

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 and six months ended June 30, 2022, 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 and six months ended June 30, 2022, the annual MD&A contained in the 2021 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2021.

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 July 26, 2022.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2021 Annual Report and the 2022 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; inflationary pressures; 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 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 to make contributions or other payments in respect of registered defined benefit pension

plans or postemployment benefit plans 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 June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
REVENUES	\$ 1,080,897	\$ 1,127,066	\$ (46,169)	(4%)	\$ 1,941,040	\$ 1,933,304	7,736	-
Cost of goods sold	793,886	872,360	(78,474)	(9%)	1,440,522	1,491,220	(50,698)	(3%)
Gross profit ⁽¹⁾	287,011	254,706	32,305	13%	500,518	442,084	58,434	13%
Selling and administrative expenses	130,528	132,198	(1,670)	(1%)	257,912	249,360	8,552	3%
OPERATING INCOME ⁽¹⁾	156,483	122,508	33,975	28%	242,606	192,724	49,882	26%
Interest expense	6,857	7,002	(145)	(2%)	13,543	14,179	(636)	(4%)
Interest and investment income	(3,888)	(2,260)	(1,628)	72%	(6,505)	(4,264)	(2,241)	53%
Income before income taxes	153,514	117,766	35,748	30%	235,568	182,809	52,759	29%
Income taxes	41,833	32,366	9,467	29%	64,355	49,453	14,902	30%
NET EARNINGS	111,681	85,400	26,281	31%	171,213	133,356	37,857	28%
BASIC EARNINGS PER SHARE	\$ 1.35	\$ 1.03	\$ 0.32	31%	\$ 2.08	\$ 1.62	\$ 0.46	28%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	26.6%	22.6%			25.8%	22.9%		
Selling and administrative expenses as a % of revenues	12.1%	11.7%			13.3%	12.9%		
Operating income margin ⁽¹⁾	14.5%	10.9%			12.5%	10.0%		
Income taxes as a % of income before income taxes	27.3%	27.5%			27.3%	27.1%		

The Company delivered strong bottom line results in the second quarter and first half of 2022, reflecting a favourable sales mix (higher rentals and product support revenues to total revenues), improved gross margins, managed expense growth, and lower net interest costs. Revenues were challenged by a tough comparable in 2021, which benefited from an increase in equipment and package deliveries. In addition, the current year continues to be challenged by on-going supply chain constraints and general macro-economic factors such as inflation, interest rate changes, and lingering pandemic concerns.

Revenues decreased \$46.2 million or 4% for the quarter from the comparable period last year on lower activity in both the Equipment Group and CIMCO. Equipment Group revenues decreased 2% in the quarter on lower new and used equipment sales, partially offset by increased rental revenues and higher product support activity. CIMCO revenues decreased 21% in the quarter on lower package revenues partially offset by higher product support activity levels. Supply chain challenges continue to dampen revenues in 2022 in both operating groups.

Revenues for the first half of 2022 were largely unchanged from the comparable period last year at \$1.9 billion. Equipment Group revenues increased 2% compared to last year as higher product support and rental activity more than offset lower equipment sales. CIMCO revenues decreased 15% year-to-date, on similar trends as for the quarter noted previously.

Gross profit margin increased 400 basis points (“bps”) to 26.6% in the quarter and increased 290 bps year-to-date compared to last year. Sales mix contributed approximately half of the increase in each period, with a higher percentage of rentals and product support revenues to total revenues. Equipment Group margins increased with improvements in most areas. CIMCO margins increased on higher package sale margins, reflecting improved execution and mix of projects in process.

Selling and administrative expenses decreased \$1.7 million or 1% in the quarter compared to last year. Mark-to-market adjustments on deferred share units (“DSUs”) resulted in a decrease in expense year-over-year of \$7.2 million, reflecting the lower share price. Excluding this item, selling and administrative expenses were up \$5.5 million or 4%. Compensation costs were approximately \$4.3 million higher year-over-year, inclusive of higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Bad debt expense increased \$1.9 million in the quarter on slower collections. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures, while information technology spending decreased after a period of investment in certain integration efforts.

Selling and administrative expenses increased \$8.6 million or 3% in the first half of 2022 compared to the prior year. Mark-to-market adjustments on DSUs resulted in a decrease in expense year-over-year of \$7.8 million, reflecting the lower share price. In the first half of 2021, property dispositions and other related settlements resulted in gains in both periods, with a reduction of a gain of \$2.8 million on a year-over-year basis for the first half. Excluding these two items, selling and administrative expenses were up \$13.5 million or 5%. Compensation costs increased approximately \$10.0 million in the first half reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Other expenses such as training, travel and occupancy costs have increased, only partially offset by a lower level of information technology spend as noted above. Bad debt expense was unchanged from last year through the first half of 2022. Selling and administrative expenses were 40 basis points higher as a percentage of revenues (13.3% versus 12.9% last year).

Operating income increased \$34.0 million or 28% in the quarter to \$156.5 million and \$49.9 million or 26% to \$242.6 million year-to-date. Operating income as a percentage of revenues was 250 bps higher in the first half of the year (12.5% versus 10.0% last year), reflecting favourable sales mix and higher gross margins.

Interest expense decreased \$0.1 million in the quarter and \$0.6 million year-to-date, on lower average debt levels.

Interest income increased \$1.6 million (up 72%) in the quarter and \$2.2 million year-to-date (up 53%) mainly on higher cash balances held in the periods, as well as higher interest income earned on conversion of equipment on rent with a purchase option (“RPO”).

The effective income tax rate was 27.3% in the quarter and year-to-date. The effective income tax rate varies depending on the nature of income (i.e., capital gains), geographic distribution (Canada vs. US) and other regular tax items (non-deductible expenses).

Net earnings were up \$26.3 million or 31% to \$111.7 million for the quarter and \$37.9 million or 28% to \$171.2 million year-to-date. Basic earnings per share (“EPS”) were up 31% to \$1.35 for the quarter and up 28% to \$2.08 year-to-date.

Comprehensive income in the quarter was \$147.3 million (2021 – \$96.6 million) and \$219.3 million year-to-date (2021 - \$178.8 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of \$20.0 million after-tax for the quarter (2021 – actuarial gain of \$7.8 million) and year-to-date actuarial gain of \$43.7 million (2021 - actuarial gain of \$42.1 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 \$15.1 million after-tax for the quarter (2021 – a favourable net change of \$3.6 million) and year-to-date a favourable net change of \$4.1 million after-tax (2021 – a favourable net change of \$3.7 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 June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
Equipment sales and rentals								
New	\$ 365,012	\$ 448,978	\$(83,966)	(19%)	\$ 618,567	\$ 699,305	\$(80,738)	(12%)
Used	102,262	110,546	(8,284)	(7%)	185,814	183,314	2,500	1%
Rentals	108,860	91,463	17,397	19%	202,081	163,761	38,320	23%
Total equipment sales and rentals	576,134	650,987	(74,853)	(11%)	1,006,462	1,046,380	(39,918)	(4%)
Product support	414,445	362,859	51,586	14%	768,079	692,083	75,996	11%
Power generation	2,635	2,699	(64)	(2%)	5,300	5,465	(165)	(3%)
Total revenues	\$ 993,214	\$ 1,016,545	\$(23,331)	(2%)	\$ 1,779,841	\$ 1,743,928	\$ 35,913	2%
Operating income	\$ 151,412	\$ 116,447	\$ 34,965	30%	\$ 236,378	\$ 186,260	\$ 50,118	27%
KEY RATIOS:								
Product support revenues as a % of total revenues	41.7%	35.7%			43.2%	39.7%		
Operating income margin	15.2%	11.5%			13.3%	10.7%		
Group total revenues as a % of consolidated revenues	91.9%	90.2%			91.7%	90.2%		

Results in the Equipment Group reflect continued challenges with equipment and parts supply chains that are affecting product availability, delaying deliveries, slowing work-in-process, and dampening sales growth. Solid market activity continued in areas such as rental and product support. Gross margin improvement and continued expense control drove improvements in operating income. Historically

results have reflected some seasonality, however the pandemic, supply chain constraints and general economic factors have disrupted this pattern and may continue to do so for the near to mid-term future.

Total equipment sales (new and used) decreased \$92.3 million or 16% in the quarter and \$78.2 million or 9% year-to-date, across all markets and regions. New equipment sales decreased 19% in the quarter and 12% year-to-date, as continued inventory supply constraints delayed deliveries to customers. Used equipment sales decreased 7% in the quarter and increased 1% year-to-date. Used equipment sales vary based on availability, either from rental fleet, trades or purchases. Overall, revenues by market segments were as follows for the quarter (for the first half): construction lower 15% (-7%), mining lower 25% (-7%), power systems lower 14% (-19%), material handling lower 49% (-31%), and agricultural up 4% (down -1%).

Rental revenues were up \$17.4 million (+19%) in the quarter and \$38.3 million (+23%) year-to-date. All market sectors and most regions were up, reflecting continued improvement in market activity. Revenues increased for both the heavy equipment fleet (up 3% in the quarter and 13% year-to-date) and light equipment fleet (up 22% in both the quarter and year-to-date) on improved utilization and fleet expansions, both reflecting improved market activity. Power rentals increased 38% in the quarter (35% year-to-date) and material-handling rentals increased 16% in the quarter (18% year-to-date). The RPO fleet (on rent with a purchase option) was \$44.2 million at June 30, 2022 versus \$32.2 million at this time last year reflecting higher demand, yet remains below pre-pandemic levels.

Product support revenues grew \$51.6 million or 14% in the quarter and \$76.0 million or 11% in the first half, with increases in both parts (up 15% in the quarter and 11% year-to-date) and service (up 13% in the quarter and 12% year-to-date) revenues. Activity was up in the majority of the markets and across all regions in both the quarter (and first half of the year): construction markets +17% (+14%), mining +15% (+11%), power systems +3% (+1%) and material handling +19% (+6%). Agricultural activity was down for the quarter and year-to-date on slower start to the year. Service revenue growth also represents the increase in technician headcount to service demand.

Gross profit margins increased 380 bps in the quarter and 280 bps year-to-date compared to last year, with approximately half of the improvement driven by a favourable sales mix (higher product support and rental revenues to total). Rental margins were up 80 bps for the quarter and 90 bps year-to-date, reflecting improved activity and fleet utilization. New and used equipment margins contributed 70 bps in the quarter and 90 bps year-to-date to margin, reflecting sales mix (new vs. used). Product support margins increased in the quarter but were lower in the first half, with higher costs stemming from supply chain challenges, inflationary factors and pandemic impacts.

Selling and administrative expenses were down \$2.1 million or 2% in the quarter, and up \$8.1 million or 4% for the first half of 2022. Compensation costs were higher in both periods reflecting staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures, while information technology spend has decreased on the completion of several integration projects. Bad debt expense increased \$1.2 million in the quarter on slower collections late in the quarter and decreased \$0.5 million year-to-date. Selling and administrative expenses were 20 basis points higher as a percentage of revenues (12.9% versus 12.7% last year).

Operating income increased in both the quarter (up \$35.0 million or 30% to \$151.4 million) and year-to-date (up \$50.1 million or 27% to \$236.4 million), mainly reflecting the higher rental and product support revenues, improved gross margins and favourable sales mix.

Bookings⁽¹⁾ and Backlogs⁽¹⁾

(\$ millions)	2022	2021	\$ change	% change
Bookings - three months ended June 30	\$ 398.5	\$ 633.9	\$ (235.4)	(37%)
Bookings - six months ended June 30	\$ 965.6	\$ 1,320.0	\$ (354.4)	(27%)
Backlogs - as at June 30	\$ 1,291.6	\$ 810.3	\$ 481.3	59%

New bookings were lower in the second quarter, down \$235.4 million or 37%, reflecting a very strong prior year comparable that included several large mining and construction orders. Bookings in the following sectors were down: construction (-43%), mining (-5%) and power systems (-42%), partially offset by higher orders in material handling (+40%) and agriculture (+36%).

On a year-to-date basis, bookings decreased \$354.4 million or 27% to \$965.6 million, reflecting the tough comparable and business and economic factors overriding normal seasonality.

Backlogs of \$1.3 billion were up \$481.3 million or 59%. At June 30, 2022, the breakdown of backlog by markets was as follows: construction 42%; mining 31%; power systems 20%; agriculture 4%; and material handling 3%. Approximately 65% of the backlog is expected to be delivered over the remainder of this year, however this is subject to timing of 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 with customers, and the availability of equipment from either inventory or suppliers.

CIMCO

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2022	2021	\$ change	% change	2022	2021	\$ change	% change
Package sales	\$ 45,576	\$ 73,712	\$ (28,136)	(38%)	\$ 76,119	\$ 120,101	\$ (43,982)	(37%)
Product support	42,107	36,809	5,298	14%	85,080	69,275	15,805	23%
Total revenues	\$ 87,683	\$ 110,521	\$ (22,838)	(21%)	\$ 161,199	\$ 189,376	\$ (28,177)	(15%)
Operating income	\$ 5,071	\$ 6,061	\$ (990)	(16%)	\$ 6,228	\$ 6,464	\$ (236)	(4%)
KEY RATIOS:								
Product support revenues as a % of total revenues	48.0%	33.3%			52.8%	36.6%		
Operating income margin	5.8%	5.5%			3.9%	3.4%		
Group total revenues as a % of consolidated revenues	8.1%	9.8%			8.3%	9.8%		

CIMCO's results for the second quarter and first half of 2022 were lower than prior year, a tough comparable, which included several large construction projects. Package revenues were also dampened in the current year by supply chain challenges which is resulting in the deferral of construction schedules. Product support activity continued to present strong results, especially in the recreational market.

Package revenues reflect the progress of project construction applying the percentage-of-completion method of accounting. 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).

Package revenues were down \$28.1 million or 38% during the quarter, largely due to several large industrial projects in process in Canada in the prior year. Industrial market revenues were down 52%,

partially offset by an increase in the recreational market (up 9%). The US market saw relatively consistent revenues year-over-year for the quarter.

Year-to-date, package sales were \$44.0 million or 37% lower than last year in both market segments (recreational down 15% and industrial down 43%), primarily due to the large industrial projects previously noted.

Product support revenues increased in both the second quarter (up \$5.3 million or 14%) and for the first half of the year (up \$15.8 million or 23%). Revenues in Canada increased 24% in the quarter and 30% year-to-date reflecting higher economic activity levels. Activity levels increased with the easing of pandemic restrictions, and a reopening of recreational centres after prolonged pandemic closure. In the US, revenues were down 9% for the quarter and up 3% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 420 bps in the quarter and 330 bps in the first half versus the comparable periods last year. A favourable sales mix, with a higher proportion of product support revenues to total, accounted for 250 and 280 bps of the increase respectively. Package margins improved in both periods on improved execution and the nature of projects in process. Product support margins were slightly lower in both periods on inflationary factors and supply chain constraints.

Selling and administrative expenses increased \$0.4 million or 3% in the quarter, mainly reflecting increased occupancy costs associated with the relocation of the Canadian head office to Burlington and restructuring other branch facilities. Expenditure control measures on discretionary spend remained in effect. On a year-to-date basis, selling and administrative expenses increased \$0.5 million or 2% on similar reasons as noted for the quarter. As a percentage of revenues, selling and administrative expenses were higher at 17.1% in the first half of 2022 versus 14.3% for the similar period last year, mainly due to the lower revenues.

Operating income decreased \$0.9 million or 16% for the quarter and \$0.2 million or 4% year-to-date, reflecting the lower package revenues, partially offset by the strong product support revenues and higher gross margin on the favourable sales mix.

Bookings and Backlogs

<i>(\$ millions)</i>	2022	2021	\$ change	% change
Bookings - three months ended June 30	\$ 48.9	\$ 46.1	\$ 2.8	6%
Bookings - six months ended June 30	\$ 88.7	\$ 84.0	\$ 4.7	6%
Backlogs - as at June 30	\$ 174.5	\$ 147.5	\$ 27.0	18%

Bookings were up \$2.8 million or 6% to \$48.9 million in the quarter. Industrial bookings were up in both Canada (+10%) and the US (+71%), as activity increased with the continued easing of most pandemic restrictions and a resumption of capital investment. Recreational bookings were 11% lower on reduced market activity, mainly on lower bookings in Canada down 18% while bookings in the US were up 7%.

On a year-to-date basis, bookings were up \$4.7 million or 6% to \$88.7 million, with similar trends as the quarter. Industrial orders were up 16% in both Canada (up 12%) and the US (up 47%), with a steady increase in activity levels. Recreational orders decreased 9% to \$31.5 million, with decreases in Canada (down 21%) being offset by increases in the US (up 32%) on a smaller volume base.

Backlogs of \$174.5 million increased 18% compared to June 2021. Both recreational and industrial backlog increased, in part reflecting the deferral or delay in construction schedules resulting from supply chain constraints. Recreational backlog increased in both Canada (up 16%) and the US (up 78%). Industrial backlog also increased in both Canada (up 5%) and the US (up 26%). Approximately 95% all of the backlog is expected to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from supply chain constraints.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2022, the ratio of net debt to total capitalization⁽¹⁾ was -7% (net cash position), compared to -16% at December 31, 2021, and -1% at June 30, 2021.

Non-cash Working Capital

The Company's investment in non-cash working capital was \$530.1 million at June 30, 2022. The major components, along with the changes from June 30 and December 31, 2021, are identified in the following table.

(\$ thousands)	June 30	June 30	Change		December 31	Change	
	2022	2021	\$	%	2021	\$	%
Accounts receivable	\$ 569,803	\$ 531,530	\$ 38,273	7%	\$ 451,944	\$ 117,859	26%
Inventories	916,845	712,868	203,977	29%	720,421	196,424	27%
Other current assets	19,684	13,637	6,047	44%	13,994	5,690	41%
Accounts payable and accrued liabilities	(618,477)	(516,293)	(102,184)	20%	(544,512)	(73,965)	14%
Provisions	(26,795)	(26,724)	(71)	-	(25,404)	(1,391)	5%
Income taxes recoverable (payable)	(3,186)	8,616	(11,802)	<i>nm</i>	(15,239)	12,053	(79%)
Derivative financial instruments	12,639	(633)	13,272	<i>nm</i>	5,252	7,387	<i>nm</i>
Dividends payable	(32,124)	(28,929)	(3,195)	11%	(28,851)	(3,273)	11%
Deferred revenues and contract liabilities	(308,303)	(172,516)	(135,787)	79%	(199,696)	(108,607)	54%
Total non-cash working capital	\$ 530,086	\$ 521,556	\$ 8,530	2%	\$ 377,909	\$ 152,177	40%

Accounts receivable increased 7% from June 30, 2021. Days sales outstanding ("DSOs") increased 5 days to 41 days on slower collections in both the Equipment Group (up 5 days) and CIMCO (up 14 days). Collection activity and credit metrics are being closely monitored to prevent further erosion.

In comparison to December 31, 2021, accounts receivable increased 26%, reflecting slower collections. DSO was 36 days at December 31, 2021.

Inventories at June 30, 2022 were 29% higher compared to June 30, 2021:

- Equipment Group inventories were up \$188.9 million or 27%, with increased equipment (up \$110.8 million or 27%), service work-in-process (up \$34.7 million or 52%), and parts (up \$43.4 million or 19%). Inventory levels increased as a result of supply chain constraints causing delays in final delivery of equipment and service work, as well as recent price increases.
- CIMCO inventories were up \$15.1 million or 90%, mainly on higher work-in-process levels (up 92%), reflecting timing of project construction schedules. Parts inventory activity was also up \$2.4 million or 77% on higher activity and recent price increases.

Inventories at June 30, 2022 were 27% higher compared to December 31, 2021, with increases in both Groups:

- Equipment Group inventories were 27% higher with increases in equipment (up 28%), work-in-progress (up 42%), and parts inventories (up 19%). 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, however pandemic and economic factors have influenced customer buying patterns and overridden normal seasonality. Additionally, supply chain constraints have impacted the normal sales timeline as delays of equipment, parts and components delay final delivery to end customers.
- CIMCO inventories were up 52% on higher work-in-process (up 56%) and parts (up 37%), reflecting higher service and project activity levels as well as delays in construction schedules.

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 June 30, 2022, were 20% higher than at June 30, 2021, reflecting higher activity levels, partially offset by the lower DSU liability on a lower number of units and lower share price.

In comparison to December 31, 2021, accounts payable and accrued liabilities were up 14%, on similar trends as the above, which mainly reflect the timing of purchase and payment for inventory and other supplies and the payment of annual performance incentive bonuses.

Income taxes recoverable/(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 (weaker) led to a cumulative net gain of \$12.6 million as at June 30, 2022. 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 increased compared to June 30 and December 31, 2021, mainly reflecting the higher dividend rate. The effective quarterly dividend rates were as follows: \$0.31 per share in the first quarter of 2021, \$0.35 per share in the fourth quarter of 2021, and \$0.39 per share in the first and second quarter of 2022. This represents an increase of 12.9% in 2021 and an increase of 11.4% in 2022.

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 June 30, 2022, these were up 90.4% versus June 30, 2021 and up 56% versus December 31, 2021, 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 and vary depending on timing of billings compared to customer's construction schedules. As at June 30, 2022, these were up 28.8% versus June 30, 2021 and up 59% versus December 31, 2021.

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.

Normal Course Issuer Bid ("NCIB")

The Company purchased and cancelled 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) under the NCIB program during the six months ended June 30, 2022.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at June 30, 2022, an obligation for the repurchase of shares of \$12.3 million was recognized under the ASPP.

No shares were purchased and cancelled, nor were any obligations raised, under the respective bids or ASPP's in place at the time, during the comparative period in 2021.

Long-term Incentive Plan ("LTIP")

On April 28, 2022, shareholders approved the adoption of certain changes to the Company's long-term incentive plan. There was no change to the Company's existing stock option and cash-settled DSU plans, both of which remain in place. Under the LTIP, the Company introduced performance share units ("PSU"), restricted share units ("RSU"), executive deferred share units ("EDSU") and equity-settled DSUs. The Company has the ability to grant options and awards under all of these respective plans. However, the intention is that going forward, total incentive award grants will be based on historical stock option grant levels at approximately a 50/50 split between stock options and grants under the LTIP.

Details of each grant will be determined at the date of grant, including performance requirements, vesting and settlement method. PSUs and RSUs will settle upon vesting, while EDSUs and DSUs will settle upon cessation of service to the Company. PSU vesting will be based upon the achievement of performance objectives established at the time of grant by the Board of Directors. The maximum number of common shares reserved for issuance, in aggregate, under the LTIP, will be 750,000, representing 0.9% of the issued and outstanding shares at February 26, 2022.

No grants have been awarded under the LTIP as at June 30, 2022

Outstanding Share Data

As at the date of this MD&A, the Company had 82,095,023 common shares and 2,030,628 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)
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
June 9, 2021	July 5, 2021	\$0.35	\$28.9
September 8, 2021	October 4, 2021	\$0.35	\$29.0
December 8, 2021	January 5, 2022	\$0.35	\$28.9
March 9, 2022	April 4, 2022	\$0.39	\$32.2
June 9, 2022	July 5, 2022	\$0.39	\$32.1

The Board of Directors increased the quarterly dividend by 11.4% or 4 cents per share, to 39 cents per common share on February 10, 2022. The next dividend is payable on October 4, 2022 to shareholders on record on September 8, 2022.

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 November 2026. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on these revolving credit facilities as at: June 30, 2022; December 31 and June 30, 2021.

Standby letters of credit issued utilized \$34.3 million of the facility as at June 30, 2022, \$28.8 million as at December 31, 2021 and \$30.0 million as at June 30, 2021.

The Company expects that continued cash flows from operations in 2022, 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Cash, beginning of period	\$ 795,731	\$ 613,942	\$ 916,830	\$ 591,128
Cash, provided by (used in):				
Operating activities				
Operations	148,340	123,370	239,361	209,714
Change in non-cash working capital and other	(19,699)	15,022	(170,606)	(14,375)
Net rental fleet additions	(56,187)	(40,172)	(78,548)	(46,236)
	72,454	98,220	(9,793)	149,103
Investing activities	(20,271)	(28,198)	(31,293)	(31,054)
Financing activities	(69,329)	(23,154)	(97,060)	(48,329)
Effect of foreign exchange on cash balances	215	(39)	116	(77)
Increase in cash in the period	(16,931)	46,829	(138,030)	69,643
Cash, end of period	\$ 778,800	\$ 660,771	\$ 778,800	\$ 660,771

Cash Flows from Operating Activities

Operating activities provided cash in both the second quarter of 2022 and the comparative period in 2021. On a year-to-date basis operating activities utilized cash in the first half of 2022 compared to providing cash in the comparable period last year.

Cash generated from operations increased for the quarter (up 22%) and year-to-date (up 15%) from the similar periods last year on the higher net earnings.

Non-cash working capital used cash in the second quarter of 2022, as higher inventory levels and accounts receivable, were only partially offset by higher accounts payable and customer deposits. Non-cash working capital provided cash in the second quarter of 2021, largely on a reduction of inventory in the quarter.

On a year-to-date basis non-cash working capital used more cash in 2022 as compared to the first six months of 2021, as the higher accounts payable and customer deposits were more than offset by higher accounts receivable and inventory levels and timing of payments of income tax instalments.

Net rental fleet additions (purchases less proceeds of dispositions) increased in both the second quarter and first half of 2022 compared to the similar periods last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada reflecting improved 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 \$20.9 million in the second quarter of 2022 (2021 - \$28.3 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the

- business - \$8.3 million (2021 - \$16.8 million); and
- Normal replacement of service and delivery vehicles - \$12.6 million (2021 - \$11.5 million).

On a year-to-date basis, additions to property, plant and equipment totalled \$32.1 million (2021 - \$32.9 million). In 2021, property dispositions provided proceeds of \$1.6 million, resulting in a capital gain of \$1.2 million, or \$1.0 million after-tax.

Cash Flows from Financing Activities

During the second quarter of 2022, the Company used \$69.3 million (2021 – used \$23.2 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$32.2 million or \$0.39 per share (2021 - \$25.6 million or \$0.31 per share);
- Cash received on exercise of share options of \$2.9 million (2021 - \$4.9 million);
- Purchase of shares under the NCIB program used \$37.7 million (2021 – \$nil); and
- Lease liability payments of \$2.3 million (2021 - \$2.5 million).

For the six months ended June 30, 2022, financing activities used \$97.1 million (2021 – used \$48.3 million) in cash, major uses and sources of cash during this period included:

- Dividends paid to common shareholders of \$61.1 million or \$0.74 per share (2021 – \$51.1 million or \$0.62 per share);
- Cash received on exercise of share options of \$6.4 million (2021 – \$7.9 million);
- Purchase of shares under the NCIB program used \$37.7 million (2021 – \$nil); and
- Lease liability payments of \$4.7 million (2021 – \$5.1 million).

OUTLOOK

We are closely monitoring global economic factors, in particular, inflationary pressures from price and wage increases, including increases from our key suppliers. Initiatives are underway across all of our operations to improve efficiency and leverage the learnings from the last two years, including use of technology and innovative ways to engage with customers, employees and other partners with reduced discretionary spending.

The ongoing challenges in the global supply chain have resulted in delivery date delays for equipment, components and parts and this is expected to continue. We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with our key suppliers and our customers, such as actively sourcing used equipment, optimizing preparation time on equipment, and offering rebuilds and rental options. We expect a tight supply environment to continue.

There is ongoing concern and uncertainty regarding COVID-19. Staff shortages, reduced customer activity and demand, product availability and other supplier constraints, inflationary impacts and increased government regulations or intervention, are some of the factors that have and may continue to negatively impact our business, consolidated financial results and conditions of the Company. As a result, it is not possible to reliably estimate the length and severity of these developments as well as the impact on the consolidated financial results and condition of the Company in future periods.

The protection and support of our people remains a priority, particularly, our front-line technical workforce who provide valuable service to our customers. Workforce planning initiatives, including hiring and scheduling, continue in light of current and expected activity levels.

The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. The on-going integration and alignment of operating processes and systems, best practices and culture, continues across our territory. The long-term outlook for infrastructure projects and other construction activity is positive across most territories although tied somewhat to the general economic climate which is increasingly uncertain. Mining customers and our operations that support them continue to evaluate appropriate activity levels on a daily/weekly basis. Longer term, mine expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, the branch network, rental fleets, and technologies to create efficiency and effectiveness across the organization. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base and product support levels supports 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 growth opportunities. Recreational markets have been limited due to pandemic restrictions, however over the longer term, opportunity exists. Current backlogs are supportive of future activity. Inflationary costs and highly competitive pricing by competition in the market continue to challenge package revenue growth opportunities.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results 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 2021 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q3 2021	Q4 2021	Q1 2022	Q2 2022
REVENUES				
Equipment Group	\$ 914,386	\$ 866,970	\$ 786,627	\$ 993,214
CIMCO	82,812	89,065	73,516	87,683
Total revenues	\$ 997,198	\$ 956,035	\$ 860,143	\$ 1,080,897
NET EARNINGS	\$ 93,764	\$ 105,590	\$ 59,532	\$ 111,681
PER SHARE INFORMATION:				
Basic earnings per share	\$ 1.13	\$ 1.28	\$ 0.72	\$ 1.35
Diluted earnings per share	\$ 1.12	\$ 1.27	\$ 0.72	\$ 1.34
Dividends paid per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.39
Weighted average common shares outstanding - basic (in thousands)	82,705	82,401	82,467	82,433

<i>(\$ thousands, except per share amounts)</i>	Q3 2020	Q4 2020	Q1 2021	Q2 2021
REVENUES				
Equipment Group	\$ 834,716	\$ 896,904	\$ 727,383	\$ 1,016,545
CIMCO	86,940	95,281	78,855	110,521
Total revenues	\$ 921,656	\$ 992,185	\$ 806,238	\$ 1,127,066
NET EARNINGS	\$ 77,359	\$ 88,950	\$ 47,956	\$ 85,400
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.94	\$ 1.08	\$ 0.58	\$ 1.03
Diluted earnings per share	\$ 0.94	\$ 1.07	\$ 0.58	\$ 1.02
Dividends paid per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.35
Weighted average common shares outstanding - basic (in thousands)	82,195	82,373	82,499	82,587

Interim period revenues and earnings historically reflect variability from quarter to quarter due to seasonality. The pandemic and resulting impact on the economy, including global supply chains, has affected seasonal trends in recent periods shown and may result in continued 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. This trend can also be impacted during periods of equipment supply constraints from suppliers.

CIMCO has also had a distinct seasonal trend in results historically, as the timing of construction activity impacts revenue recognition under percentage-of-completion accounting. Revenues are typically lower during the first quarter as winter weather slows down construction schedules. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and customer timing of significant industrial projects. Sequential comparisons are also impacted by CIMCO's relatively high fixed cost structure.

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarter. This trend can be impacted by equipment and parts availability. These seasonal sales trend also typically leads to accounts receivable to be at their highest level at year-end.

In 2020 and 2021, these patterns were disrupted by the governmental and market response and reaction to COVID-19. In 2021, demand for equipment was stronger through the first nine months of the year, reflecting both delayed purchasing from 2020, as well as stronger order flow in light of global supply chain disruptions, thus impacting revenues in the fourth quarter.

Net earnings have generally followed the trend in revenues. Cost reduction and containment strategies continue to be a focus, however, have a delayed effect on net earnings.

The overall economic environment because of the COVID-19 pandemic and other global economic factors have affected and may continue to impact these trends. There can be no certainty that this historical seasonality pattern will recur in 2022 or in the future.

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, 2021 under "Risks and Risk Management".

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 2021 audited annual consolidated financial statements, and described in note 1 therein. Several amendments, apply for the first time in 2022, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company for the three and six month period ending June 30, 2022.

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 2021 audited annual consolidated financial statements, contained in the Company's 2021 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 June 30, 2022.

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 and six months ended June 30, 2022, 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Net earnings	\$ 111,681	\$ 85,400	\$ 171,213	\$ 133,356
<i>plus</i> : Interest expense	6,857	7,002	13,543	14,179
<i>less</i> : Interest and investment income	(3,888)	(2,260)	(6,505)	(4,264)
<i>plus</i> : Income taxes	41,833	32,366	64,355	49,453
Operating income	\$ 156,483	\$ 122,508	\$ 242,606	\$ 192,724
Total Revenues	1,080,897	1,127,066	1,941,040	1,933,304
Operating income margin	14.5%	10.9%	12.5%	10.0%

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)	June 30 2022	December 31 2021	June 30 2021
Long-term debt	\$ 646,699	\$ 646,337	\$ 646,867
<i>less</i> : Cash	778,800	916,830	660,771
Net debt	(132,101)	(270,493)	(13,904)
Shareholders' equity	2,067,767	1,953,329	1,833,640
Total capitalization	\$ 1,935,666	\$ 1,682,836	\$ 1,819,736
Net debt to total capitalization	-7%	-16%	-1%
Net debt to equity	-0.06:1	-0.14:1	-0.01:1

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>	June 30 2022	December 31 2021	June 30 2021
Total current assets	\$ 2,297,771	\$ 2,108,441	\$ 1,927,521
less: Total current liabilities	988,885	813,702	745,194
Working capital	\$ 1,308,886	\$ 1,294,739	\$ 1,182,327

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>	June 30 2022	December 31 2021	June 30 2021
Total current assets	\$ 2,297,771	\$ 2,108,441	\$ 1,927,521
less: Cash	778,800	916,830	660,771
	1,518,971	1,191,611	1,266,750
Total current liabilities	988,885	813,702	745,194
Non-cash working capital	\$ 530,086	\$ 377,909	\$ 521,556

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 common shares by the total number of common shares outstanding.

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>	June 30 2022	December 31 2021	June 30 2021
Outstanding common shares	82,205,023	82,443,968	82,655,063
times: Ending share price	\$ 104.08	\$ 114.36	\$ 108.00
Market capitalization	\$ 8,555,899	\$ 9,428,292	\$ 8,926,747
Long-term debt	\$ 646,699	\$ 646,337	\$ 646,867
less: Cash	778,800	916,830	660,771
Net debt	\$ (132,101)	\$ (270,493)	\$ (13,904)
Total enterprise value	\$ 8,423,798	\$ 9,157,799	\$ 8,912,843

KEY PERFORMANCE INDICATORS (“KPIs”)

Management uses key performance indicators to enable consistent measurement of performance across the organization. These KPIs are non-GAAP financial measures, do not have a standardized meaning under IFRS and may not be comparable to similar measures presented 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

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlogs are defined as the retail value of equipment units ordered by customers with future delivery, and the remaining retail value of package/project orders remaining to be recognized in revenues under the percentage of completion method. Management uses order backlog as a measure of projecting future equipment and project 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 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, also referred to as total capitalization.

	Trailing twelve months ended		
	June 30 2022	December 31 2021	June 30 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 370,567	\$ 332,710	\$ 299,664
<i>plus:</i> Interest expense	27,525	28,161	29,339
<i>less:</i> Interest and investment income	(11,268)	(9,027)	(9,057)
<i>plus:</i> Interest income - rental conversions	3,251	2,635	3,633
<i>plus:</i> Income taxes	138,995	124,093	112,837
Adjusted net earnings	\$ 529,070	\$ 478,572	\$ 436,416
Average capital employed	\$ 1,826,669	\$ 1,796,703	\$ 1,800,007
Return on capital employed	29.0%	26.6%	24.2%

Return on Equity (“ROE”)

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing net earnings by opening shareholders’ equity (adjusted for shares issued and redeemed during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
	June 30 2022	December 31 2021	June 30 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 370,567	\$ 332,710	\$ 299,664
Opening shareholders' equity (net of adjustments)	\$ 1,805,337	\$ 1,695,008	\$ 1,573,428
Return on equity	20.5%	19.6%	19.0%

FOOTNOTE

- (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."