

Toromont Announces Results for the Third Quarter of 2020 and Quarterly Dividend

TORONTO, Nov. 05, 2020 -- Toromont Industries Ltd. (TSX: TIH) reported its financial results for the third quarter ended September 30, 2020.

<i>millions, except per share amounts</i>	Three months ended September 30			Nine months ended September 30		
	2020	2019	% change	2020	2019	% change
Revenues	\$ 921.7	\$ 975.2	(5%)	\$ 2,486.7	\$ 2,653.5	(6%)
Operating income	\$ 112.9	\$ 114.5	(1%)	\$ 245.3	\$ 284.3	(14%)
Net earnings	\$ 77.4	\$ 79.7	(3%)	\$ 166.0	\$ 196.3	(15%)
Basic earnings per share ("EPS")	\$ 0.94	\$ 0.98	(4%)	\$ 2.02	\$ 2.41	(16%)

"We are pleased with the improvement experienced over last quarter, reflective of the Toromont team's ability to adapt to an ever-changing environment, provide essential services and execute in a very challenging market," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "From the start of the COVID-19 pandemic, the Toromont team continues to drive improvements while remaining focused on our three priorities, namely, safeguarding our employees, servicing our customers' needs and protecting our business for the future. There remains considerable uncertainty in the marketplace and we expect the cautious tone to persist. We appreciate our entire team's effort and commitment to supporting our valued customers during this challenging time."

Highlights:

Consolidated results

- Revenues decreased 5% to \$921.7 million in the quarter versus last year reflecting continued lower economic activity imposed by COVID-19. While some recovery phased in during the quarter, revenues were still below prior year levels. Product support and rental revenues were lower by 3% and 11% respectively. Equipment sales were lower by 6%, reflecting lower new equipment sales across most markets.
- Revenues decreased 6% to \$2.5 billion year-to-date, reflecting similar trends as outlined above for the quarter.
- Operating income⁽¹⁾ was 1% lower in the third quarter on the lower revenues, largely offset by lower expenses. Cost containment initiatives continued throughout the quarter and sales-related expenses were lower on the reduced activity level including travel. Subsidies accrued under the Canada Emergency Wage Subsidy program ("CEWS") totalled \$7.3 million in the quarter.
- Operating income was 14% lower year-to-date reflecting lower economic activity levels experienced since the onset of the pandemic. Cost containment strategies took some time to take hold and some additional costs were incurred early on in order to support and protect employees. Operating income margin⁽¹⁾ decreased 80 basis points ("bps") to 9.9%.
- Backlogs⁽¹⁾ were \$472.1 million at September 30, 2020, compared to \$453.9 million at September 30, 2019. CIMCO backlogs were at near record levels on strong industrial booking activity in early 2020. Equipment Group backlogs were lower on reduced activity levels reflecting the cautious tone throughout the quarter and fulfillment of orders from inventory.
- Net earnings decreased \$2.3 million or 3% in the quarter versus a year ago to \$77.4 million or \$0.94 EPS.
- On a year-to-date basis, net earnings decreased \$30.3 million or 15% and EPS of \$2.02 per share was down 16%.

Equipment Group

- Revenues were down \$46.8 million or 5% to \$834.7 million for the quarter and \$141.6 million or 6% to \$2.3 billion year-to-date on reduced economic activity. New equipment sales, product support and rental activity were lower across all geographic markets and product groups.
- Operating income was down \$0.8 million or 1% to \$103.4 million in the quarter on lower revenues and gross profit margins. Operating income margin increased 60 bps to 12.4% reflecting a lower expense ratio, due in part to a \$6.5 million government wage subsidy in the current year.

- Operating income was down \$35.4 million or 13% to \$231.0 million year-to-date, due to similar reasons as the quarter. Operating income margin decreased 80 bps to 10.2%.
- Bookings⁽¹⁾ increased \$38.5 million or 12% in the quarter and decreased \$46.5 million or 4% year-to-date. Higher orders resulted across most segments reflecting improvements in underlying economic activity. Backlogs of \$256.1 million at the end of September 2020, were down \$69.2 million or 21% from September 2019. Approximately 70% of the backlog is expected to be delivered this year.

CIMCO

- Revenues decreased \$6.8 million or 7% to \$86.9 million for the quarter versus the third quarter last year. Project construction work was slower during the quarter due to COVID-19 site restrictions reducing activity. Product support revenues also decreased on lower activity.
- Revenues decreased \$25.2 million or 10% to \$217.5 million year-to-date with similar trends as reported in the quarter.
- Operating income was down \$0.8 million or 8% to \$9.5 million for the quarter largely reflecting lower revenues. Operating income was down \$3.7 million or 20% to \$14.3 million year-to-date on the lower revenues. Operating income margin decreased to 6.6% year-to-date reflecting the lower revenues supporting fixed costs.
- Bookings were up \$5.2 million or 15% in the quarter and \$54.5 million or 37% year-to-date on increased industrial activity in Canada and the US. Backlogs of \$216.0 million were up \$87.4 million or 68% from September 2019, approximately 35% of which is expected to be realized as revenue this year, subject to construction schedules.

Financial Position

- Toromont's share price of \$79.68 at the end of September 2020, translated to a market capitalization⁽¹⁾ of \$6.6 billion and a total enterprise value⁽¹⁾ of \$6.7 billion.
- The Company maintained its strong financial position. Leverage as represented by the net debt to total capitalization⁽¹⁾ ratio was 10% as at the end September 2020, compared to 15% at December 2019, and 22% at September 2019.
- The Board of Directors announced a quarterly dividend of 31 cents per common share, payable on January 5, 2021 to shareholders of record on December 9, 2020. The quarterly dividend was previously increased 14.8% to 31 cents per share effective with the dividend paid April 2, 2020.
- Return on opening shareholders' equity⁽¹⁾ was 17.6% at September 30, 2020, on a trailing twelve-month basis, compared to 21.4% at December 2019, and 21.9% at September 2019. Trailing twelve month pre-tax return on capital employed⁽¹⁾ was 20.3% at the end of September 2020, compared to 22.9% at December 2019, and 22.9% at September 2019.

"While market activity improved somewhat from the second quarter, it remained below last year's level," continued Mr. Medhurst. "The diversity of our geographical landscape and markets served, extensive product and service offerings, and financial strength together with our disciplined operating culture, continue to position us well for the long term. We are very proud of our team's ability to navigate through this pandemic and protect the interests of our employees, customers and stakeholders."

Financial and Operating Results

All comparative figures in this press release are for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019. All financial information presented in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2020, which are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com. Additional information is contained in the Company's filings with Canadian securities regulators, including the 2019 Annual Report and 2020 Annual Information Form, also 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 Friday, November 6, 2020 at 8:00 a.m. (ET). The call may be accessed by telephone at 1-800-898-3989 (toll free) or 416-406-0743 (Toronto area) and quoting passcode 6001877#. A replay of the conference call will be available until Friday, November 13, 2019 by calling 1-800-408-3053 or 905-694-9451 and quoting passcode 9992113#. Both the live webcast and the replay of the quarterly conference call can be accessed at www.toromont.com.

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

Advisory

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

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries and regions in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; potential risks and uncertainties relating to the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity, and 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; 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; 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 and acquired in excess of those currently contemplated; and ability to secure insurance coverage and cost of premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this press release. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

About Toromont

Toromont Industries Ltd. operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory - spanning the Canadian provinces of Newfoundland & 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)

(\$ thousands, except share amounts)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenues	\$ 921,656	\$ 975,221	\$ 2,486,712	\$ 2,653,515
Cost of goods sold	695,043	731,842	1,895,454	2,002,567
Gross profit	226,613	243,379	591,258	650,948
Selling and administrative expenses	113,736	128,894	346,006	366,652
Operating income	112,877	114,485	245,252	284,296
Interest expense	7,874	6,944	22,695	20,851
Interest and investment income	(1,719)	(1,805)	(6,008)	(6,585)
Income before income taxes	106,722	109,346	228,565	270,030
Income taxes	29,363	29,659	62,600	73,684
Net earnings	\$ 77,359	\$ 79,687	\$ 165,965	\$ 196,346
Earnings per share				
Basic	\$ 0.94	\$ 0.98	\$ 2.02	\$ 2.41
Diluted	\$ 0.94	\$ 0.97	\$ 2.01	\$ 2.39
Weighted average number of shares outstanding				
Basic	82,195,332	81,621,614	82,078,763	81,487,112
Diluted	82,724,575	82,168,100	82,513,989	82,030,091