and expansion of the exciting opportunity. Success presents a substantial long-term growth opportunity for Toromont, so appropriately, we are taking a methodical approach to each element of the integration. CIMCO continues to grow its revenue base, reflecting its strong presence and solid reputation as a leader in the key markets it serves. The tariff increases and global trade disputes seen this year have not had a direct material impact on our business."

Quarterly Results Materials

The complete third quarter report for 2018, including MD&A and unaudited interim condensed consolidated financial statements, is available on our website at www.toromont.com.

Quarterly Conference Call and Webcast

Analysts, members of the media and other interested parties are invited to join the quarterly conference call, in listen-only mode, on Tuesday, November 6, 2018 at 8:00 a.m. (EST).

The call may be accessed by telephone at 1-800-239-9838 (toll free) or 647-794-4605 (Toronto area), and participants will be asked to provide either the confirmation code (8207297), speaker name (Paul Jewer) or the title of the conference call (Q3 conference call).

A digital replay of the conference call will be available until November 13, 2018 by calling 1-800-408-3053 or 905-694-9451 (Toronto area) and entering passcode 4807382#.

Both the live webcast and the replay of the quarterly conference call can be accessed at www.toromont.com.

Advisory

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

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; and any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates in and acquired from in excess of those currently contemplated. Risks and uncertainties related to the 2017 significant acquisition could also 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: changes in consumer and business confidence as a result of the change in ownership; the potential for liabilities assumed in the acquisition to exceed our estimates or for material undiscovered liabilities in 2017 acquisition; the potential for third parties to terminate or alter their agreements or relationships with Toromont as a result of the acquisition; and risks related to integration of the acquired operations with those of Toromont 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 or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

About Toromont

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

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FOOTNOTES

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 INCOME STATEMENTS (Unaudited)

	Three months ended September 30		Nine months ended September 30	
(\$ thousands, except share amounts)	2018	2017	2018	2017
Revenues	\$ 900,094	\$ 584,158	\$ 2,538,189	\$ 1,527,396
Cost of goods sold	671,798	442,871	1,918,253	1,163,561
Gross profit	228,296	141,287	619,936	363,835
Selling and administrative expenses	128,545	72,702	371,990	200,834
Operating income	99,751	68,585	247,946	163,001
Interest expense	7,479	1,818	24,093	5,489
Interest and investment income	(2,199)	(914)	(6,429)	(3,022)
Income before income taxes	94,471	67,681	230,282	160,534
Income taxes	25,774	18,326	63,196	43,700
Net earnings	\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
Earnings per share				
Basic	\$ 0.84	\$ 0.63	\$ 2.06	\$ 1.49
Diluted	\$ 0.84	\$ 0.62	\$ 2.04	\$ 1.47
Weighted average number of shares outstanding				

Basic	81,383,350	78,522,123	81,165,183	78,475,990
Diluted	82,233,892	79,373,016	81,913,066	79,252,736
