

## **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, 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 months ended March 31, 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 April 27, 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](http://www.sedar.com) and on the Company's website at [www.toromont.com](http://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 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](http://www.sedar.com) or at our website [www.toromont.com](http://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

	Three months ended March 31			
<i>(\$ thousands, except per share amounts)</i>	2022	2021	\$ change	% change
<b>REVENUES</b>	<b>\$ 860,143</b>	\$ 806,238	\$ 53,905	7%
Cost of goods sold	<b>646,636</b>	618,860	27,776	4%
Gross profit <sup>(1)</sup>	<b>213,507</b>	187,378	26,129	14%
Selling and administrative expenses	<b>127,384</b>	117,162	10,222	9%
<b>OPERATING INCOME <sup>(1)</sup></b>	<b>86,123</b>	70,216	15,907	23%
Interest expense	<b>6,686</b>	7,177	(491)	(7%)
Interest and investment income	<b>(2,617)</b>	(2,004)	(613)	31%
Income before income taxes	<b>82,054</b>	65,043	17,011	26%
Income taxes	<b>22,522</b>	17,087	5,435	32%
<b>NET EARNINGS</b>	<b>59,532</b>	47,956	11,576	24%
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.72</b>	\$ 0.58	\$ 0.14	24%
<b>KEY RATIOS:</b>				
Gross profit margin <sup>(1)</sup>	<b>24.8%</b>	23.2%		
Selling and administrative expenses as a % of revenues	<b>14.8%</b>	14.5%		
Operating income margin <sup>(1)</sup>	<b>10.0%</b>	8.7%		
Income taxes as a % of income before income taxes	<b>27.4%</b>	26.3%		

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

The Company reported improved results in the first quarter of 2022, maintaining operational discipline and focus, while being resilient in the fluid economic environment. While industry activity levels have increased as pandemic restrictions have eased in most markets, supply chain

constraints, inflationary pressures and other global economic factors have impacted results and exerted pressure.

Revenues increased \$53.9 million or 7% for the quarter. Equipment Group revenues increased 8% on higher used equipment deliveries, increased rental utilization and higher product support activity. CIMCO revenues decreased 7% as construction projects schedules were deferred due to supply chain challenges, partially offset by higher product support activity levels.

Gross profit margin increased 160 basis points (“bps”) to 24.8% versus the first quarter last year. Equipment Group margins increased on improved equipment and rental margins. CIMCO margins increased on a favourable sales mix, with a higher proportion of product support revenues to total revenues.

Selling and administrative expenses in the first quarter of 2022 increased \$10.2 million or 9% versus the similar period last year. Expenses in the first quarter of 2021 included property gains of \$3.1 million. Compensation costs increased \$5.5 million reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income in the current period. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Bad debt expense decreased \$2.0 million on improved collections. Selling and administrative expenses were 14.8% of revenues, compared to 14.5% in the first quarter of last year.

Operating income increased \$15.9 million or 23% in the quarter and was 130 bps higher as a percentage of revenues (10.0% versus 8.7% last year), reflecting higher revenues and gross margins.

Interest expense decreased \$0.5 million on lower debt levels.

Interest income increased \$0.6 million in the quarter mainly on higher cash balances held, slightly offset by lower interest income earned on conversion of equipment on rent with a purchase option (“RPO”).

The effective income tax rate for the quarter was 27.4% compared to 26.3% in the first quarter last year, reflecting certain real estate transactions in the prior year, which were taxed at lower rates.

Net earnings for the quarter were up \$11.6 million or 24% to \$59.5 million with basic earnings per share (“EPS”) tracking the increase in earnings to \$0.72.

Comprehensive income in the quarter was \$72.1 million (2021 – \$82.2 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of \$23.7 million after-tax (2021 – actuarial gain of \$34.2 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 an unfavorable net change in the fair value of cash flow hedges of \$11.0 million after-tax (2021 – a favourable net change of \$0.1 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			
	2022	2021	\$ change	% change
Equipment sales and rentals				
New	\$ 253,555	\$ 250,327	\$ 3,228	1%
Used	83,552	72,768	10,784	15%
Rentals	93,221	72,298	20,923	29%
Total equipment sales and rentals	430,328	395,393	34,935	9%
Product support	353,634	329,224	24,410	7%
Power generation	2,665	2,766	(101)	(4%)
<b>Total revenues</b>	<b>\$ 786,627</b>	<b>\$ 727,383</b>	<b>\$ 59,244</b>	<b>8%</b>
<b>Operating income</b>	<b>\$ 84,966</b>	<b>\$ 69,813</b>	<b>\$ 15,153</b>	<b>22%</b>
<b>KEY RATIOS:</b>				
Product support revenues as a % of total revenues	45.0%	45.3%		
Operating income margin	10.8%	9.6%		
Group total revenues as a % of consolidated revenues	91.5%	90.2%		

The Equipment Group delivered solid results for the first quarter of 2022. Although higher than the prior year, equipment and product support sales were constrained by continued supply chain challenges that are affecting product availability. Solid market activity led to higher rental and product support revenues. Gross margin improvement and continued expense control drove improvements in operating income. Global economic factors including higher inflation, higher interest rates and strong commodity prices are being experienced and likely to present increased pressure on future results. Historically results for the first quarter in the Equipment Group have been lower than other quarters of the year due to seasonality, however recent periods have been affected by the pandemic, supply chain and other influences causing variations in customer's purchasing and rental patterns.

Total equipment sales (new and used) increased \$14.0 million or 4%. New equipment sales increased 1% as continued inventory supply constraints delayed deliveries to customers. Used equipment sales increased 15% on good demand across most markets. Overall, revenues by market segments were as follows: construction up 7%, mining up 49%, power systems lower 25%, material handling lower 6%, and agricultural lower 11%.

Rental revenues increased \$20.9 million, or 29%, with increases across all market sectors and most regions. Revenues for both the light and heavy equipment fleets increased 16% in the quarter on improved utilization and recent fleet expansions, both reflecting improved market activity. Power rentals increased 2% and material-handling rentals increased 9%. Rental revenues from equipment on rent with a purchase option ("RPO") were up 26% on a larger average fleet. As at March 31, 2022 the RPO fleet was \$50.1 million versus \$38.6 million at this

time last year reflecting higher demand, yet remains below pre-pandemic levels.

Product support revenues increased \$24.4 million or 7% on higher parts (up 6%) and service revenues (up 11%). Market activity in construction and mining markets increased 11% and 7% respectively, with increases in all regions. Power systems activity was relatively unchanged compared to the prior year, while material handling and agricultural were down on a smaller base. Service revenue growth also represents the increase in technician headcount to service demand.

Gross profit margins increased 140 bps in the quarter versus last year. Rental margins contributed 120 bps to margin, reflecting improved activity and fleet utilization. New and used equipment margins contributed 110 bps to margin, reflecting sound demand and sales mix. Product support margins reduced overall margin 90 bps, with higher input costs due mainly to supply chain challenges and pandemic impacts.

Selling and administrative expenses in the first quarter of 2022, increased \$10.2 million or 10%. Expenses in the first quarter of 2021 included property gains of \$3.1 million. Compensation costs increased \$5.5 million reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income in the current period. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Bad debt expense decreased \$1.7 million on improved collections. Selling and administrative expenses were 20 basis points higher as a percentage of revenues (14.6% versus 14.4% last year).

Operating income increased \$15.2 million (22%) to \$85.0 million, mainly reflecting the higher revenues and gross margins.

### Bookings and Backlogs

<i>(\$ millions)</i>	<b>2022</b>	2021	\$ change	% change
Bookings - three months ended March 31	<b>\$ 567.1</b>	\$ 686.1	\$ (119.0)	(17%)
Backlogs - as at March 31	<b>\$ 1,360.3</b>	\$ 736.0	\$ 624.3	85%

New bookings were lower in the first quarter, down \$119.0 million or 17%, as several large mining and construction orders were received in the prior period. Bookings in construction and mining were down 3% and 60% respectively, partially offset by higher orders in power systems (+60%) and agriculture (+12%). Material handling orders remained relatively consistent with the prior period.

Backlogs of \$1.4 billion were up \$624.3 million or 85% across all sectors. At March 31, 2022, the breakdown of backlog by markets was as follows: construction - 45%; mining - 30%; power systems - 19%; agriculture - 4%; and, material handling - 2%. Approximately 80% of the backlog is expected to be delivered over the remainder of the 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

	Three months ended March 31			
(\$ thousands)	2022	2021	\$ change	% change
Package sales	\$ 30,543	\$ 46,389	\$ (15,846)	(34%)
Product support	42,973	32,466	10,507	32%
<b>Total revenues</b>	<b>\$ 73,516</b>	<b>\$ 78,855</b>	<b>\$ (5,339)</b>	<b>(7%)</b>
<b>Operating income</b>	<b>\$ 1,157</b>	<b>\$ 403</b>	<b>\$ 754</b>	<b>187%</b>
<b>KEY RATIOS:</b>				
Product support revenues as a % of total revenues	58.5%	41.2%		
Operating income margin	1.6%	0.5%		
Group total revenues as a % of consolidated revenues	8.5%	9.8%		

Historically, due to seasonality, CIMCO's results for the first quarter have been the slowest period, as winter shutdowns negatively affect construction schedules. Package revenues were dampened by prolonged winter conditions and supply chain challenges resulted in the deferral of revenues to later in the year. Product support activity increased on the reopening of recreational facilities late in 2021 after a prolonged shutdown due to pandemic restrictions.

Package revenues were down \$15.8 million or 34% with decreases in both the recreational (down 48%) and industrial (down 29%) markets. 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). In Canada, package revenues decreased \$16.2 million or 41% reflecting decreases in both markets. In the US, package revenues increased \$0.4 million or 5% on a smaller activity base, with higher revenues in the industrial market offset by lower revenues in the recreational market.

Product support revenues increased \$10.5 million or 32% versus the first quarter last year on higher activity levels in both Canada (up 36%) and the US (up 19%). Activity levels increased with the easing of pandemic restrictions, and a reopening of recreational centres after prolonged pandemic closure. The increased technician base continues to support activity levels.

Gross profit margins increased 230 bps in the quarter versus last year. A favourable sales mix, with a higher proportion of product support to total, contributed 310 bps. Gross profit margins in product support were higher (10 bps), while package margins were lower (90 bps). Margins mainly reflect activity levels, with a relatively high fixed costs base of operations, as well as the nature of projects in process, 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. As a percentage of revenues, selling and administrative expenses were higher (17.3% versus 16.1% last year) reflecting the lower revenues in the current period against a consistent level of expenses.

Operating income was \$1.2 million in the first quarter, up \$0.8 million from the comparable period last year, reflecting the higher gross margin on the favourable sales mix.

## Bookings and Backlogs

<i>(\$ millions)</i>	<b>2022</b>	2021	\$ change	% change
Bookings - three months ended March 31	<b>\$ 39.8</b>	\$ 37.9	\$ 1.9	5%
Backlogs - as at March 31	<b>\$ 169.6</b>	\$ 175.5	\$ (5.9)	(3%)

Bookings were up \$1.9 million or 5% to \$39.8 million. Industrial bookings were up in both Canada (+15%) and the US (+26%), as activity increased with the continued lifting of most pandemic restrictions. Recreational bookings were 8% lower on reduced market activity, mainly on lower bookings in Canada down 23% while bookings in the US were up 80%.

Backlogs of \$169.6 million declined 3% versus March last year on progress of construction projects. Recreational backlog increased in both Canada (up 28%) and the US (up 73%) as projects were deferred due to equipment and material delays caused by supply chain challenges. Industrial backlog decreased in both Canada (down 25%) and the US (down 10%) reflecting project completions during the quarter. Substantially 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 March 31, 2022, the ratio of net debt to total capitalization was -8%, compared to -16% at December 31, 2021, and 2% at March 31, 2021.

### Non-cash Working Capital

The Company's investment in non-cash working capital was \$507.8 million at March 31, 2022. The major components, along with the changes from March 31 and December 31, 2021, are identified in the following table.

<i>(\$ thousands)</i>	<b>March 31 2022</b>	March 31 2021	<b>Change</b>		December 31 2021	<b>Change</b>	
			\$	%		\$	%
Accounts receivable	<b>\$ 480,555</b>	\$ 482,844	\$ (2,289)	-	\$ 451,944	\$ 28,611	6%
Inventories	<b>837,028</b>	760,087	76,941	10%	720,421	116,607	16%
Other current assets	<b>22,348</b>	13,533	8,815	65%	13,994	8,354	60%
Accounts payable and accrued liabilities	<b>(534,078)</b>	(512,417)	(21,661)	4%	(544,512)	10,434	(2%)
Provisions	<b>(25,005)</b>	(25,034)	29	-	(25,404)	399	(2%)
Income taxes recoverable (payable)	<b>7,572</b>	12,783	(5,211)	(41%)	(15,239)	22,811	(150%)
Derivative financial instruments	<b>(12,796)</b>	(6,037)	(6,759)	112%	5,252	(18,048)	(344%)
Dividends payable	<b>(32,164)</b>	(25,587)	(6,577)	26%	(28,851)	(3,313)	11%
Deferred revenues and contract liabilities	<b>(235,634)</b>	(181,671)	(53,963)	30%	(199,696)	(35,938)	18%
<b>Total non-cash working capital</b>	<b>\$ 507,826</b>	\$ 518,501	\$ (10,675)	(2%)	\$ 377,909	\$ 129,917	34%

Accounts receivable was relatively unchanged from March 31, 2021, reflecting the tight focus on collection activities on higher trailing revenues. Days sales outstanding ("DSOs") decreased 2 days to 40 days on an improvement in the Equipment Group (down 2 days), offset by an increase at CIMCO (up 7 days).

In comparison to December 31, 2021, accounts receivable increased 6%, reflecting slower collections. DSO was 36 days at December 31, 2021.

Inventories at March 31, 2022, were 10% higher compared to March 31, 2021:

- Equipment Group inventories were up \$89.4 million or 12%, with increased equipment (up \$44.3 million or 10%), service work-in-process (up \$27.9 million or 43%), and parts (up \$17.2 million or 8%). Higher inventory levels generally reflect higher recent and expected activity levels.
- CIMCO inventories were down \$12.5 million or 34%, mainly on lower work-in-process levels (down 41%), reflecting timing of project construction schedules, offset by higher parts inventory activity up \$1.6 million or 54%.

Inventories at March 31, 2022 were 16% higher compared to December 31, 2021, with increases in both Groups:

- Equipment Group inventories were 16% higher with increases in equipment (up 19%), work-in-progress (up 30%), and parts inventories (up 7%). 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.
- CIMCO inventories were up 18% on higher work-in-process (up 19%) reflecting higher service and project activity levels.

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, 2022, were 4% higher than at March 31, 2021, reflecting higher activity levels, partially offset by the lower DSU liability on a lower number of units.

In comparison to December 31, 2021, accounts payable and accrued liabilities were down 2%, mainly reflecting 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 (stronger) led to a cumulative net loss of \$12.8 million as at March 31, 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 March 31 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 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 March 31, 2022, these were up 56.4% versus March 31, 2021 and up 17.6% 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 March 31, 2022, these were down 39.0% versus March 31, 2021, however were up 33.4% 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.

## Outstanding Share Data

As at the date of this MD&A, the Company had 82,522,223 common shares and 2,086,840 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 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
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

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 July 5, 2022 to shareholders on record on June 9, 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: March 31, 2022; December 31 and March 31, 2021.

Standby letters of credit issued utilized \$32.7 million of the facility as at March 31, 2022, \$28.8 million as at December 31, 2021 and \$30.0 million as at March 31, 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:

<i>(\$ thousands)</i>	Three months ended March 31	
	2022	2021
<b>Cash, beginning of period</b>	\$ 916,830	\$ 591,128
Cash, provided by (used in):		
<b>Operating activities</b>		
Operations	91,021	86,344
Change in non-cash working capital and other	(150,907)	(29,397)
Net rental fleet additions	(22,361)	(6,064)
	(82,247)	50,883
<b>Investing activities</b>	(11,022)	(2,856)
<b>Financing activities</b>	(27,731)	(25,175)
Effect of foreign exchange on cash balances	(99)	(38)
Increase in cash in the period	(121,099)	22,814
<b>Cash, end of period</b>	\$ 795,731	\$ 613,942

### Cash Flows from Operating Activities

Operating activities utilized cash in the first quarter of 2022 compared to providing cash in the comparable period last year, more consistent with historical trends.

Cash generated from operations increased 5% from the similar quarter last year on a 24% increase in net earnings.

Non-cash working capital used cash in the first quarter of 2022, reflecting a more typical seasonal trend as operations prepare for the typically busier selling season. Higher inventory levels and accounts receivable, and payments to suppliers, more than offset higher customer deposits. Non-cash working capital used more cash in the first quarter of 2022, compared to the first quarter of 2021, on larger relative increases in inventory and accounts receivable. These increases reflect, in part, higher activity levels year over year.

Net rental fleet additions (purchases less proceeds of dispositions) were higher in the first quarter of 2022 compared to the similar period 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 \$11.2 million (2021 - \$4.6 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business - \$5.0 million (2021 - \$0.7 million); and
- Normal replacement of service and delivery vehicles - \$6.2 million (2021 - \$3.9 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 first quarter of 2022, the Company used \$27.7 million (2021 - \$25.2 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$28.9 million or \$0.35 per share (2021 - \$25.6 million or \$0.31 per share);
- Cash received on exercise of share options of \$3.5 million (2021 - \$2.9 million); and
- Lease liability payments of \$2.3 million (2021 - \$2.6 million).

## **OUTLOOK**

The emergency measures enacted in early 2020, to combat the spread of COVID-19, continue to affect economies and disrupt business operations around the world. Staff shortages, reduced customer activity and demand, product availability and other supplier constraints, cost increases 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. While generally the situation is improving, there is ongoing concern and uncertainty regarding potential new COVID-19 variants. 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.

We are closely monitoring global economic factors, in particular, inflationary pressures from price and wage increases, including price 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.

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. Prior to the outbreak, 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.

Investment continues in broadening product lines, 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 CO<sub>2</sub> 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.

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>	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>REVENUES</b>				
Equipment Group	\$ 1,016,545	\$ 914,386	\$ 866,970	\$ 786,627
CIMCO	110,521	82,812	89,065	73,516
Total revenues	\$ 1,127,066	\$ 997,198	\$ 956,035	\$ 860,143
<b>NET EARNINGS</b>	\$ 85,400	\$ 93,764	\$ 105,590	\$ 59,532
<b>PER SHARE INFORMATION:</b>				
Basic earnings per share	\$ 1.03	\$ 1.13	\$ 1.28	\$ 0.72
Diluted earnings per share	\$ 1.02	\$ 1.12	\$ 1.27	\$ 0.72
Dividends paid per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35
Weighted average common shares outstanding - basic (in thousands)	82,587	82,705	82,401	82,467

<i>(\$ thousands, except per share amounts)</i>	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>REVENUES</b>				
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
<b>NET EARNINGS</b>	\$ 51,210	\$ 77,359	\$ 88,950	\$ 47,956
<b>PER SHARE INFORMATION:</b>				
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

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. This 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 impacted by the governmental and market response and reaction to COVID-19. In 2020, the second quarter experienced the most significant slowdown in market activity. 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 any future year.

## **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-month period ending March 31, 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 March 31, 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 months ended March 31, 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 March 31	
	2022	2021
Net earnings	\$ 59,532	\$ 47,956
<i>plus:</i> Interest expense	6,686	7,177
<i>less:</i> Interest and investment income	(2,617)	(2,004)
<i>plus:</i> Income taxes	22,522	17,087
<b>Operating income</b>	<b>\$ 86,123</b>	<b>\$ 70,216</b>
Total Revenues	860,143	806,238
<b>Operating income margin</b>	<b>10.0%</b>	<b>8.7%</b>

### 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 2022	December 31 2021	March 31 2021
Long-term debt	\$ 646,518	\$ 646,337	\$ 646,616
<i>less:</i> Cash	795,731	916,830	613,942
Net debt	(149,213)	(270,493)	32,674
Shareholders' equity	1,998,258	1,953,329	1,759,631
<b>Total capitalization</b>	<b>\$ 1,849,045</b>	<b>\$ 1,682,836</b>	<b>\$ 1,792,305</b>
<b>Net debt to total capitalization</b>	<b>-8%</b>	<b>-16%</b>	<b>2%</b>
<b>Net debt to equity</b>	<b>-0.07:1</b>	<b>-0.14:1</b>	<b>0.02:1</b>

## 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>	<b>March 31 2022</b>	December 31 2021	March 31 2021
Total current assets	\$ 2,143,470	\$ 2,108,441	\$ 1,883,189
less: Total current liabilities	839,913	813,702	750,746
<b>Working capital</b>	<b>\$ 1,303,557</b>	<b>\$ 1,294,739</b>	<b>\$ 1,132,443</b>

### 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>	<b>March 31 2022</b>	December 31 2021	March 31 2021
Total current assets	\$ 2,143,470	\$ 2,108,441	\$ 1,883,189
less: Cash	795,731	916,830	613,942
	<b>1,347,739</b>	1,191,611	1,269,247
Total current liabilities	839,913	813,702	750,746
<b>Non-cash working capital</b>	<b>\$ 507,826</b>	<b>\$ 377,909</b>	<b>\$ 518,501</b>

### 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>	<b>March 31 2022</b>	December 31 2021	March 31 2021
Outstanding common shares	<b>82,522,223</b>	82,443,968	82,542,168
times: Ending share price	<b>\$ 118.51</b>	\$ 114.36	\$ 96.19
<b>Market capitalization</b>	<b>\$ 9,779,709</b>	\$ 9,428,292	\$ 7,939,731
Long-term debt	<b>\$ 646,518</b>	\$ 646,337	\$ 646,616
less: Cash	<b>795,731</b>	916,830	613,942
<b>Net debt</b>	<b>\$ (149,213)</b>	\$ (270,493)	\$ 32,674
<b>Total enterprise value</b>	<b>\$ 9,630,496</b>	\$ 9,157,799	\$ 7,972,405

## 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		
	March 31 2022	December 31 2021	March 31 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 344,286	\$ 332,710	\$ 265,475
<i>plus:</i> Interest expense	27,670	28,161	30,227
<i>less:</i> Interest and investment income	(9,641)	(9,027)	(8,361)
<i>plus:</i> Interest income - rental conversions	2,624	2,635	3,529
<i>plus:</i> Income taxes	129,528	124,093	100,068
Adjusted net earnings	\$ 494,467	\$ 478,572	\$ 390,938
Average capital employed	\$ 1,801,398	\$ 1,796,703	\$ 1,817,866
<b>Return on capital employed</b>	<b>27.4%</b>	<b>26.6%</b>	<b>21.5%</b>

### 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		
	March 31 2022	December 31 2021	March 31 2021
<i>(\$ thousands)</i>			
Net earnings	\$ 344,286	\$ 332,710	\$ 265,475
Opening shareholders' equity (net of adjustments)	\$ 1,746,111	\$ 1,695,008	\$ 1,587,570
<b>Return on equity</b>	<b>19.7%</b>	<b>19.6%</b>	<b>16.7%</b>