

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

TORONTO, July 28, 2020 -- Toromont Industries Ltd. (TSX: TIH) reported financial results for the second quarter ended June 30, 2020.

<i>millions, except per share amounts</i>	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Revenues	\$ 849.6	\$ 978.3	(13%)	\$ 1,565.1	\$ 1,678.3	(7%)
Operating income	\$ 77.1	\$ 111.0	(31%)	\$ 132.4	\$ 169.8	(22%)
Net earnings	\$ 51.2	\$ 77.4	(34%)	\$ 88.6	\$ 116.7	(24%)
Basic earnings per share ("EPS")	\$ 0.62	\$ 0.95	(35%)	\$ 1.08	\$ 1.43	(25%)

"From the start of the COVID-19 pandemic, Toromont has continued to focus efforts on three areas: safeguarding our employees, servicing our customers' needs and protecting our business for the future," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "As a result of reduced economic activity, caused by the response to the COVID-19 pandemic, we experienced lower earnings and net income in the quarter. Revenue decline lessened as the quarter progressed while remaining below prior year levels. We appreciate our entire team's effort and commitment to supporting our customers during this challenging time."

Highlights:

Consolidated results

- Revenues decreased 13% to \$849.6 million in the quarter versus last year due to lower economic activity caused by the necessary response to COVID-19. April experienced the lowest activity levels, with some recovery phasing in through May and June, however still below prior year levels. Product support and rental revenues were lower by 15% and 31% respectively. Equipment sales were lower by 8%, reflecting lower new equipment sales across most markets.
- Revenues decreased 7% to \$1.6 billion year-to-date, after a somewhat positive start to the year in the first quarter. Similar trends were seen year-to-date as outlined above for the quarter.
- Operating income⁽¹⁾ was 31% lower in the second quarter on the lower revenues, reduced gross margins (mainly due to lower rental fleet utilization and sales mix) combined with higher expenses as a percentage of revenues due to fixed costs. Government subsidies (\$0.8 million) were not significant factors.
- Operating income was 22% lower year-to-date on similar reasons as for the quarter. Operating income margin decreased 160 basis points ("bps") to 8.5%.
- Backlogs⁽¹⁾ were \$496.5 million at June 30, 2020, compared to \$551.5 million at June 30, 2019. A new record was set at CIMCO while Equipment Group backlogs were lower.
- Net earnings decreased \$26.2 million or 34% in the quarter versus a year ago to \$51.2 million or \$0.62 EPS.
- For the first half of the year, net earnings decreased \$28.1 million or 24% and EPS was down 25%.

Equipment Group

- Revenues were down \$118.8 million or 13% to \$776.7 million for the quarter on reduced market activity. New equipment sales as well as product support and rental activity was lower across substantially all geographic markets and product groups.
- Revenues were down \$94.9 million or 6% to \$1.4 billion year-to-date with similar trends as the quarter.
- Operating income was down \$32.0 million or 31% to \$72.5 million in the quarter on lower revenues and gross profit margins. Operating income margin⁽¹⁾ decreased 240 bps to 9.3% reflecting the lower activity supporting fixed costs.
- Operating income was down \$34.6 million or 21% to \$127.6 million year-to-date, also on lower revenues and gross profit

margins. Operating income margin decreased 170 bps to 8.9%.

- Bookings⁽¹⁾ decreased \$129.4 million or 30% in the quarter and \$84.9 million or 12% year-to-date. Reasonable deliveries continued through the quarter, while reduced order levels were reported in most market sectors. Backlogs of \$268.8 million at the end of June 2020, were down \$134.6 million or 33% from June 2019. Approximately 90% of the backlog is expected to be delivered this year.

CIMCO

- Revenues decreased \$10.0 million or 12% to \$72.9 million for the quarter versus the second quarter last year. Project construction work was slower during the quarter due to site restrictions, however booking activity and backlogs remained solid.
- Revenues decreased \$18.4 million or 12% to \$130.6 million year-to-date with similar trends as reported in the quarter.
- Operating income was down \$1.9 million or 29% to \$4.6 million for the quarter largely reflecting lower revenues and was 6.4% as a percentage of revenues (Q2 2019 – 7.9%).
- Operating income was down \$2.9 million or 37% to \$4.8 million year-to-date on the lower revenues. Operating income margin decreased to 3.7% reflecting the lower revenues supporting fixed costs.
- Bookings were up \$6.8 million or 15% in the quarter and \$49.4 million or 43% year-to-date on increased industrial activity in Canada. Backlogs of \$227.7 million were up \$79.6 million or 54%, approximately 70% of which is expected to be realized as revenue this year, subject to construction schedules.

Financial Position

- Toromont's share price of \$67.37 at the end of June 2020, translated to a market capitalization⁽¹⁾ of \$5.5 billion and a total enterprise value⁽¹⁾ of \$5.7 billion.
- The Company maintained its very strong financial position. Leverage as represented by the net debt to total capitalization⁽¹⁾ ratio was 12% as at the end June 2020, compared to 15% at December 2019, and 26% at June 2019.
- The Board of Directors announced a quarterly dividend of 31 cents per common share, payable on October 2, 2020 to shareholders of record on September 8, 2020. The quarterly dividend was previously increased 14.8% to 31 cents per share effective with the dividend paid April 2, 2020.
- The Company's return on opening shareholders' equity⁽¹⁾ was 18.7% at June 30, 2020, on a trailing twelve-month basis, compared to 21.4% at December 2019, and 22.3% at June 2019. Trailing twelve month pre-tax return on capital employed⁽¹⁾ was 20.2% at the end of June 2020, compared to 22.9% at December 2019, and 22.5% at June 2019.

The Board of Directors of the Company also announced today that, subject to annual shareholder approval, Mr. Robert Ogilvie, Chair, and Mr. Wayne Hill have agreed to continue to serve on the Board until 2023. The extension of their services will balance the Board renewal process with their depth of knowledge and experience, ensuring a smooth transition of roles with new directors.

"We are proud of our team's ability to navigate through this pandemic and support our customers through the provision of essential services," continued Mr. Medhurst. "Our Critical Incident Executive Response Team was activated at an early stage and continues to meet regularly to focus on developing trends and pronouncements, assessing best course of action and responding appropriately. The management and leadership teams continue to monitor the situation closely and are taking responsible measures to manage and protect the interests of our people and customers while managing the long-term health of the business. The diversity of our geographical landscape and markets served, extensive product and service offerings and financial strength together with a disciplined operating culture, position us well to weather this situation for the long term."

Financial and Operating Results

All comparative figures in this press release are for the three and six months ended June 30, 2020 compared to the three and six months ended June 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 six months ended June 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 Wednesday, July 29, 2020 at 8:00 a.m. (ET). The call may be accessed by telephone at 1-800-806-5484 (toll free) or 416-340-

2217 (Toronto area). A replay of the conference call will be available until Wednesday, August 5, 2020 by calling 1-800-408-3053 or 905-694-9451 and quoting passcode 9549393#. Both the live webcast and the replay of the call can also be accessed at www.toromont.com.

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

Advisory

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

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries 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 increased insurance premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.

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

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

About Toromont

Toromont Industries Ltd. operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory - spanning the Canadian provinces of Newfoundland & 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Revenues	\$ 849,597	\$ 978,320	\$ 1,565,056	\$ 1,678,294
Cost of goods sold	655,810	741,412	1,200,411	1,270,725
Gross profit	193,787	236,908	364,645	407,569
Selling and administrative expenses	116,653	125,880	232,270	237,758
Operating income	77,134	111,028	132,375	169,811
Interest expense	7,890	6,988	14,821	13,907
Interest and investment income	(1,564)	(2,208)	(4,289)	(4,780)
Income before income taxes	70,808	106,248	121,843	160,684
Income taxes	19,598	28,850	33,237	44,025
Net earnings	\$ 51,210	\$ 77,398	\$ 88,606	\$ 116,659
Earnings per share				
Basic	\$ 0.62	\$ 0.95	\$ 1.08	\$ 1.43
Diluted	\$ 0.62	\$ 0.94	\$ 1.07	\$ 1.42
Weighted average number of shares outstanding				
Basic	82,024,236	81,510,292	82,019,838	81,418,746
Diluted	82,468,858	82,183,776	82,483,651	82,080,362