

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 months ended March 31, 2021, 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 months ended March 31, 2021, the annual MD&A contained in the 2020 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2020.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to May 4, 2021.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2020 Annual Report and the 2021 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Advisory

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", "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. This MD&A 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; 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; increased regulation of or restrictions placed on our businesses as a result of COVID-19; 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; information technology failures, including data or cyber security breaches; 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 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 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 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.

CONSOLIDATED OPERATING RESULTS

(\$ thousands, except per share amounts)	Three months ended March 31			
	2021	2020	\$ change	% change
REVENUES	\$ 806,238	\$ 715,459	\$ 90,779	13%
Cost of goods sold	618,860	544,601	74,259	14%
Gross profit ⁽¹⁾	187,378	170,858	16,520	10%
Selling and administrative expenses	117,162	115,617	1,545	1%
OPERATING INCOME ⁽¹⁾	70,216	55,241	14,975	27%
Interest expense	7,177	6,931	246	4%
Interest and investment income	(2,004)	(2,726)	722	(26%)
Income before income taxes	65,043	51,036	14,007	27%
Income taxes	17,087	13,640	3,447	25%
NET EARNINGS	47,956	37,396	10,560	28%
BASIC EARNINGS PER SHARE	\$ 0.58	\$ 0.46	\$ 0.12	26%
KEY RATIOS:				
Gross profit margin ⁽¹⁾	23.2%	23.9%		
Selling and administrative expenses as a % of revenues	14.5%	16.2%		
Operating income margin ⁽¹⁾	8.7%	7.7%		
Income taxes as a % of income before income taxes	26.3%	26.7%		

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

The Company reported good results in the first quarter of 2021. While we have seen higher industry activity levels, we still operate with caution given the rapidly changing situation driven by COVID-19 variants.

Revenues increased \$90.8 million or 13% for the quarter. Equipment Group revenues increased 11% on improved equipment deliveries. CIMCO revenues increased 37% as industrial segment construction projects progressed.

Gross profit margin decreased 70 basis points (“bps”) to 23.2% versus the first quarter last year. Equipment Group margins decreased slightly on a less favourable sales mix (lower product support to total revenues), partially offset by improved rental fleet margins on continued fleet adjustments (selective dispositions and additions). At CIMCO, margins were also lower on a less favourable sales mix of product support revenues to total revenues, as well as lower margins on package sales.

Selling and administrative expenses in the first quarter of 2021 increased \$1.5 million or 1% versus the similar period last year. The mark-to-market adjustment on deferred share units was \$5.3 million higher than the first quarter of 2020, with an expense of \$1.4 million in 2021 on the higher share price, compared to a recovery of \$3.9 million in the first quarter of 2020 on a lower share price. All other compensation decreased \$1.1 million reflecting the lower employment levels, partially offset by regular salary increases and profit sharing accruals on the higher income in the current period. There were no benefits recorded under the Canada Emergency Wage Subsidy (“CEWS”) program in either period. Other selling and administrative expenses were down \$2.9 million, reflecting continued focus on containing costs as well as general reductions due to restrictions stemming from such activities as travel. Bad debt expense increased \$1.0 million on aging of receivables. Selling and administrative expenses were 14.5% of revenues, compared to 16.2% in the first quarter of last year, reflecting higher revenues in the current period and a full quarter of expense containment.

Operating income increased \$15.0 million or 27% in the quarter and was 100 bps higher as a percentage of revenues (8.7% versus 7.7% last year), reflecting higher revenues and lower relative expense levels.

Interest expense increased \$0.2 million on costs related to the additional credit facility entered into in April 2020.

Interest income decreased \$0.7 million in the quarter on lower interest rates earned on cash balances.

The effective income tax rate for the quarter was 26.3% compared to 26.7% in the first quarter last year, reflecting lower rates on capital gains and other items in the current year.

Net earnings for the quarter were up \$10.6 million or 28% to \$48.0 million with basic earnings per share (“EPS”) increasing 26% to \$0.58.

Comprehensive income in the quarter was \$82.2 million (2020 – \$68.0 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of \$34.2 million after-tax (2020 – actuarial gain of \$17.8 million). These gains reflect changes in the weighted average discount rates used in the valuation, which are reflective of underlying financial markets, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a favorable net change in the fair value of cash flow hedges of \$0.1 million after-tax (2020 – favourable net change of \$11.9 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the 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 revenues 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.

Equipment Group

(\$ thousands)	Three months ended March 31			
	2021	2020	\$ change	% change
Equipment sales and rentals				
New	\$ 250,327	\$ 186,773	\$ 63,554	34%
Used	72,768	64,962	7,806	12%
Rentals	72,298	80,978	(8,680)	(11%)
Total equipment sales and rentals	395,393	332,713	62,680	19%
Product support	329,224	322,351	6,873	2%
Power generation	2,766	2,712	54	2%
Total revenues	\$ 727,383	\$ 657,776	\$ 69,607	11%
Operating income	\$ 69,813	\$ 55,076	\$ 14,737	27%
KEY RATIOS:				
Product support revenues as a % of total revenues	45.3%	49.0%		
Operating income margin	9.6%	8.4%		
Group total revenues as a % of consolidated revenues	90.2%	91.9%		

The Equipment group delivered good results for the first quarter of 2021, on higher equipment deliveries and continued expense discipline. Historically results for the first quarter in the Equipment Group have been lower than other quarters of the year due to seasonality, however this pattern may not continue due to variations in customer's purchasing patterns stemming from the pandemic.

Total equipment sales (new and used) increased \$71.4 million or 28%. Sales increased across all markets and regions: construction markets (+32%); power systems (+20%); material handling (+10%); agricultural (+76%); and mining (+3%).

Rental revenues were down \$8.7 million or 11% year-over-year. Light equipment rentals were down 7%, with lower activity in most regions, partially offset by improved activity in Quebec. Heavy equipment rentals were up 8% across all regions. Power rentals were 13% lower and material handling rentals were down 5%. Rental revenues from equipment on rent with a purchase option ("RPO") were down 48% on a smaller average fleet over the period. As at March 31, 2021 the RPO fleet was \$38.6 million versus \$62.1 million at this time last year, reflecting lower demand.

Product support revenues grew \$6.9 million or 2% on higher parts (up 4%) and lower service revenues (down 3%). Activity within construction markets was up 6% with increases in most regions, while material handling and agricultural were also up on a smaller base. Mining activity decreased 2% and power systems decreased 7%, reflecting timing of larger rebuild projects.

Gross profit margins decreased 10 bps in the quarter versus last year. Equipment and product support margins were largely unchanged. Rental margins were 60 bps higher reflecting benefits from fleet adjustments (selective dispositions and additions) over the last year. An unfavourable sales mix with a lower proportion of product support revenues to total revenues decreased margin by 100 bps year-over-year. Product support revenues were 45.3% as a percentage of total revenues compared to 49.0% in the first quarter last year, reflecting stronger comparative equipment sales in the current year.

Selling and administrative expenses in the first quarter of 2021, increased \$1.5 million or 1%. The increase is mainly attributable to the mark-to-market adjustment on deferred share units due to the higher share price. This was largely offset by continued cost containment disciplines in discretionary expenditures like travel. Allowance for doubtful accounts increased \$1.1 million on aging of accounts

receivable. Selling and administrative expenses were 130 basis points lower as a percentage of revenues (14.4% versus 15.7% last year).

Operating income increased \$14.7 million (27%) to \$69.8 million, mainly reflecting the higher revenues.

Bookings and Backlogs

<i>(\$ millions)</i>	2021	2020	\$ change	% change
Bookings - three months ended March 31	\$ 686.1	\$ 337.7	\$ 348.4	103%
Backlogs - as at March 31	\$ 736.0	\$ 353.1	\$ 382.9	108%

New bookings were stronger in the first quarter, up \$348.4 million or 103%. All sectors reported higher orders: construction (+33%), power systems (+58%), material handling (+27%), and agriculture (+112%). Mining bookings, which can be larger and the timing variable, were \$242 million in the quarter, reflecting several large orders.

Backlogs of \$736.0 million were up \$382.9 million or 108% across all sectors. At March 31, 2021, the total backlog related to construction (34%), power systems (17%), mining (39%), agriculture (6%) and material handling (4%). Approximately 80% of which are currently expected to be delivered this year but subject to timing differences depending on vendor supply and customer delivery schedules.

Bookings and backlogs can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries and the availability of equipment from either inventory or suppliers.

CIMCO

<i>(\$ thousands)</i>	Three months ended March 31			
	2021	2020	\$ change	% change
Package sales	\$ 46,389	\$ 22,609	\$ 23,780	105%
Product support	32,466	35,074	(2,608)	(7%)
Total revenues	\$ 78,855	\$ 57,683	\$ 21,172	37%
Operating income	\$ 403	\$ 165	\$ 238	144%
KEY RATIOS:				
Product support revenues as a % of total revenues	41.2%	60.8%		
Operating income margin	0.5%	0.3%		
Group total revenues as a % of consolidated revenues	9.8%	8.1%		

The first quarter has historically been seasonally the slowest period for CIMCO due to winter shutdowns that negatively affect construction schedules. This pattern could be altered due to impacts of government shutdowns and may not continue due to the continuing and changing response to the pandemic. Against a smaller base, this can create larger variances. Backlogs entering 2021 were strong (\$184 million versus \$122 million in the prior year).

Package revenues were up \$23.8 million or 105% with an increase in both the recreational (up 37%) and industrial (up 148%) markets. Package revenues reflect the progress of project construction applying the percentage-of-completion method for revenue recognition. 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). In Canada, package revenues were up \$19.4 million or 98% reflecting higher industrial revenues. In the US, package revenues increased \$4.4 million or 159% on a smaller activity base, with higher revenues in both the industrial and recreational markets.

Product support revenues decreased \$2.6 million or 7% versus the first quarter last year on lower activity levels in both Canada (down 7%) and the US (down 9%). Revenues in the first quarter of last year were largely unaffected by the pandemic given the timing of the pandemic late in the quarter. Activity levels in 2021 are lower reflecting continued site restrictions in most areas and reduced demand particularly in recreational centres, which have been closed or severely restricted by the pandemic. The increased technician base and essential services designation continues to support activity levels.

Gross profit margins decreased 560 bps in the quarter versus last year. The decrease in gross profit margins was due to lower package margins (down 230 bps) and product support margins (down 40 bps) combined with an unfavorable sales mix of product support revenues to total revenues (down 290 bps). Margins mainly reflect activity levels, nature of projects in process and construction schedules, which can be somewhat variable.

Selling and administrative expenses were largely unchanged from the similar period last year and expenditure control measures on discretionary spend remained in effect. The allowance for doubtful accounts was lower on good collections, the resolution of long outstanding items, and lower travel costs, largely offset increased compensation expenses. As a percentage of revenues, selling and administrative expenses were lower (16.1% versus 21.9% last year) reflecting the higher revenue.

Operating income was \$0.4 million in the first quarter, up from \$0.2 million in the comparable period last year, reflecting higher package revenues, partially offset by lower gross margins.

Bookings and Backlogs

<i>(\$ millions)</i>	2021	2020	\$ change	% change
Bookings - three months ended March 31	\$ 37.9	\$ 112.2	\$ (74.3)	(66%)
Backlogs - as at March 31	\$ 175.5	\$ 213.9	\$ (38.4)	(18%)

Bookings were down \$74.3 million or 66% to \$37.9 million. Several large industrial orders were received in Canada in the first quarter of 2020, resulting in a decrease in bookings compared to last year. Recreational bookings were 28% lower on reduced market activity. Bookings in Canada were down 69% while bookings in the US were down 20%.

Backlogs of \$175.5 million declined 18% versus March last year on progress of construction. Approximately 90% of the backlog is expected to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from the COVID-19 pandemic.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2021, the ratio of net debt to total capitalization was 2%, compared to 3% at December 31, 2020, and 18% at March 31, 2020.

Non-cash Working Capital

The Company's investment in non-cash working capital was \$518.5 million at March 31, 2021. The major components, along with the changes from March 31 and December 31, 2020, are identified in the

following table.

(\$ thousands)	March 31	March 31	Change		December 31	Change	
	2021		2020	\$		%	2020
Accounts receivable	\$ 482,844	\$ 454,148	\$ 28,696	6%	\$ 541,580	\$ (58,736)	(11%)
Inventories	760,087	976,401	(216,314)	(22%)	728,404	31,683	4%
Other current assets	13,533	16,547	(3,014)	(18%)	10,897	2,636	24%
Accounts payable and accrued liabilities	(512,417)	(726,082)	213,665	(29%)	(558,443)	46,026	(8%)
Provisions	(25,034)	(24,287)	(747)	3%	(26,645)	1,611	(6%)
Income taxes receivable (payable)	12,783	16,651	(3,868)	(23%)	(23,281)	36,064	(155%)
Derivative financial instruments	(6,037)	36,916	(42,953)	(116%)	(11,043)	5,006	(45%)
Dividends payable	(25,587)	(25,435)	(152)	1%	(25,560)	(27)	0%
Deferred revenues and contract liabilities	(181,671)	(153,483)	(28,188)	18%	(149,109)	(32,562)	22%
Total non-cash working capital	\$ 518,501	\$ 571,376	\$ (52,875)	(9%)	\$ 486,800	\$ 31,701	7%

Accounts receivable increased 6% compared to March 31, 2020, mainly reflecting the 13% increase in revenues in the quarter, offset by good collection activity. Days sales outstanding (“DSOs”) decreased 8 days to 42 days on an improvement in both the Equipment Group (down 6 days) and CIMCO (down 31 days).

In comparison to December 31, 2020, accounts receivable decreased 11% on lower trailing revenues (Q1 2021 revenues were 19% lower than Q4 2020 revenues), partially offset by slower collections. DSOs were 41 days at December 31, 2020.

Inventories at March 31, 2021, were 22% lower compared to March 31, 2020:

- Equipment Group inventories were down \$228.0 million or 24%, reflecting lower levels of equipment (down \$186.7 million or 30%), service work-in-process (down \$10.7 million or 14%), and parts (down \$30.6 million or 12%). Planned equipment and parts inventory reductions continued throughout last year in light of market activity levels. The lower service work-in-process levels reflects reduced hours worked through the latter part of the quarter as activity was reduced in the field and in the shops.
- CIMCO inventories were up \$11.7 million or 46%, mainly on higher work-in-process levels (up 51%), reflecting orders in process and timing of project construction schedules.

Inventories at March 31, 2021 were 4% higher compared to December 31, 2020, with increases in both Groups:

- Equipment Group inventories were 4% higher with increases in equipment (up 7%) and work-in-progress (up 23%), offset by a slight decrease in parts inventories (down 4%). Inventory levels are typically lowest at the end of a fiscal year due to seasonality, with inventories building during the year in advance of the typically busy selling period.
- CIMCO inventories were up 5% on higher work-in-process (up 6%) reflecting order backlogs.

Other current assets are comprised mainly of prepaid expenses, and vary from period to period based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at March 31, 2021, were 29% lower than at March 31, 2020, principally due to the timing of purchases and payments for inventory. Accounts payable have largely reverted to normal levels as certain transitional terms provided in conjunction with the 2017 acquisition ended mid-year 2020. This was partially offset by the higher DSU liability on the higher relative closing share price.

In comparison to December 31, 2020, accounts payable and accrued liabilities were down 8%, mainly

reflecting the timing of purchase and payment for inventory and other supplies and the payment of annual performance incentive bonuses. The extended credit terms from suppliers have largely unwound.

Income taxes receivable/(payable) reflects the difference between tax installments and current tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar (stronger) led to a cumulative net loss of \$6.0 million as at March 31, 2021. This is not expected to affect net earnings as the unrealized losses offset future gains on the related hedged items, either current accounts payable or future transactions.

Dividends payable remain relatively unchanged compared to March 31 and December 31, 2020, reflective of the maintained dividend rate of \$0.31 per share. The slight increase in the current period reflects a higher number of shares outstanding.

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

- In the Equipment Group, these balances arise mainly due to progress billings from the sale of power and energy systems and long-term product support maintenance contracts, as well as on sales of equipment with residual value guarantees and customer deposits for machinery to be delivered in the future. At March 31, 2021, these were up 12.7% versus March 31, 2020 and up 29.5% versus December 31, 2020, largely related to progress billings and customer deposits for deliveries later in the year.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages. As at March 31, 2021, these were up 37.6% versus March 31, 2020 and up 4.7% versus December 31, 2020, reflecting the higher activity levels seen in Canada and the US, and timing of billings compared to customer's construction schedules.

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 consolidated financial position or results of operations.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,542,168 common shares and 2,174,128 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)
June 7, 2019	July 3, 2019	\$0.27	\$22.0
September 6, 2019	October 2, 2019	\$0.27	\$22.0
December 9, 2019	January 3, 2020	\$0.27	\$22.0
March 9, 2020	April 2, 2020	\$0.31	\$25.4
June 9, 2020	July 3, 2020	\$0.31	\$25.4
September 8, 2020	October 2, 2020	\$0.31	\$25.5
December 9, 2020	January 5, 2021	\$0.31	\$25.6
March 9, 2021	April 1, 2021	\$0.31	\$25.6

Subsequent to quarter-end, the Board of Directors increased the quarterly dividend by 12.9% or 4 cents per share, to 35 cents per common share. The next dividend is payable on July 5, 2021 to shareholders on record on June 9, 2021. Toromont has paid dividends every year since 1968 and this is the 32nd consecutive year of dividend increases.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including 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 maintains a \$500.0 million committed revolving credit facility that matures in October 2022. On April 17, 2020, the Company entered into an additional \$250.0 million committed revolving credit facility maturing in April 2021 (this credit facility was not renewed).

No amounts were drawn on these revolving credit facilities as at March 31, 2021 and as at December 31, 2020. As at March 31, 2020, \$100.0 million was drawn down on the \$500.0 million credit facility and was repaid in September 2020.

Standby letters of credit utilized \$30.0 million of the facility as at March 31, 2020, \$30.8 million as at December 31, 2019 and \$34.0 million as at March 31, 2020.

The Company expects that continued cash flows from operations in 2021, together with cash 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 Consolidated Statements of Cash Flows, are summarized in the following table:

(\$ thousands)	Three months ended March 31	
	2021	2020
Cash, beginning of period	\$ 591,128	\$ 365,589
Cash, provided by (used in):		
Operating activities		
Operations	86,344	81,896
Change in non-cash working capital and other	(29,397)	(98,551)
Net rental fleet additions	(6,064)	(24,230)
	50,883	(40,885)
Investing activities	(2,856)	(9,297)
Financing activities	(25,175)	72,627
Effect of foreign exchange on cash balances	(38)	148
Increase in cash in the period	22,814	22,593
Cash, end of period	\$ 613,942	\$ 388,182

Cash Flows from Operating Activities

Operating activities provided cash in the first quarter of 2021 compared to using cash in the comparable period last year.

Cash generated from operations increased 5% from the similar quarter last year on higher net earnings.

Non-cash working capital used cash in the first quarter of 2021. Increased inventory levels and timing of payments of taxes and other payable more than offset collections of accounts receivables and customer deposits.

Non-cash working capital used less cash in the first quarter of 2021, compared to the first quarter of 2020. Relatively higher inventory levels of 2020 have been reduced due to recent market activity.

Net rental fleet additions (purchases less proceeds of dispositions) were lower in the first quarter of 2021 compared to the similar period last year. The Company has reduced investment in both the heavy and light equipment rental fleet across Eastern Canada in light of recent market conditions.

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 \$4.6 million and related largely to normal replacement of service and delivery vehicles (\$3.9 million). Capital expenditures in 2020 included an investment in the new fabrication and head office facility for CIMCO.

Property dispositions provided cash in both quarters. Disposition proceeds in the first quarter of 2021 were \$1.6 million (2020 - \$9.4 million), resulting in a capital gain of \$1.2 million (2020 - \$4.1 million), or \$1.0 million after-tax (2020 - \$3.5 million).

Cash Flows from Financing Activities

During the first quarter of 2021, the Company used \$25.2 million in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$25.6 million or \$0.31 per share;
- Cash received on exercise of share options of \$2.9 million; and
- Lease liability payments of \$2.6 million.

In the first quarter of 2020, financing activities provided \$72.6 million in cash, major uses and sources of cash during this period included:

- Term credit facility drawings of \$100.0 million, taken in an abundance of caution at the onset of the pandemic;
- Dividends paid to common shareholders of \$22.1 million or \$0.27 per share;
- Cash received on exercise of share options of \$1.5 million;
- Purchase of shares under the NCIB program of \$4.0 million; and
- Lease liability payments of \$2.7 million.

OUTLOOK

Toromont's businesses continue to be classified as essential in all circumstances requiring such a designation to date and this supports our operations.

All provinces and territories have begun mass vaccination programs to inoculate Canadians against COVID-19, however the phased-in roll-outs remain fluid. Currently the government intends that all Canadians will be immunized by the end of September 2021, however this is dependent on approved vaccine suppliers continuing to meet quarterly delivery targets.

The uncertainty created by COVID-19 variants and the resumption of shutdowns could continue to adversely impact the Company for a prolonged period. Emergency measures are variable and evolving based on local conditions. The duration and impact of the COVID-19 pandemic is uncertain and it is not possible to estimate the length and severity of these developments nor the impact on the financial results and condition of the Company in future periods.

The Equipment Group's parts and service business provides stability along with a large and diversified installed base of equipment, so long as it is working in the field. Prior to the pandemic, the long-term outlook for infrastructure projects and other construction activity was positive across most territories. Mining customers and jurisdictions they operate in continue to evaluate appropriate activity levels on a daily/weekly basis. Longer term, mine expansion will remain dependent on global economic and financial conditions.

We will protect and support our people to the extent possible. In particular, our technical workforce provide one of our most valuable service offerings for our customers. Workforce planning initiatives continue to be reviewed and monitored in light of current and expected activity levels.

Investment in broader product lines, rental equipment, and the development of product support technologies supporting remote diagnostics and telematics represent a strategic platform aligned to longer-term growth once economic, financial and social environments return to a more normalized state.

CIMCO's installed base and product support levels should support current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO₂ solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides continued growth opportunities. Recreational markets have been slow due to pandemic restrictions, however longer term, opportunity exists. Good current backlogs are supportive for future activity, although carry somewhat lower gross margins due to the nature of projects in process.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued growth in the long term.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2020 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q2 2020	Q3 2020	Q4 2020	Q1 2021
REVENUES				
Equipment Group	\$ 776,703	\$ 834,716	\$ 896,904	\$ 727,383
CIMCO	72,894	86,940	95,281	78,855
Total revenues	\$ 849,597	\$ 921,656	\$ 992,185	\$ 806,238
NET EARNINGS	\$ 51,210	\$ 77,359	\$ 88,950	\$ 47,956
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.62	\$ 0.94	\$ 1.08	\$ 0.58
Diluted earnings per share	\$ 0.62	\$ 0.94	\$ 1.07	\$ 0.58
Dividends paid per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.31
Weighted average common shares outstanding - basic (in thousands)	82,024	82,195	82,373	82,499

<i>(\$ thousands, except per share amounts)</i>	Q2 2019	Q3 2019	Q4 2019	Q1 2020
REVENUES				
Equipment Group	\$ 895,457	\$ 881,487	\$ 933,131	\$ 657,776
CIMCO	82,863	93,734	92,059	57,683
Total revenues	\$ 978,320	\$ 975,221	\$ 1,025,190	\$ 715,459
NET EARNINGS	\$ 77,398	\$ 79,688	\$ 90,454	\$ 37,396
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.95	\$ 0.98	\$ 1.10	\$ 0.46
Diluted earnings per share	\$ 0.94	\$ 0.97	\$ 1.10	\$ 0.45
Dividends paid per share	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27
Weighted average common shares outstanding - basic (in thousands)	81,510	81,622	81,897	82,015

Interim period revenues and earnings historically reflect variability from quarter to quarter due to

seasonality. The pandemic has affected seasonal trends and may result in variations to historically experienced trends.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are 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.

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarters of the fiscal year. This seasonal sales trend also leads accounts receivable to be at their highest level at year-end.

In 2020, these patterns were impacted by the governmental and market response and reaction to COVID-19, with the second quarter experiencing the most significant slowdown in market activity. The recent surge in COVID-19 variants and further governmental measures imposed to combat the spread of the virus may further alter the typical seasonal trend.

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, 2020 under "Risks and Risk Management". The following is an update to the changes in the risks or uncertainties facing the Company since that date.

Pandemic Risk (Coronavirus COVID-19)

As COVID-19 is an evolving risk, the duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Many provinces and territories had begun to ease restrictions subsequent to late February 2021, but the growing emergence of COVID-19 variants of concern that are more transmissible and carry increased health risks has led to many communities reintroducing emergency measures to counter any resurgence of COVID-19 cases. The uncertainty created by variants of concern and the resumption of shutdowns could continue to adversely impact the Company for a prolonged period. There can be no certainty that inoculations will reduce the impact of the COVID-19 pandemic on the Company's business in the short to medium term.

The Company continues to focus on ensuring the continued safety of our employees, while continuing to serve our customers' needs as an essential service, and protecting the business and organization for the long-term. A Critical Incident Executive Response Team remains in effect and focuses on developing plans, assessing developments and responding appropriately. The Company is updating employees on a frequent basis to provide information on the situation and on necessary precautions to take. The Company continues to have an open dialogue with public safety and government officials at all levels, as well as key suppliers, partners, and customers.

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 2020 audited annual consolidated financial statements, and described in note 1 therein. Several amendments, apply for the first time in 2021, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company for the three-month period ending March 31, 2021.

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 2 to the Company's 2020 audited annual consolidated financial statements, contained in the Company's 2020 Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is 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.

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures as designed were effective as at March 31, 2021.

Internal Control over Financial Reporting

Management, under the supervision of the CEO and CFO, is 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 the consolidated 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 months ended March 31, 2021, 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 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 revenues less cost of goods sold.

Operating Income

Operating income is defined as net earnings 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 March 31	
	2021	2020
Net earnings	\$ 47,956	\$ 37,396
<i>plus:</i> Interest expense	7,177	6,931
<i>less:</i> Interest and investment income	(2,004)	(2,726)
<i>plus:</i> Income taxes	17,087	13,640
Operating income	\$ 70,216	\$ 55,241
Total Revenues	806,238	715,459
Operating income margin	8.7%	7.7%

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. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

(\$ thousands)	March 31 2021	December 31 2020	March 31 2020
Long-term debt	\$ 646,616	\$ 646,299	\$ 745,703
<i>less:</i> Cash	613,942	591,128	388,182
Net debt	32,674	55,171	357,521
Shareholders' equity	1,759,631	1,698,652	1,575,306
Total capitalization	\$ 1,792,305	\$ 1,753,823	\$ 1,932,827
Net debt to total capitalization	2%	3%	18%
Net debt to equity	0.02:1	0.03:1	0.23:1

NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's consolidated financial statements 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.

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>	March 31 2021	December 31 2020	March 31 2020
Total current assets	\$ 1,883,189	\$ 1,872,144	\$ 1,888,845
less: Total current liabilities	750,746	794,216	929,287
Working capital	\$ 1,132,443	\$ 1,077,928	\$ 959,558

Non-Cash Working Capital

Non-cash working capital is defined as total current assets (excluding cash) less total current liabilities (excluding current portion of long-term debt).

<i>(\$ thousands)</i>	March 31 2021	December 31 2020	March 31 2020
Total current assets	\$ 1,883,189	\$ 1,872,144	\$ 1,888,845
less: Cash	613,942	591,128	388,182
	1,269,247	1,281,016	1,500,663
Total current liabilities	750,746	794,216	929,287
Non-cash working capital	\$ 518,501	\$ 486,800	\$ 571,376

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market price of the Company's share by the total outstanding shares.

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 net debt (defined above) to market capitalization.

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	March 31 2021	December 31 2020	March 31 2020
Outstanding common shares	82,542,168	82,474,658	81,980,628
times: Ending share price	\$ 96.19	\$ 89.20	\$ 61.65
Market capitalization	\$ 7,939,731	\$ 7,356,739	\$ 5,054,106
Long-term debt	\$ 646,616	\$ 646,299	\$ 745,703
less: Cash	613,942	591,128	388,182
Net debt	\$ 32,674	\$ 55,171	\$ 357,521
Total enterprise value	\$ 7,972,405	\$ 7,411,910	\$ 5,411,627

KEY PERFORMANCE INDICATORS (“KPIs”)

Management uses key performance indicators to consistently measure performance against the Company’s priorities across the organization. The Company’s KPIs include gross profit margin, operating margin, order bookings and backlogs, return on capital employed and return on equity. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

This measure is defined as gross profit (defined above) divided by total revenues.

Operating Income Margin

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

Order Bookings and Backlogs

The Company’s order bookings represent equipment unit orders that management believes are firm. Backlogs are defined as the retail value of equipment unit ordered by customers for future deliveries. Management uses order backlog as a measure of projecting future equipment 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 trailing twelve months adjusted earnings numerator used for the calculation is income 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 or total capitalization.

	Trailing twelve months ended		
	March 31 2021	December 31 2020	March 31 2020
<i>(\$ thousands)</i>			
Net earnings	\$ 265,475	\$ 254,915	\$ 284,934
<i>plus:</i> Interest expense	30,227	29,981	27,718
<i>less:</i> Interest and investment income	(8,361)	(9,083)	(9,905)
<i>plus:</i> Interest income - rental conversions	3,529	3,529	4,116
<i>plus:</i> Income taxes	100,068	96,621	106,204
Adjusted net earnings	\$ 390,938	\$ 375,963	\$ 413,067
Average capital employed	\$ 1,817,866	\$ 1,838,533	\$ 1,875,188
Return on capital employed	21.5%	20.4%	22.0%

Return on Equity ("ROE")

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing trailing twelve months net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the period).

	Trailing twelve months ended		
	March 31 2021	December 31 2020	March 31 2020
<i>(\$ thousands)</i>			
Net earnings	\$ 265,475	\$ 254,915	\$ 284,934
Opening shareholders' equity (net of adjustments)	\$ 1,587,570	\$ 1,538,817	\$ 1,345,979
Return on equity	16.7%	16.6%	21.2%