

# TOROMONT

For immediate release

## TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2023 AND QUARTERLY DIVIDEND

Toronto, Ontario (July 26, 2023) – Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the second quarter ended June 30, 2023.

(\$ millions, except per share amounts)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Revenue	\$ 1,175.0	\$ 1,053.7	12 %	\$ 2,221.3	\$ 1,900.3	17 %
Operating income	\$ 178.8	\$ 155.7	15 %	\$ 306.6	\$ 243.0	26 %
Net earnings	\$ 139.0	\$ 111.7	24 %	\$ 235.0	\$ 171.2	37 %
Basic earnings per share ("EPS")	1.69	1.35	25 %	2.86	2.08	38 %

"We are pleased with the operating and financial performance through the first half of the year," stated Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "The Equipment Group executed well, delivering on several large customer orders, as well as growing rental and product support results. CIMCO revenue and bottom line improved in the quarter on project construction and higher product support activity. Across the organization, we continue to navigate through economic conditions and remain committed to our operating disciplines, driving our after-market strategies and delivering customer solutions."

### HIGHLIGHTS:

#### Consolidated Results

- Revenue increased \$121.3 million or 12% in the second quarter compared to the similar period last year. Revenue was higher in both groups with the Equipment Group up 11% in the quarter on higher new equipment sales (+16%), partially offset by lower used equipment sales (-9%), while CIMCO revenue was up 19%, with good progress on package sales (+18%). Product support revenue was 13% higher on increased demand in both Groups, while rental revenue grew 7% on a larger fleet and higher activity levels.
- Revenue increased \$321.0 million (17%) to \$2.2 billion for the year-to-date period. Revenue increased in both groups, with the Equipment Group up 17%, while CIMCO was up 18% versus the first half of 2022, on similar trends as noted for the quarter.
- Operating income<sup>(1)</sup> increased 15% in the quarter reflecting the higher revenue and lower relative expense level. Operating income as a percentage of sales increased to 15.2% from 14.8% in the prior year.
- Operating income increased 26% in the year-to-date period, and was 13.8% of revenue compared to 12.8% in the similar period last year, reflecting a lower relative expense ratio.
- Net earnings from continuing operations increased \$22.3 million or 20% in the quarter versus a year ago to \$133.3 million or \$1.62 EPS (basic) and \$1.61 EPS (fully diluted).

- For the year-to-date period, net earnings from continuing operations increased \$58.2 million or 34% to \$229.4 million, or \$2.79 EPS (basic) and \$2.76 EPS (fully diluted).
- Bookings<sup>(1)</sup> for the second quarter increased 69% compared to last year and increased 10% on a year-to-date basis. Both the Equipment Group and CIMCO reported increased bookings on good demand for our products, however certain markets remain cautious given the uncertain economic conditions.
- Backlog<sup>(1)</sup> was \$1.3 billion as at June 30, 2023, compared to \$1.4 billion as at June 30, 2022, reflecting progress on construction and delivery schedules as well as some improvement in equipment flow through the supply chain.
- On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly-owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest was reported in the Equipment Group and effective with the second quarter, has been presented as discontinued operations.

## Equipment Group

- Revenue was up \$104.2 million or 11% to \$1.1 billion for the quarter. Equipment sales (up 10%) improved across most markets. New equipment sales increased 16% on delivery against the opening order backlog, reflecting improving inventory supply and customer delivery schedules. Rental revenue continued to grow on higher market activity, good execution and an expanded heavy and light equipment fleet. Product support saw strong activity, up in both parts and service, on increased technician levels.
- Revenue was up \$291.5 million or 17% to \$2.0 billion for the year-to-date period, across most geographical markets and revenue streams, with similar trends and reasons as the quarter.
- Operating income increased \$18.3 million or 12% in the second quarter, reflecting the higher revenue.
- Operating income increased \$55.1 million or 23% to \$291.9 million in the year-to-date period, reflecting the higher revenue, partially offset by lower gross margins and higher expenses. Operating income margin increased 80 bps to 14.4%.
- Bookings in the second quarter were \$671.2 million, an increase of 74% on higher mining and power systems orders, slightly offset by lower material handling orders, while construction was relatively unchanged. Bookings in the first half of 2023 were \$1.0 billion, an increase of 9% from the prior year, reflecting similar trends as the quarter, however construction decreased slightly as the market remains cautious given the current business and economic factors overriding normal seasonality.
- Backlog of \$1.1 billion at the end of June 2023 was down \$122.9 million or 10% from the end of June 2022, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. Approximately 55% of the backlog is expected to be delivered in 2023, subject to timing of receipt of equipment from suppliers.

## **CIMCO**

- Revenue increased \$17.1 million or 19% compared to the second quarter last year, with higher package revenue (up 18%) on the progression of construction schedules, coupled with higher product support revenue (up 21%) on good market activity.
- Revenue increased \$29.5 million or 18% to \$190.7 million for the year-to-date period on higher package revenue (up 23%), mainly lead by an increase in the industrial market, offset by weaker recreational market activity compared to the same period last year. Product support sales also increased (up 14%) on higher activity in both Canada and the US. The timing of construction schedules continues to be somewhat impacted by supply chain constraints, affecting the comparability of reported package revenue between periods.
- Operating income increased \$4.8 million or 94% for the quarter as higher revenue and higher gross margins were dampened by higher selling and administrative expenses.
- Operating income was up \$8.5 million or 136% to \$14.7 million for the year-to-date period, for similar reasons as the quarter. Operating income margin increased to 7.7% (2022 of 3.9%).
- Bookings increased 30% in the second quarter to \$63.5 million, and increased 17% for the year-to-date period to \$103.7 million. Booking activity can be variable from quarter to quarter based on customer decision making schedules. For both the quarter and the year, industrial orders were higher in both Canada and the US, while recreational orders were down mainly in Canada, partially offset by an increase in orders in the US on a year-to-date basis.
- Backlog of \$207.2 million at June 30, 2023 was up \$32.7 million or 19% from last year. Recreational backlog was up in both Canada and the US, reflecting good order intake last year, and some deferral or delay in construction schedules resulting from supply chain constraints. Industrial backlog also marginally increased, with an increase in Canada, being slightly offset by a decrease in the US. Approximately 55% of the backlog is expected to be realized as revenue in 2023, subject to construction schedules and potential changes stemming from supply chain constraints.

## **Financial Position**

- Toromont's share price of \$108.83 at the end of June 2023, translates to market capitalization<sup>(1)</sup> and total enterprise value<sup>(1)</sup> of \$8.9 billion.
- The Company maintained a strong financial position. Leverage as represented by the net debt to total capitalization<sup>(1)</sup> ratio was -4% at the end of June 2023, compared to -14% at the end of December 2022 and -7% at the end of June 2022. The ratio reduced as significant investments were made in working capital and capital assets in order to support current and future activity levels.
- Under the Normal Course Issuer Bid, the Company purchased 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) in the six-month ended June 30, 2023. Under the previous bid the Company purchased 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) for the comparative period.
- The Board of Directors approved a quarterly dividend of \$0.43 cents per share, payable on October 4, 2023 to shareholders on record on September 8, 2023.

- The Company's return on equity<sup>(1)</sup> was 24.6% at the end of June 2023, on a trailing twelve-month basis, compared to 23.3% at the end of December 2022 and 20.5% at the end of June 2022. Trailing twelve month pre-tax return on capital employed<sup>(1)</sup> was 31.9% at the end of June 2023, compared to 32.5% at the end of December 2022 and 29.4% at the end of June 2022.

"Our team remains focused on executing customer deliverables, while adhering to our operational model with disciplined execution," noted Mr. Medhurst. "We are mindful of the uncertain economic environment and continue to monitor key metrics and supply-demand dynamics. While focused on managing discretionary spend, we continue to recruit technicians, to support our critical after-market service strategies and value-added product offering over the long term."

## **FINANCIAL AND OPERATING RESULTS**

All comparative figures in this press release are for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022. All financial information presented in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below, and are reported in Canadian dollars. This press release contains only selected financial and operational highlights and should be read in conjunction with Toromont's unaudited interim condensed consolidated financial statements and related notes and Management's Discussion and Analysis ("MD&A"), as at and for the three and six months ended June 30, 2023, which 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).

Additional information is contained in the Company's filings with Canadian securities regulators, including the 2022 Annual Report and 2023 Annual Information Form, which are available on SEDAR and the Company's website.

## **QUARTERLY CONFERENCE CALL AND WEBCAST**

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Thursday, July 27, 2023 at 8:00 a.m. (EDT). The call may be accessed by telephone at 888-664-6383 (North American toll free) or 416-764-8650 (Toronto area) and quoting participant passcode 79776117. A replay of the conference call will be available until Thursday, August 3, 2023 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 776117. The live webcast can also be accessed at [www.toromont.com](http://www.toromont.com).

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

## **NON-GAAP AND OTHER FINANCIAL MEASURES**

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements and MD&A 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.

Management also 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 / Gross Profit Margin

Gross Profit is defined as total revenue less cost of goods sold.

Gross Profit Margin is defined as gross profit (defined above) divided by total revenue.

### Operating Income / Operating Income Margin

Operating income is defined as net income from continuing operations 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.

Operating income margin is defined as operating income (defined above) divided by total revenue.

(\$ thousands)	Three months ended		Six months ended	
	2023	2022	2023	2022
Net income from continuing operations	\$ 133,317	\$ 111,010	\$ 229,436	\$ 171,278
<i>plus:</i> Interest expense	7,019	6,856	13,923	13,540
<i>less:</i> Interest and investment income	(10,755)	(3,776)	(21,103)	(6,275)
<i>plus:</i> Income taxes	49,192	41,652	84,331	64,446
<b>Operating income</b>	<b>\$ 178,773</b>	<b>\$ 155,742</b>	<b>\$ 306,587</b>	<b>\$ 242,989</b>
Total revenue	\$ 1,174,956	\$ 1,053,698	\$ 2,221,319	\$ 1,900,312
<b>Operating income margin</b>	<b>15.2%</b>	<b>14.8%</b>	<b>13.8%</b>	<b>12.8%</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 and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

<i>(\$ thousands)</i>	<b>June 30 2023</b>	December 31 2022	June 30 2022
Long-term debt	\$ 647,422	\$ 647,060	\$ 646,699
less: Cash and cash equivalents	733,999	927,780	778,800
<b>Net debt</b>	<b>(86,577)</b>	<b>(280,720)</b>	<b>(132,101)</b>
Shareholders' equity	2,468,323	2,325,359	2,067,767
<b>Total capitalization</b>	<b>\$ 2,381,746</b>	<b>\$ 2,044,639</b>	<b>\$ 1,935,666</b>
<b>Net debt to total capitalization</b>	<b>(4)%</b>	<b>(14)%</b>	<b>(7)%</b>
<b>Net debt to equity</b>	<b>(0.04):1</b>	<b>(0.12):1</b>	<b>(0.06):1</b>

### Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the closing share 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 debt/net debt (defined above) to market capitalization.

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	<b>June 30 2023</b>	December 31 2022	June 30 2022
Outstanding common shares	82,180,977	82,318,159	82,205,023
times: Ending share price	\$ 108.83	\$ 97.71	\$ 104.08
<b>Market capitalization</b>	<b>\$ 8,943,756</b>	<b>\$ 8,043,307</b>	<b>\$ 8,555,899</b>
Long-term debt	\$ 647,422	\$ 647,060	\$ 646,699
less: Cash and cash equivalents	733,999	927,780	778,800
<b>Net debt</b>	<b>\$ (86,577)</b>	<b>\$ (280,720)</b>	<b>\$ (132,101)</b>
<b>Total enterprise value</b>	<b>\$ 8,857,179</b>	<b>\$ 7,762,587</b>	<b>\$ 8,423,798</b>

### Order Bookings and Backlog

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlog is 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 revenue 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 from continuing operations 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, adjusted for discontinued operations.

	Trailing twelve months ended		
	June 30 2023	December 31 2022	June 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 508,258	\$ 450,096	\$ 369,338
<i>plus:</i> Interest expense	27,714	27,331	27,517
<i>less:</i> Interest and investment income	(36,545)	(21,717)	(10,814)
<i>plus:</i> Interest income – rental conversions	4,320	4,760	3,251
<i>plus:</i> Income taxes	183,269	163,388	138,403
Adjusted net earnings	\$ 687,016	\$ 623,858	\$ 527,695
Average capital employed	\$ 2,153,504	\$ 1,917,644	\$ 1,796,278
<b>Return on capital employed</b>	<b>31.9%</b>	<b>32.5%</b>	<b>29.4%</b>

## Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings from continuing operations by opening shareholders' equity (adjusted for shares issued and shares repurchased and cancelled during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
	June 30 2023	December 31 2022	June 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 508,258	\$ 450,096	\$ 369,338
Opening shareholder's equity (net of adjustments)	\$ 2,067,536	\$ 1,935,365	\$ 1,805,337
<b>Return on equity</b>	<b>24.6%</b>	<b>23.3%</b>	<b>20.5%</b>

## ADVISORY

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

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries 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 COVID-19 or a potential new world health issue; increased regulation of or restrictions placed on our businesses; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply, including reduction or disruption in supply or demand for our products stemming from external factors; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability and cost of financing; level and volatility of price and liquidity of Toromont's common shares; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cybersecurity breaches; failure to attract and retain key employees as well as the general workforce; 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; increased insurance premiums; and risk related to integration of acquired operations including cost of integration and ability to achieve the expected benefits. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this press release. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at [www.sedar.com](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 press release, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

## **ABOUT TOROMONT**

Toromont Industries Ltd. operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations and a complementary material handling business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. This press release and more information about Toromont Industries Ltd. can be found at [www.toromont.com](http://www.toromont.com).

For more information contact:

Michael S. McMillan  
Executive Vice President and  
Chief Financial Officer  
Toromont Industries Ltd.  
Tel: (416) 514-4790

## **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."

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
<i>(\$ thousands, except share amount)</i>				
<b>Revenue</b>	\$ 1,174,956	\$ 1,053,698	\$ 2,221,319	\$ 1,900,312
Cost of goods sold	857,623	769,435	1,640,873	1,403,449
Gross profit	317,333	284,263	580,446	496,863
Selling and administrative expenses	138,560	128,521	273,859	253,874
<b>Operating income</b>	<b>178,773</b>	<b>155,742</b>	<b>306,587</b>	<b>242,989</b>
Interest expense	7,019	6,856	13,923	13,540
Interest and investment income	(10,755)	(3,776)	(21,103)	(6,275)
Income before income taxes	182,509	152,662	313,767	235,724
Income taxes	49,192	41,652	84,331	64,446
<b>Income from continuing operations</b>	<b>\$ 133,317</b>	<b>\$ 111,010</b>	<b>\$ 229,436</b>	<b>\$ 171,278</b>
Income (loss) from discontinued operations	\$ 5,720	\$ 671	\$ 5,605	\$ (65)
<b>Net earnings</b>	<b>\$ 139,037</b>	<b>\$ 111,681</b>	<b>\$ 235,041</b>	<b>\$ 171,213</b>
<b>Basic earnings per share</b>				
Continuing operations	\$ 1.62	\$ 1.34	\$ 2.79	\$ 2.08
Discontinued operations	\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	\$ 1.69	\$ 1.35	\$ 2.86	\$ 2.08
<b>Diluted earnings per share</b>				
Continuing operations	\$ 1.61	\$ 1.33	\$ 2.76	\$ 2.06
Discontinued operations	\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	\$ 1.68	\$ 1.34	\$ 2.83	\$ 2.06
<b>Weighted average number of shares outstanding</b>				
Basic	82,294,205	82,433,458	82,313,550	82,449,900
Diluted	82,974,466	83,194,100	82,982,038	83,214,434

## **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, 2023, 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, 2023, the annual MD&A contained in the 2022 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2022.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to July 26, 2023.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2022 Annual Report and the 2023 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).

### **Use of Non-IFRS Financial Measures**

The MD&A presents certain financial and operating performance measures that management believes provide meaningful information in assessing Toromont's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, non-IFRS or non-Generally Accepted Accounting Principles ("GAAP") measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Definitions and a reconciliations of the Company's non-IFRS or non-GAAP measures are included in the "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators" sections of this report.

### **Forward-Looking Information**

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", "would", "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 COVID-19 or a potential new world health issue; increased regulation of or restrictions placed on our businesses; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply, including reduction or disruption in supply or demand for our products stemming from external factors; increased competition; credit of third parties; additional costs associated with warranties and

maintenance contracts; changes in interest rates; the availability and cost of financing; level and volatility of price and liquidity of Toromont's common shares; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cybersecurity breaches; failure to attract and retain key employees as well as the general workforce; 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; increased insurance premiums; and risk related to integration of acquired operations including cost of integration and ability to achieve the expected benefits. 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.

## **DISPOSITION AND DISCONTINUED OPERATIONS**

On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest Ltd. was reported in the Equipment Group. This transaction is not expected to have a material impact on Toromont's overall future operations, revenue or earnings.

The results of operations from this business have been presented as a discontinued operation. See note 3 in the interim condensed consolidated financial statements. This MD&A reflects the results of continuing operations, unless otherwise noted.

**CONSOLIDATED OPERATING RESULTS**

	Three months ended June 30				Six months ended June 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
<i>(\$ thousands, except per share amounts)</i>								
<b>REVENUE</b>	<b>\$ 1,174,956</b>	\$ 1,053,698	\$ 121,258	12 %	<b>\$ 2,221,319</b>	\$ 1,900,312	\$ 321,007	17 %
Cost of goods sold	<b>857,623</b>	769,435	88,188	11 %	<b>1,640,873</b>	1,403,449	237,424	17 %
Gross profit <sup>(1)</sup>	<b>317,333</b>	284,263	33,070	12 %	<b>580,446</b>	496,863	83,583	17 %
Selling and administrative expenses	<b>138,560</b>	128,521	10,039	8 %	<b>273,859</b>	253,874	19,985	8 %
<b>OPERATING INCOME <sup>(1)</sup></b>	<b>178,773</b>	155,742	23,031	15 %	<b>306,587</b>	242,989	63,598	26 %
Interest expense	<b>7,019</b>	6,856	163	2 %	<b>13,923</b>	13,540	383	3 %
Interest and investment income	<b>(10,755)</b>	(3,776)	(6,979)	nm	<b>(21,103)</b>	(6,275)	(14,828)	nm
Income before income taxes	<b>182,509</b>	152,662	29,847	20 %	<b>313,767</b>	235,724	78,043	33 %
Income taxes	<b>49,192</b>	41,652	7,540	18 %	<b>84,331</b>	64,446	19,885	31 %
<b>Net income from continuing operations</b>	<b>\$ 133,317</b>	\$ 111,010	\$ 22,307	20 %	<b>\$ 229,436</b>	\$ 171,278	\$ 58,158	34 %
<b>Net income from discontinued operations</b>	<b>5,720</b>	671	5,049	nm	<b>5,605</b>	(65)	5,670	nm
<b>NET EARNINGS</b>	<b>\$ 139,037</b>	\$ 111,681	\$ 27,356	24 %	<b>\$ 235,041</b>	\$ 171,213	\$ 63,828	37 %
<b>BASIC EARNINGS PER SHARE</b>								
Continuing operations	<b>\$ 1.62</b>	\$ 1.34	\$ 0.28	21 %	<b>\$ 2.79</b>	\$ 2.08	\$ 0.71	34 %
Discontinued operations	<b>\$ 0.07</b>	\$ 0.01	\$ 0.06	nm	<b>\$ 0.07</b>	\$ —	\$ 0.07	nm
	<b>\$ 1.69</b>	\$ 1.35	\$ 0.34	25 %	<b>\$ 2.86</b>	\$ 2.08	\$ 0.78	38 %
<b>KEY RATIOS:</b>								
Gross profit margin <sup>(1)</sup>	<b>27.0%</b>	27.0%			<b>26.1%</b>	26.1%		
Selling and administrative expenses as a % of revenue	<b>11.8%</b>	12.2%			<b>12.3%</b>	13.4%		
Operating income margin <sup>(1)</sup>	<b>15.2%</b>	14.8%			<b>13.8%</b>	12.8%		
Income taxes as a % of income before income taxes	<b>27.0%</b>	27.3%			<b>26.9%</b>	27.3%		

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

Results for the second quarter of 2023 were healthy, reflecting good execution on new equipment deliveries against order backlog and favourable operating leverage. Higher revenue in both the Equipment Group and CIMCO, lower relative expenses and higher interest income on cash balances, all contributed to higher net earnings. Rental and product support revenue increased on customer activity. General macroeconomic factors such as inflation, higher interest rates and Canadian dollar movements continue to challenge the business, as well as disrupt historical seasonality, and are expected to continue to do so for the near term.

Revenue increased \$121.3 million or 12% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenue increased 11% in the quarter on higher new equipment sales, rental revenue and product support activity, partially offset by lower used equipment sales. CIMCO revenue increased 19% in the quarter on higher package revenue and product support activity levels.

Revenue for the year-to-date period increased 17% from the comparable period last year to \$2.2 billion. Equipment Group revenue increased 17% and CIMCO revenue increased 18% versus the first half of last year, on similar trends as noted for the quarter. While we continue to see improvement in the inflow of inventory

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

through the supply chain, challenges still exist in some product lines and parts, and the current uncertain economic environment may continue to impact business activity levels and revenue.

Gross profit margin was unchanged from last year in both the quarter (at 27.0%) and through the first half (at 26.1%). Equipment Group margins decreased while CIMCO margins increased.

Selling and administrative expenses increased \$10.0 million or 8% in the quarter compared to last year. Compensation costs were approximately \$5.6 million higher year over year, reflective of higher staffing levels, regular salary increases and increased profit sharing accruals on the higher income. Bad debt expense decreased \$5.3 million in the quarter on good collections and improved aging of balances. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Mark-to-market adjustments on deferred share units ("DSUs") resulted in a \$2.8 million increase in expense, as a result of the higher share price in the current period.

Selling and administrative expenses for the year-to-date period increased \$20.0 million or 8% compared to the similar period last year. Compensation costs increased approximately \$11.5 million, reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income, partially offset by lower pension expense. Other expenses such as training, travel and occupancy costs have increased as a result of higher activity levels and inflationary pressures. Allowance for doubtful accounts decreased \$3.7 million compared to last year on improved aged receivables. A higher share price in the current period resulted in a \$1.7 million mark-to-market expense on cash-settled DSUs, compared to a recovery of \$2.3 million in 2022. Selling and administrative expenses were 110 basis points lower as a percentage of revenue (12.3% versus 13.4% last year).

Operating income increased \$23.0 million or 15% in the quarter to \$178.8 million and increased \$63.6 million or 26% to \$306.6 million year-to-date, on the higher revenue and lower relative expense level. Operating income as a percentage of revenue increased 100 bps in the year-to-date period (13.8% versus 12.8% last year), reflecting the lower relative expense level.

Interest expense was largely unchanged at \$7.0 million in the quarter and \$13.9 million year-to-date.

Interest and investment income increased \$7.0 million in the quarter and increased \$14.8 million year-to-date on higher interest rates on cash deposits.

The effective income tax rate was 27.0% in the quarter and 26.9% on a year-to-date basis, compared to 27.3% for both the quarter and year-to-date in 2022.

Net earnings (including discontinued operations) increased \$27.4 million or 24% to \$139.0 million for the quarter and increased \$63.8 million or 37% to \$235.0 million year-to-date. Basic earnings per share ("EPS") increased 25% to \$1.69 for the quarter and increased 38% to \$2.86 year-to-date.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

Other comprehensive loss in the quarter was \$6.7 million (2022 – income \$35.6 million) and \$9.4 million year-to-date (2022 – income \$48.1 million). This included an actuarial gain on post-employment benefit plans of \$5.8 million after-tax for the quarter (2022 – actuarial gain of \$20.0 million) and year-to-date actuarial gain of \$6.0 million (2022 – actuarial gain of \$43.7 million). These gains reflect actuarial changes used in the valuation, as well as changes in the fair value of pension plan assets. Other comprehensive loss/income also included an unfavourable net change in the fair value of cash flow hedges of \$12.0 million after-tax for the quarter (2022 – a favourable net change of \$15.1 million) and year-to-date a unfavourable net change of \$14.8 million after-tax (2022 – a favourable net change of \$4.1 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and reflect 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 revenue 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.

The operating results below have been restated and reflect continuing operations, unless otherwise noted. AgWest Ltd. was previously reported in the Equipment Group results and now represent our discontinued operations results.

**Equipment Group**

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
Equipment sales and rentals								
New	\$ 403,203	\$ 348,547	\$ 54,656	16 %	\$ 772,402	\$ 597,683	\$ 174,719	29 %
Used	85,356	94,285	(8,929)	(9)%	152,913	170,583	(17,670)	(10)%
Rentals	116,448	108,839	7,609	7 %	214,907	202,060	12,847	6 %
Total equipment sales and rentals	605,007	551,671	53,336	10 %	1,140,222	970,326	169,896	18 %
Product support	462,344	411,709	50,635	12 %	884,687	763,487	121,200	16 %
Power generation	2,843	2,635	208	8 %	5,691	5,300	391	7 %
<b>Total revenue</b>	<b>\$ 1,070,194</b>	<b>\$ 966,015</b>	<b>\$ 104,179</b>	<b>11 %</b>	<b>\$ 2,030,600</b>	<b>\$ 1,739,113</b>	<b>\$ 291,487</b>	<b>17 %</b>
<b>Operating income</b>	<b>\$ 168,936</b>	<b>\$ 150,671</b>	<b>\$ 18,265</b>	<b>12 %</b>	<b>\$ 291,894</b>	<b>\$ 236,761</b>	<b>\$ 55,133</b>	<b>23 %</b>
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	43.2%	42.6%			43.6%	43.9%		
Operating income margin	15.8%	15.6%			14.4%	13.6%		
Group total revenue as a % of consolidated revenue	91.1%	91.7%			91.4%	91.5%		

The Equipment Group delivered solid results in the quarter, led by new equipment deliveries with the improving availability from suppliers and healthy product support activity. Lower relative expense levels drove improvements in operating income.

Total equipment sales (new and used) increased \$45.7 million or 10% in the quarter and increased \$157.0 million or 20% year-to-date, predominantly reflecting the delivery of equipment against the opening

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

order backlog, reflecting improving inventory supply and customer delivery schedules for sites. New equipment sales increased 16% in the quarter and 29% year-to-date, across all market segments and regions. Used equipment sales decreased 9% during the quarter and 10% year-to-date, with lower sales of used equipment, partially offset by higher rental fleet dispositions. Used equipment sales vary based on availability from trades and purchases. Timing of rental fleet disposition is variable and determined based on consideration of rental activity levels, age of the fleet, as well as availability and cost of new equipment. Overall, total equipment sales revenue by market segments were as follows for the quarter (year-to-date): construction markets down 2% (unchanged), mining up 64% (+161%), power systems up 39% (+33%), and material handling up 91% (+63%).

Rental revenue increased \$7.6 million (+7%) in the quarter and increased \$12.8 million (+6%) year-to-date. All market sectors and most regions were up, reflecting higher market activity, strong execution and an expanded heavy and light equipment fleet. Revenue increased for both the heavy equipment fleet (up 17% in the quarter and 23% year-to-date) and light equipment fleet (up 6% in the quarter and 8% year-to-date) on fleet expansions reflecting improved market activity. Power rentals increased 5% in the quarter (down 1% year-to-date) and material-handling rentals increased 4% in the quarter (12% year-to-date). The RPO fleet (rent with a purchase option) was \$44.2 million at June 30, 2023 versus \$43.7 million at June 30, 2022.

Product support revenue increased \$50.6 million or 12% in the quarter and increased \$121.2 million or 16% year-to-date, with increases in both parts (up 12% in the quarter and 16% year-to-date) and service (up 15% in the quarter and 14% year-to-date). Activity was up across all markets and most regions in the quarter (first half of the year) as follows: construction markets up 11% (+12%), mining up 13% (+21%), power systems up 21% (+19%) and material handling remained relatively unchanged (+8%).

Gross profit margins decreased 20 bps in the quarter and decreased 30 bps year-to-date compared to last year, largely reflecting lower new equipment margins. Rental margins were largely unchanged in both periods. Product support margins increased in the quarter and year-to-date reflecting good execution.

Selling and administrative expenses were up \$8.8 million or 8% in the quarter, and up \$17.2 million or 8% for the first six months of 2023. 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 and inflationary pressures. Bad debt expense decreased \$5.3 million in the quarter and \$4.7 million for the year-to-date, reflecting good collection activity and improved aging of receivables. Selling and administrative expenses were 100 basis points lower as a percentage of revenue (12.0% versus 13.0% last year).

Operating income increased \$18.3 million or 12% to \$168.9 million in quarter and increased \$55.1 million or 23% to \$291.9 million for the year to date, reflecting higher revenue, partially offset by lower gross margin and higher expenses. Operating income as a percentage of revenue improved to 14.4% on a year-to-date basis, reflecting lower relative expense levels.

**Bookings and Backlog**

<i>(\$ millions)</i>	<b>2023</b>		2022	\$ change	% change
Bookings – three months ended June 30	\$	<b>671.2</b>	\$ 385.6	\$ 285.6	74 %
Bookings – six months ended June 30	\$	<b>1,016.6</b>	\$ 932.1	\$ 84.5	9 %
Backlog – as at June 30	\$	<b>1,123.3</b>	\$ 1,246.2	\$ (122.9)	(10)%

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

New bookings increased \$285.6 million or 74% in the second quarter, after a softer start to the year, as well as several large mining customer orders. Bookings were up in mining (+660%) and power systems (+188%), partially offset by lower orders in material handling (-44%), while construction remained relatively unchanged.

On a year-to-date basis, bookings increased \$84.5 million or 9% to \$1,016.6 million, mainly reflecting similar trends as the quarter, however construction decreased slightly as the market remains cautious given the current uncertain business and economic factors overriding normal seasonality.

Backlog of \$1.1 billion at June 30, 2023, was down by \$122.9 million or 10%, compared to the same time last year, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. As at June 30, 2023, the breakdown of backlog by market was as follows: construction 31%; mining 36%; power systems 30%; and material handling 3%. Approximately 55% of the backlog is expected to be delivered in 2023, however this is subject to timing of vendor supply and customer delivery schedules.

Bookings and backlog 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, which are in turn reflective of economic factors and general activity levels, and the availability of equipment from either inventory or suppliers.

**CIMCO**

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2023	2022	\$ change	% change	2023	2022	\$ change	% change
Package sales	\$ 53,911	45,576	8,335	18 %	\$ 93,357	76,119	\$ 17,238	23 %
Product support	50,851	42,107	8,744	21 %	97,362	85,080	12,282	14 %
<b>Total revenue</b>	<b>\$ 104,762</b>	<b>\$ 87,683</b>	<b>\$ 17,079</b>	<b>19 %</b>	<b>\$ 190,719</b>	<b>\$ 161,199</b>	<b>\$ 29,520</b>	<b>18 %</b>
<b>Operating income</b>	<b>\$ 9,837</b>	<b>\$ 5,071</b>	<b>\$ 4,766</b>	<b>94 %</b>	<b>\$ 14,693</b>	<b>\$ 6,228</b>	<b>\$ 8,465</b>	<b>nm</b>
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	<b>48.5%</b>	48.0%			<b>51.0%</b>	52.8%		
Operating income margin	<b>9.4%</b>	5.8%			<b>7.7%</b>	3.9%		
Group total revenue as a % of consolidated revenue	<b>8.9%</b>	8.3%			<b>8.6%</b>	8.5%		

CIMCO's results for the second quarter and first half of 2023 improved compared to the prior year, with the advancement on construction schedules against a strong order backlog. Results have also been strengthened by the continued increase in product support activity. Operating income increased on higher revenues and higher gross margins partially offset by higher expenses.

Package revenue was up \$8.3 million or 18% in the quarter on the progression of project schedules. Industrial market revenue was up 46%, with an increase in both Canada (up 8%) and the US (up 706%). Recreational market revenue was down 25%, with decreases in both Canada (down 14%) and the US (down 38%) on lower activity levels. Package revenue reflects 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).

Year-to-date, package sales increased \$17.2 million or 23% compared to last year, on similar trends as the quarter. Industrial market revenue was up 42%, lead by the strong activity in the US (up 257%) but also

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

increased activity in Canada (up 11%). Recreational market revenue weakened (down 18%) as a decrease in both Canada (down 10%) and the US (down 29%) resulted due to lower activity.

Product support revenue increased in the second quarter by \$8.7 million or 21% and increased by \$12.3 million or 14% year-to-date. Revenue in Canada increased 14% in the quarter and 9% year-to-date reflecting higher activity levels. In the US, revenue was up 43% for the quarter and 34% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 200 bps in the quarter versus the comparable period last year, due to higher package margins (up 190 bps) and higher product support margins (up 10 bps). On a year-to-date basis gross profit margins increased 260 bps versus 2022. Package margins improved (up 260 bps) on improved execution and the nature of projects in process. Product support margins were up 30 bps on higher volume of activity offsetting an unfavourable sales mix, with a lower proportion of product support revenue to total revenue.

Selling and administrative expenses increased \$1.2 million or 8% in the quarter and increased \$2.8 million or 10% for the first six months. Bad debt expenses increased \$0.6 million in the quarter and \$1.6 million year-to-date, reflecting aged receivables. Compensation costs increased due to an increase in head count, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel and training expenses increased to support activity and staffing levels. Expenditure control measures on discretionary spend are a continuous area of focus. Foreign exchange translation on US operations increased expenses by \$0.2 million in the quarter and \$0.4 million through the first half of 2023. As a percentage of revenue, selling and administrative expenses were lower at 15.3% in the first six months of 2023 versus 16.8% for the similar period last year, reflecting the higher revenues.

Operating income increased \$4.8 million or 94% for the quarter largely reflecting the higher revenue and improved gross margins, coupled with a lower relative expense level. On a year-to-date basis operating income increased \$8.5 million or 136%, for similar reasons as the quarter. Operating income as a percentage of revenue improved to 9.4% for the quarter and 7.7% on a year-to-date basis compared to similar periods last year.

**Bookings and Backlog**

<i>(\$ millions)</i>	<b>2023</b>	2022	\$ change	% change
Bookings – three months ended June 30	\$ <b>63.5</b>	\$ 48.9	\$ 14.6	30 %
Bookings – six months ended June 30	\$ <b>103.7</b>	\$ 88.7	\$ 15.0	17 %
Backlog – as at June 30	\$ <b>207.2</b>	\$ 174.5	\$ 32.7	19 %

Bookings increased \$14.6 million or 30% to \$63.5 million in the quarter, with strong bookings in the industrial market (up 70%), slightly offset by a weaker recreational market (down 60%). Industrial bookings were up in both Canada (+75%) and the US (+46%), with general activity improving and stronger capital investment. Recreational bookings were lower on reduced market activity, with weaker bookings in both Canada (-47%) and the US (-84%).

On a year-to-date basis, bookings increased \$15.0 million or 17% to \$103.7 million, with similar trends as the quarter. Industrial orders were up 35% in both Canada (+32%) and the US (+53%), with a steady increase in activity levels. Recreational orders decreased 17%, with a decrease in Canada (-26%), partially offset by an increase in the US (+3%) on a smaller volume base.

Backlog of \$207.2 million increased \$32.7 million or 19% compared to the same time last year, with an increase in both markets. Recreational backlog was up 38% in both Canada (+17%) and the US (+62%),

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

reflecting good order intake, and some deferral or delay in construction schedules resulting from supply chain constraints. Industrial backlog also increased 6%, with an increase in Canada (+15%), offset slightly by a decrease in the US (-49%). Approximately 55% of the backlog is expected to be realized as revenue in 2023, 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, 2023, the ratio of net debt to total capitalization<sup>(1)</sup> was -4% (net cash position), compared to -14% at December 31, 2022, and -7% at June 30, 2022.

**Non-cash Working Capital**

The Company's investment in non-cash working capital was \$804.2 million at June 30, 2023. The major components, along with the changes from prior periods, are identified in the following table.

(\$ thousands)	June 30	June 30	Change		December 31	Change	
	2023	2022	\$	%	2022	\$	%
Accounts receivable	\$ 581,313	\$ 569,803	\$ 11,510	2 %	\$ 579,682	\$ 1,631	— %
Inventories	1,115,170	916,845	198,325	22 %	1,025,759	89,411	9 %
Other current assets	22,052	19,684	2,368	12 %	17,444	4,608	26 %
Accounts payable and accrued liabilities	(571,790)	(618,477)	46,687	(8)%	(658,980)	87,190	(13)%
Provisions	(27,695)	(26,795)	(900)	3 %	(27,653)	(42)	— %
Income tax recoverable (payable)	2,636	(3,186)	5,822	nm	(28,653)	31,289	nm
Derivative financial instruments	(8,475)	12,639	(21,114)	nm	18,530	(27,005)	nm
Dividends payable	(35,638)	(32,124)	(3,514)	11 %	(32,104)	(3,534)	11 %
Deferred revenue and contract liabilities	(273,387)	(308,303)	34,916	(11)%	(309,349)	35,962	(12)%
<b>Total non-cash working capital</b>	<b>\$ 804,186</b>	<b>\$ 530,086</b>	<b>\$ 274,100</b>	<b>52 %</b>	<b>\$ 584,676</b>	<b>\$ 219,510</b>	<b>38 %</b>

Accounts receivable increased 2% from June 30, 2022, reflecting the 12% increase in revenue in the quarter, largely offset by focused collection activity. Days sales outstanding ("DSOs") decreased 1 day to 40 days overall, mainly reflecting an improvement at CIMCO (DSO down 23 days), partially offset by the Equipment Group DSO was up 1 day. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2022, accounts receivable were relatively unchanged, reflecting similar trailing revenues and good collections. DSO was 42 days at December 31, 2022.

Inventories at June 30, 2023 increased 22% compared to June 30, 2022:

- Equipment Group inventories were up \$198.0 million or 22%, with increased equipment (up \$119.3 million or 23%), service work-in-process (up \$1.4 million or 1%), and parts (up \$77.3 million or 29%). Inventory levels increased on higher activity levels, price increases and foreign exchange rates on US sourced supplies. Work-in-process levels reflect higher activity levels, including rebuilds, and some continuing delays from supply chain delays. AgWest inventory at June 30, 2022 totalled \$45.2 million.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

- CIMCO inventories were up \$0.3 million or 1%, mainly as work-in-process levels increased \$0.5 million (up 2%), reflecting timing of project construction schedules. Parts inventory decreased \$0.2 million or 4% reflecting the higher product support activity.

Inventories at June 30, 2023 were 9% higher compared to December 31, 2022, with an increase in the Equipment Group, offset by a decrease at CIMCO:

- Equipment Group inventories were up \$92.8 million or 9% higher with increases in equipment (up \$69.5 million or 12%), service work-in-progress (up \$12.2 million or 14%), and parts inventories (up \$11.1 million or 3%). Inventory levels are typically lowest at the end of the year due to seasonality, with inventories building during the year in advance of the busier selling period. Economic and other factors including supply chain issues have altered this pattern over the past two years. AgWest inventory at December 31, 2022 totalled \$21.9 million.
- CIMCO inventories were down \$3.4 million or 10% predominantly driven by lower work-in-process levels (down \$2.8 million or 9%), along with parts inventories (down \$0.6 million or 10%) reflecting the progression of construction schedules and higher product support activity respectively.

Other current assets are comprised mainly of prepaid expenses, and vary over time based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at June 30, 2023, were 8% lower than at June 30, 2022, largely reflecting the timing of purchases and payment for inventory and other supplies and lower DSU liability (lower number of units), partially offset by the higher profit sharing accruals on higher earnings.

In comparison to December 31, 2022, accounts payable and accrued liabilities decreased 13%, mainly reflecting the timing of purchase and payment for inventory and other supplies and the payment of annual performance bonuses, slightly offset by higher DSU liability (higher share price).

Income tax recoverable (payable) reflects the difference between tax installments and current income tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net loss of \$8.5 million as at June 30, 2023. This is not expected to affect net earnings as the unrealized losses will 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, 2022, reflecting the higher dividend rate. The effective dividend rate declared and payable in the quarter were as follows: \$0.39 per share in the first quarter of 2022, \$0.39 per share in the fourth quarter of 2022, and \$0.43 in the second quarter of 2023. The dividend was increased effective with the first quarter of 2023, an increase of 10.3%, and representing the 34th year of consecutive dividend increases.

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

- In the Equipment Group, these balances arise due to: progress billings from the sale of power and energy systems and long-term product support maintenance contracts; and, customer deposits for equipment to be delivered in the future. As at June 30, 2023, these were down 13.2% versus June 30, 2022 largely related to delivery against order backlog. Compared to December 31, 2022, deferred revenues were down 14.1% reflecting equipment delivery against customer orders.
- 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, 2023, these were up 3.6% versus June 30, 2022, and up 8.6% versus December 31, 2022.

## 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 financial position or results of operations.

## Normal Course Issuer Bid ("NCIB")

The Company purchased and cancelled 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) during the three and six months ended June 30, 2023.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company under the ASPP prior to the commencement of each blackout period. As at June 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) during the three and six months ended June 30, 2022. As at June 30, 2022, an obligation for the repurchase of shares of \$12.3 million was recognized under the ASPP.

## Long-term Incentive Plan ("LTIP")

A total of 14,282 restricted share units ("RSUs") and 56,336 performance share units ("PSUs") have been granted under the LTIP as at June 30, 2023, including reinvested dividends. LTIP expense of \$784 thousand was included in selling and administrative expenses with a credit to contributed surplus during the quarter. During the quarter, 118 RSUs and 1,856 PSUs were cancelled or forfeited under the LTIP.

## Outstanding Share Data

As at the date of this MD&A, the Company had 82,184,027 common shares and 2,024,046 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)
Sep. 8, 2021	Oct. 4, 2021	\$0.35	\$29.0
Dec. 8, 2021	Jan. 5, 2022	\$0.35	\$28.9
Mar. 9, 2022	Apr. 4, 2022	\$0.39	\$32.2
Jun. 9, 2022	Jul. 5, 2022	\$0.39	\$32.1
Sep. 8, 2022	Oct. 4, 2022	\$0.39	\$32.1
Dec. 8, 2022	Jan. 5, 2023	\$0.39	\$32.1
Mar. 9, 2023	Apr. 4, 2023	\$0.43	\$35.4
Jun. 9, 2023	Jul. 5, 2023	\$0.43	\$35.6

The Board of Directors increased the quarterly dividend by 10.3% or 4 cents per share, to 43 cents per common share on February 14, 2023.

The next dividend is payable on October 4, 2023 to shareholders on record on September 8, 2023.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Sources of Liquidity**

Toromont's liquidity requirements can be met through a variety of sources, including cash on hand, 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 has a \$500.0 million committed revolving credit facility, maturing in November 2026, with a syndicate of financial institutions. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. 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 the revolving credit facility as at June 30, 2023, December 31, 2022 and June 30, 2022.

Standby letters of credit issued utilized \$28.7 million of the facility as at June 30, 2023 (December 31, 2022 – \$28.9 million and June 30, 2022 – \$34.3 million).

The Company expects that continued cash flows from operations in 2023, together with cash and cash equivalents 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 Interim Condensed Consolidated Statements of Cash Flows, are summarized in the following table:

(\$ thousands)	Three months ended		Six months ended	
		June 30		June 30
	2023	2022	2023	2022
<b>Cash and cash equivalents, beginning of period</b>	\$ 675,440	\$ 795,731	\$ 927,780	\$ 916,830
Cash, provided by (used in):				
<b>Operating activities</b>				
Operations	177,142	147,983	305,689	239,712
Change in non-cash working capital and other	11,762	(12,466)	(261,002)	(166,366)
Net rental fleet additions	(80,291)	(56,187)	(137,552)	(78,548)
	108,613	79,330	(92,865)	(5,202)
<b>Investing activities</b>	(17,829)	(20,753)	(37,034)	(31,775)
<b>Financing activities</b>	(58,279)	(69,287)	(89,944)	(96,975)
Effect of foreign exchange on cash and cash equivalents balances	(89)	215	(95)	116
<b>Increase (decrease) in cash and cash equivalents during the period from continuing operations</b>	\$ 32,416	\$ (10,495)	\$ (219,938)	\$ (133,836)
<b>Discontinued operations</b>	\$ 26,143	\$ (6,436)	\$ 26,157	\$ (4,194)
<b>Cash and cash equivalents, end of period</b>	\$ 733,999	\$ 778,800	\$ 733,999	\$ 778,800

### Cash Flows from Operating Activities

Operating activities provided cash in both the second quarter and on a year-to-date basis for 2023 and 2022.

Cash generated from operations increased for the quarter (up 20%) and year-to-date (up 28%) from the similar periods last year on the higher net earnings.

Non-cash working capital generated cash in the second quarter of 2023, as working capital levels decreased from March 2023. Non-cash working capital utilized cash in the second quarter of 2022, largely on an increase in inventory in the quarter.

On a year-to-date basis non-cash working capital used more cash in 2023 as compared to the first six months of 2022, as higher accounts receivable and inventory, were only partially offset by higher accounts payable and customer deposits.

Net rental fleet additions (purchases less proceeds of dispositions) increased in the second quarter and increased for the first six months of 2023 compared to the similar periods last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada after two years of reduced investment, reflective of 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 \$18.1 million in the second quarter of 2023 (2022 – \$20.8 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business – \$4.7 million (2022 – \$8.2 million); and
- Normal replacement of service and delivery vehicles – \$9.4 million (2022 – \$9.7 million).

For the year-to-date period, investments in property, plant and equipment totalled \$45.1 million (2022 – \$32.0 million). The Company sold an excess property in 2023 for gross proceeds of \$7.4 million resulting in a capital gain of \$3.5 million or \$3.1 million after-tax (2022 – \$nil).

### Cash Flows from Financing Activities

During the second quarter of 2023, the Company used \$58.3 million (2022 – used \$69.3 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$35.4 million or \$0.43 per share (2022 – \$32.2 million or \$0.39 per share);
- Cash received on exercise of share options of \$4.5 million (2022 – \$2.9 million);
- Purchase of shares under the NCIB program used \$25.0 million (2022 – \$37.7 million); and
- Lease liability payments of \$2.4 million (2022 – \$2.3 million).

For the six months ended June 30, 2023, financing activities used \$89.9 million (2022 – used \$97.0 million) in cash, major uses and sources of cash during the period included:

- Dividends paid to common shareholders of \$67.5 million or \$0.82 per share (2022 – \$61.0 million or \$0.74 per share);
- Cash received on exercise of share options of \$7.0 million (2022 – \$6.4 million);
- Purchase of shares under the NCIB program used \$25.0 million (2022 – \$37.7 million); and
- Lease liability payments of \$4.4 million (2022 – \$4.6 million).

### Cash Flows from Discontinued Operations

Net proceeds on disposition of AgWest Ltd provided \$26.6 million in the second quarter and first half of 2023. See note 3 to the interim condensed financial statements for further information on this transaction.

## **OUTLOOK**

We are closely monitoring regional, national and global economic factors, in particular, inflationary pressures from price and wage increases, interest rate changes, and general economic health of the industries we serve.

While improving, the global supply chain remains challenged in certain lines and components. We continue to actively manage supply chain constraints by taking appropriate mitigation steps.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

We continue to monitor economic and inflationary developments, remaining focused on the health and safety of our employees and serving our customers. We are transitioning to a hybrid work model, where appropriate, and are enhancing and leveraging the use of technology to efficiently and effectively engage with customers, employees and other partners, while improving our operational efficiency.

The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. 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 investment and expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, expanding and enhancing the branch network, optimizing rental fleets, and using technologies to create efficiency and effectiveness across the organization. Integration and alignment of operating processes and systems, best practices and culture, continues across our territory. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base 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. Current backlog is supportive of future activity. Inflationary costs and competitive market conditions 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 quarterly consolidated financial data for the eight most recently completed quarters on a continuing operations basis. This quarterly information is unaudited but has been prepared on the same basis as the 2022 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	<b>Q2 2023</b>	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
<b>REVENUE</b>								
Equipment Group	<b>\$1,070,194</b>	\$ 960,406	\$1,032,849	\$ 992,400	\$ 966,015	\$ 773,098	\$ 849,923	\$ 872,949
CIMCO	<b>104,762</b>	85,957	95,678	94,106	87,683	73,516	89,065	82,812
Revenue - continuing operations	<b>\$1,174,956</b>	\$1,046,363	\$1,128,527	\$1,086,506	\$1,053,698	\$ 846,614	\$ 938,988	\$ 955,761
<b>NET EARNINGS</b>	<b>\$ 133,317</b>	\$ 96,119	\$ 158,267	\$ 120,555	\$ 111,010	\$ 60,268	\$ 105,427	\$ 92,535
<b>PER SHARE INFORMATION:</b>								
Basic earnings per share	<b>\$ 1.62</b>	\$ 1.17	\$ 1.92	\$ 1.47	\$ 1.34	\$ 0.73	\$ 1.28	\$ 1.12
Diluted earnings per share	<b>\$ 1.61</b>	\$ 1.16	\$ 1.91	\$ 1.46	\$ 1.33	\$ 0.72	\$ 1.27	\$ 1.11
Dividends paid per share	<b>\$ 0.43</b>	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.35	\$ 0.35	\$ 0.35
Weighted average common shares outstanding – basic (in thousands)	<b>82,294</b>	82,333	82,279	82,183	82,433	82,467	82,401	82,705

Interim period revenue 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 revenue is 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. Revenue is typically lower during the first quarter as winter weather slows down construction schedules. Revenue increases in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and the customer's 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 trends also typically lead to accounts receivable to be at their highest level at year-end.

These patterns were disrupted since early 2020 by a number of factors. In 2020, the governmental and market response and reaction to COVID-19 reduced demand and activity in most areas. 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 revenue in the fourth quarter. In 2022, patterns have been disrupted by supply chain pressures impacting the timing of receipt and delivery of products and services to final customers.

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

Market and economic factors, local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur 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, 2022 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 2022 audited annual consolidated financial statements, and described in note 2 therein. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Company for the six-month period ending June 30, 2023.

A number of amendments to standards and interpretations have been issued, but are not yet effective up to the date of authorization of these interim condensed consolidated financial statements, which may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

Amendments to IAS 1 – *Presentation of Financial Statements* (effective January 1, 2024):

- Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within twelve months.

Management is currently assessing the impact of these amendments.

### **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 3 to the Company's 2022 audited annual consolidated financial statements, contained in the Company's 2022 Annual Report.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO") 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 by others and is recorded, processed, summarized and reported within the time periods specified in securities legislation.

### **Internal Control over Financial Reporting**

The CEO and CFO, together with management, are 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 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, 2023, 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 interim condensed 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 revenue less cost of goods sold.

## Operating Income

Operating income is defined as net income from continuing operations 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		Six months ended	
	2023	June 30 2022	2023	June 30 2022
Net income from continuing operations	\$ 133,317	\$ 111,010	\$ 229,436	\$ 171,278
<i>plus:</i> Interest expense	7,019	6,856	13,923	13,540
<i>less:</i> Interest and investment income	(10,755)	(3,776)	(21,103)	(6,275)
<i>plus:</i> Income taxes	49,192	41,652	84,331	64,446
<b>Operating income</b>	<b>\$ 178,773</b>	<b>\$ 155,742</b>	<b>\$ 306,587</b>	<b>\$ 242,989</b>
Total revenue	\$ 1,174,956	\$ 1,053,698	\$ 2,221,319	\$ 1,900,312
<b>Operating income margin</b>	<b>15.2%</b>	<b>14.8%</b>	<b>13.8%</b>	<b>12.8%</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 and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

(\$ thousands)	June 30 2023	December 31 2022	June 30 2022
Long-term debt	\$ 647,422	\$ 647,060	\$ 646,699
<i>less:</i> Cash and cash equivalents	733,999	927,780	778,800
Net debt	(86,577)	(280,720)	(132,101)
Shareholders' equity	2,468,323	2,325,359	2,067,767
<b>Total capitalization</b>	<b>\$ 2,381,746</b>	<b>2,044,639</b>	<b>1,935,666</b>
<b>Net debt to total capitalization</b>	<b>(4)%</b>	<b>(14)%</b>	<b>(7)%</b>
<b>Net debt to equity</b>	<b>(0.04):1</b>	<b>(0.12):1</b>	<b>(0.06):1</b>

## NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

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>June 30 2023</b>	December 31 2022	June 30 2022
Total current assets	\$ 2,455,995	\$ 2,569,195	\$ 2,297,771
<i>less:</i> Total current liabilities	917,810	1,056,739	988,885
<b>Working capital</b>	<b>\$ 1,538,185</b>	<b>\$ 1,512,456</b>	<b>\$ 1,308,886</b>

**Non-Cash Working Capital**

Non-cash working capital is defined as total current assets, excluding cash and cash equivalents, less total current liabilities, excluding current portion of long-term debt, if applicable.

<i>(\$ thousands)</i>	<b>June 30 2023</b>	December 31 2022	June 30 2022
Total current assets	\$ 2,455,995	\$ 2,569,195	\$ 2,297,771
<i>less:</i> Cash and cash equivalents	733,999	927,780	778,800
	<b>1,721,996</b>	1,641,415	1,518,971
Total current liabilities	917,810	1,056,739	988,885
<b>Non-cash working capital</b>	<b>\$ 804,186</b>	<b>\$ 584,676</b>	<b>\$ 530,086</b>

**Market Capitalization & Total Enterprise Value**

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the closing share 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 debt/net debt (defined above) to market capitalization.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	<b>June 30 2023</b>	December 31 2022	June 30 2022
Outstanding common shares	<b>82,180,977</b>	82,318,159	82,205,023
<i>times: Ending share price</i>	<b>\$ 108.83</b>	\$ 97.71	\$ 104.08
<b>Market capitalization</b>	<b>\$ 8,943,756</b>	\$ 8,043,307	\$ 8,555,899
Long-term debt	<b>\$ 647,422</b>	\$ 647,060	\$ 646,699
<i>less: Cash and cash equivalents</i>	<b>733,999</b>	927,780	778,800
<b>Net debt</b>	<b>\$ (86,577)</b>	\$ (280,720)	\$ (132,101)
<b>Total enterprise value</b>	<b>\$ 8,857,179</b>	\$ 7,762,587	\$ 8,423,798

### 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 revenue.

#### Operating Income Margin

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

#### Order Bookings and Backlog

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlog is 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 revenue 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 from continuing operations 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, adjusted for discontinued operations.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2023 Q2**

	Trailing twelve months ended		
	June 30 2023	December 31 2022	June 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 508,258	\$ 450,096	\$ 369,338
<i>plus:</i> Interest expense	27,714	27,331	27,517
<i>less:</i> Interest and investment income	(36,545)	(21,717)	(10,814)
<i>plus:</i> Interest income – rental conversions	4,320	4,760	3,251
<i>plus:</i> Income taxes	183,269	163,388	138,403
Adjusted net earnings	\$ 687,016	\$ 623,858	\$ 527,695
Average capital employed	\$ 2,153,504	\$ 1,917,644	\$ 1,796,278
<b>Return on capital employed</b>	<b>31.9%</b>	<b>32.5%</b>	<b>29.4%</b>

**Return on Equity ("ROE")**

ROE is monitored to assess profitability and is calculated by dividing net earnings from continuing operations by opening shareholders' equity (adjusted for shares issued and shares repurchased and cancelled during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
	June 30 2023	December 31 2022	June 30 2022
<i>(\$ thousands)</i>			
Net earnings from continuing operations	\$ 508,258	\$ 450,096	\$ 369,338
Opening shareholder's equity (net of adjustments)	\$ 2,067,536	\$ 1,935,365	\$ 1,805,337
<b>Return on equity</b>	<b>24.6%</b>	<b>23.3%</b>	<b>20.5%</b>

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)

(\$ thousands)	Note	June 30 2023	December 31 2022	June 30 2022
<b>Assets</b>				
Current assets				
Cash and cash equivalents		\$ 733,999	\$ 927,780	\$ 778,800
Accounts receivable		581,313	579,682	569,803
Inventories		1,115,170	1,025,759	916,845
Income taxes recoverable		3,461	—	—
Derivative financial instruments	7	—	18,530	12,639
Other current assets		22,052	17,444	19,684
<b>Total current assets</b>		<b>2,455,995</b>	2,569,195	2,297,771
Property, plant and equipment	4	486,017	470,624	460,348
Rental equipment	4	707,950	616,289	563,840
Other assets		69,830	52,527	37,391
Deferred tax assets		848	925	270
Goodwill and intangible assets		471,326	472,565	473,804
<b>Total assets</b>		<b>\$ 4,191,966</b>	\$ 4,182,125	\$ 3,833,424
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities		\$ 607,428	\$ 691,084	\$ 650,601
Provisions		27,695	27,653	26,795
Deferred revenue and contract liabilities		273,387	309,349	308,303
Derivative financial instruments	7	8,475	—	—
Income taxes payable		825	28,653	3,186
<b>Total current liabilities</b>		<b>917,810</b>	1,056,739	988,885
Deferred revenue and contract liabilities		21,170	23,276	18,514
Long-term lease liabilities		20,661	16,160	16,900
Long-term debt	5, 7	647,422	647,060	646,699
Post-employment obligations	11	32,123	30,592	33,147
Deferred tax liabilities		84,457	82,939	61,512
<b>Total liabilities</b>		<b>1,723,643</b>	1,856,766	1,765,657
<b>Shareholders' equity</b>				
Share capital	6	567,744	561,078	544,134
Contributed surplus		24,297	19,262	18,112
Retained earnings		1,878,237	1,731,661	1,496,408
Accumulated other comprehensive (loss) income		(1,955)	13,358	9,113
<b>Total shareholders' equity</b>		<b>2,468,323</b>	2,325,359	2,067,767
<b>Total liabilities and shareholders' equity</b>		<b>\$ 4,191,966</b>	\$ 4,182,125	\$ 3,833,424

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

(\$ thousands, except share amounts)	Note	Three months ended		Six months ended	
		June 30		June 30	
		2023	2022	2023	2022
<b>Revenue</b>	13	\$ 1,174,956	\$ 1,053,698	\$ 2,221,319	\$ 1,900,312
Cost of goods sold	4	857,623	769,435	1,640,873	1,403,449
Gross profit		317,333	284,263	580,446	496,863
Selling and administrative expenses		138,560	128,521	273,859	253,874
<b>Operating income</b>		178,773	155,742	306,587	242,989
Interest expense	8	7,019	6,856	13,923	13,540
Interest and investment income	8	(10,755)	(3,776)	(21,103)	(6,275)
Income before income taxes		182,509	152,662	313,767	235,724
Income taxes		49,192	41,652	84,331	64,446
<b>Income from continuing operations</b>		133,317	111,010	229,436	171,278
Income (loss) from discontinued operations	3	5,720	671	5,605	(65)
<b>Net earnings</b>		\$ 139,037	\$ 111,681	\$ 235,041	\$ 171,213
<b>Basic earnings per share</b>					
Continuing operations		\$ 1.62	\$ 1.34	\$ 2.79	\$ 2.08
Discontinued operations		\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	9	\$ 1.69	\$ 1.35	\$ 2.86	\$ 2.08
<b>Diluted earnings per share</b>					
Continuing operations		\$ 1.61	\$ 1.33	\$ 2.76	\$ 2.06
Discontinued operations		\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	9	\$ 1.68	\$ 1.34	\$ 2.83	\$ 2.06
<b>Weighted average number of shares outstanding</b>					
Basic	9	82,294,205	82,433,458	82,313,550	82,449,900
Diluted	9	82,974,466	83,194,100	82,982,038	83,214,434

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

(\$ thousands)	Three months ended		Six months ended	
		June 30		June 30
	2023	2022	2023	2022
<b>Net earnings</b>	\$ 139,037	\$ 111,681	\$ 235,041	\$ 171,213
<b>Other comprehensive (loss) income, net of income taxes:</b>				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	(455)	465	(479)	255
Unrealized (losses) gains on derivatives designated as cash flow hedges	(15,190)	25,499	(12,291)	12,218
Income tax recovery (expense)	3,950	(6,629)	3,196	(3,176)
Unrealized (losses) gains on cash flow hedges, net of income taxes	(11,240)	18,870	(9,095)	9,042
Realized gains on derivatives designated as cash flow hedges	(1,066)	(5,117)	(7,755)	(6,666)
Income tax expense	277	1,330	2,016	1,733
Realized gains on cash flow hedges, net of income taxes	(789)	(3,787)	(5,739)	(4,933)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Remeasurement gain on defined benefit plans	7,924	27,246	8,095	59,499
Income tax expense	(2,099)	(7,218)	(2,145)	(15,766)
Remeasurement gain on defined benefit plans, net of income taxes	5,825	20,028	5,950	43,733
<b>Other comprehensive (loss) income</b>	<b>(6,659)</b>	<b>35,576</b>	<b>(9,363)</b>	<b>48,097</b>
<b>Total comprehensive income</b>	<b>\$ 132,378</b>	<b>\$ 147,257</b>	<b>\$ 225,678</b>	<b>\$ 219,310</b>

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

(\$ thousands, except share amounts)	Share capital			Accumulated other comprehensive income (loss)				Total shareholders' equity
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	
<b>At January 1, 2023</b>	<b>82,318,159</b>	<b>\$ 561,078</b>	<b>\$ 19,262</b>	<b>\$ 1,731,661</b>	<b>\$ 2,992</b>	<b>\$ 10,366</b>	<b>\$ 13,358</b>	<b>\$ 2,325,359</b>
Net earnings	—	—	—	235,041	—	—	—	235,041
Other comprehensive loss	—	—	—	5,950	(479)	(14,834)	(15,313)	(9,363)
Total comprehensive earnings	—	—	—	240,991	(479)	(14,834)	(15,313)	225,678
Exercise of share options	100,818	8,298	(1,300)	—	—	—	—	6,998
Share-based compensation plans	—	—	6,335	—	—	—	—	6,335
Effect of share compensation plans	100,818	8,298	5,035	—	—	—	—	13,333
Shares purchased for cancellation	(238,000)	(1,632)	—	(23,364)	—	—	—	(24,996)
Dividends declared	—	—	—	(71,051)	—	—	—	(71,051)
<b>At June 30, 2023</b>	<b>82,180,977</b>	<b>\$ 567,744</b>	<b>\$ 24,297</b>	<b>\$ 1,878,237</b>	<b>\$ 2,513</b>	<b>\$ (4,468)</b>	<b>\$ (1,955)</b>	<b>\$ 2,468,323</b>
<b>At January 1, 2022</b>	<b>82,443,968</b>	<b>\$ 539,677</b>	<b>\$ 16,352</b>	<b>\$ 1,392,551</b>	<b>\$ 1,868</b>	<b>\$ 2,881</b>	<b>\$ 4,749</b>	<b>\$ 1,953,329</b>
Net earnings	—	—	—	171,213	—	—	—	171,213
Other comprehensive income	—	—	—	43,733	255	4,109	4,364	48,097
Total comprehensive income	—	—	—	214,946	255	4,109	4,364	219,310
Exercise of share options	123,055	7,657	(1,283)	—	—	—	—	6,374
Share-based compensation plans	—	—	3,043	—	—	—	—	3,043
Effect of share compensation plans	123,055	7,657	1,760	—	—	—	—	9,417
Shares purchased for cancellation	(362,000)	(2,386)	—	(35,302)	—	—	—	(37,688)
Share repurchase commitment under NCIB	—	(814)	—	(11,498)	—	—	—	(12,312)
Dividends declared	—	—	—	(64,289)	—	—	—	(64,289)
<b>At June 30, 2022</b>	<b>82,205,023</b>	<b>\$ 544,134</b>	<b>\$ 18,112</b>	<b>\$ 1,496,408</b>	<b>\$ 2,123</b>	<b>\$ 6,990</b>	<b>\$ 9,113</b>	<b>\$ 2,067,767</b>

See accompanying notes

**TOROMONT INDUSTRIES LTD.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(\$ thousands)	Note	Three months ended		Six months ended	
		2023	June 30 2022	2023	June 30 2022
<b>Operating activities</b>					
Income from continuing operations		\$ 133,317	\$ 111,010	\$ 229,436	\$ 171,278
Items not requiring cash:					
Depreciation and amortization		44,131	39,487	86,152	78,550
Share-based compensation		2,891	1,522	5,179	3,043
Post-employment obligations		(1,408)	715	(2,288)	1,158
Deferred income taxes		2,118	(914)	2,960	(4,131)
Gain on sale of rental equipment and property, plant and equipment		(3,907)	(3,837)	(15,750)	(10,186)
		177,142	147,983	305,689	239,712
Net change in non-cash working capital and other	12	11,762	(12,466)	(261,002)	(166,366)
Additions to rental equipment	4	(88,409)	(64,716)	(162,267)	(100,784)
Proceeds on disposal of rental equipment		8,118	8,529	24,715	22,236
Continuing operations		108,613	79,330	(92,865)	(5,202)
Discontinued operations		(327)	(6,876)	—	(4,591)
<b>Cash provided by (used in) operating activities</b>		<b>108,286</b>	<b>72,454</b>	<b>(92,865)</b>	<b>(9,793)</b>
<b>Investing activities</b>					
Additions to property, plant and equipment	4	(18,148)	(20,796)	(45,084)	(32,003)
Proceeds on disposal of property, plant and equipment		319	83	8,091	313
Decrease in other assets		—	(40)	(41)	(85)
Continuing operations		(17,829)	(20,753)	(37,034)	(31,775)
Discontinued operations		(127)	482	(411)	482
Proceeds from sale of discontinued operations (net of cash)	3	26,606	—	26,606	—
<b>Cash provided by (used in) investing activities</b>		<b>8,650</b>	<b>(20,271)</b>	<b>(10,839)</b>	<b>(31,293)</b>
<b>Financing activities</b>					
Dividends paid	6	(35,413)	(32,164)	(67,517)	(61,015)
Cash received on exercise of share options		4,531	2,856	6,998	6,374
Shares purchased for cancellation	6	(24,996)	(37,688)	(24,996)	(37,688)
Payment of lease liabilities		(2,401)	(2,291)	(4,429)	(4,646)
Continuing operations		(58,279)	(69,287)	(89,944)	(96,975)
Discontinued operations		(9)	(42)	(38)	(85)
<b>Cash used in financing activities</b>		<b>(58,288)</b>	<b>(69,329)</b>	<b>(89,982)</b>	<b>(97,060)</b>
Effect of currency translation on cash balances		(89)	215	(95)	116
Increase (decrease) in cash and cash equivalents during the period					
Continuing operations		32,416	(10,495)	(219,938)	(133,836)
Discontinued operations		26,143	(6,436)	26,157	(4,194)
Cash and cash equivalents, at beginning of the period		675,440	795,731	927,780	916,830
<b>Cash and cash equivalents, at end of the period</b>		<b>\$ 733,999</b>	<b>778,800</b>	<b>\$ 733,999</b>	<b>\$ 778,800</b>

**Supplemental cash flow information (note 12)**

See accompanying notes

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

## 1. DESCRIPTION OF BUSINESS

### Corporate Information

Toromont Industries Ltd. (the "Company" or "Toromont") is a limited company incorporated and domiciled in Canada whose shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol TIH. The registered office is located at 3131 Highway 7 West, Concord, Ontario, Canada.

The Company operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations and a complementary material handling business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

#### a) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 26, 2023.

#### b) Basis of Presentation

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. These interim condensed consolidated financial statements are presented in Canadian dollars, which is Toromont's functional currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

Certain comparative figures have been reclassified to conform to the current period's presentation.

#### c) Accounting Policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2022.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Company.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

A number of amendments to standards and interpretations have been issued, but are not yet effective up to the date of authorization of these interim condensed consolidated financial statements, which may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

Amendments to IAS 1 – *Presentation of Financial Statements* (effective January 1, 2024):

- Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within twelve months.

Management is currently assessing the impact of these amendments.

### d) Use of Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, expenses, assets, liabilities and accompanying disclosures. Significant estimates and judgements used in the preparation of these interim condensed consolidated financial statements are described in the Company's audited annual consolidated financial statements for the year ended December 31, 2022. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### e) Discontinued Operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have an impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the interim condensed consolidated financial statements and the notes to the interim condensed consolidated financial statements, unless otherwise noted, and are presented net of tax in the interim condensed consolidated statements of income for the current and comparative periods. Refer to note 3 Discontinued Operations for further information regarding the Company's discontinued operations.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### 3. DISCONTINUED OPERATIONS

On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest Ltd. was reported in the Equipment Group.

Proceeds on sale of shares	\$ 41,261
Less assets and liabilities sold:	
Working capital	15,010
Property, plant and equipment	3,404
	18,414
Cash disposed of	14,655
Gain on disposition	8,192
	2,808
Income taxes	2,808
<b>Gain on divestiture, net of tax</b>	<b>\$ 5,384</b>

### Results of Discontinued Operations

For the three and six months ended June 30, 2023, the amounts in the current and prior periods are comprised of net income/(loss) associated with the Company's discontinued operations of AgWest Ltd.

The following table represents discontinued operations:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 5,964	\$ 27,199	\$ 20,866	\$ 40,728
<b>Net income (loss), net of tax</b>	336	671	221	(65)
<b>Gain on divestiture, net of tax</b>	5,384	—	5,384	—
<b>Net income (loss) from discontinued operations</b>	<b>\$ 5,720</b>	<b>\$ 671</b>	<b>\$ 5,605</b>	<b>\$ (65)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### 4. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
<b>Cost</b>						
<b>January 1, 2023</b>	\$ 177,099	\$ 327,067	\$ 314,214	\$ 40,094	\$ 858,474	\$ 1,133,080
Additions	4,305	14,822	26,324	44	45,495	162,267
Disposals	(3,643)	—	(6,083)	—	(9,726)	(40,113)
Business disposition	(135)	(4,313)	(5,463)	—	(9,911)	—
Foreign currency translation adjustments	(4)	(64)	(202)	—	(270)	—
<b>June 30, 2023</b>	\$ 177,622	\$ 337,512	\$ 328,790	\$ 40,138	\$ 884,062	\$ 1,255,234
<b>Accumulated depreciation</b>						
<b>January 1, 2023</b>	\$ —	\$ 138,322	\$ 212,345	\$ 37,183	\$ 387,850	\$ 516,791
Depreciation expense	—	6,833	15,318	589	22,740	57,303
Depreciation of disposals	—	(1)	(5,973)	—	(5,974)	(26,810)
Business disposition	—	(3,178)	(3,237)	—	(6,415)	—
Foreign currency translation adjustments	—	(16)	(140)	—	(156)	—
<b>June 30, 2023</b>	\$ —	\$ 141,960	\$ 218,313	\$ 37,772	\$ 398,045	\$ 547,284
<b>Net book value – June 30, 2023</b>	\$ 177,622	\$ 195,552	\$ 110,477	\$ 2,366	\$ 486,017	\$ 707,950

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
<b>Cost</b>						
<b>January 1, 2022</b>	\$ 173,083	\$ 315,055	\$ 272,839	\$ 39,944	\$ 800,921	\$ 969,841
Additions	7,161	6,145	18,776	—	32,082	100,784
Disposals	(231)	—	(2,108)	—	(2,339)	(34,995)
Foreign currency translation adjustments	3	44	116	—	163	—
<b>June 30, 2022</b>	\$ 180,016	\$ 321,244	\$ 289,623	\$ 39,944	\$ 830,827	\$ 1,035,630
<b>Accumulated depreciation</b>						
<b>January 1, 2022</b>	\$ —	\$ 125,321	\$ 188,752	\$ 36,023	\$ 350,096	\$ 444,320
Depreciation expense	—	6,664	15,107	576	22,347	50,146
Depreciation of disposals	—	—	(2,063)	—	(2,063)	(22,676)
Foreign currency translation adjustments	—	10	89	—	99	—
<b>June 30, 2022</b>	\$ —	\$ 131,995	\$ 201,885	\$ 36,599	\$ 370,479	\$ 471,790
<b>Net book value – June 30, 2022</b>	\$ 180,016	\$ 189,249	\$ 87,738	\$ 3,345	\$ 460,348	\$ 563,840

During the six months ended June 30, 2023, depreciation expense of \$71.6 million was charged to cost of goods sold (2022 – \$63.5 million), and \$8.4 million was charged to selling and administrative expenses (2022 – \$9.0 million).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### 5. LONG-TERM DEBT

	June 30 2023	December 31 2022	June 30 2022
Senior Debentures			
3.71%, \$150.0 million, due September 30, 2025 <sup>(1)</sup>	\$ 150,000	\$ 150,000	\$ 150,000
3.84%, \$500.0 million, due October 27, 2027 <sup>(1)</sup>	500,000	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	(2,578)	(2,940)	(3,301)
<b>Total long-term debt</b>	<b>\$ 647,422</b>	<b>\$ 647,060</b>	<b>\$ 646,699</b>

<sup>(1)</sup> Interest payable semi-annually, principal due on maturity.

The Company has a \$500.0 million committed revolving credit facility, maturing in November 2026, with a syndicate of financial institutions. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. 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 the revolving credit facility as at June 30, 2023, December 31, 2022 and June 30, 2022.

Standby letters of credit issued utilized \$28.7 million of the facility as at June 30, 2023 (December 31, 2022 – \$28.9 million and June 30, 2022 – \$34.3 million).

### 6. SHARE CAPITAL

#### Normal Course Issuer Bid ("NCIB")

The Company purchased and cancelled 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) during the three and six months ended June 30, 2023.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company under the ASPP prior to the commencement of each blackout period. As at June 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 362,000 common shares for \$37.7 million (average cost of \$104.11 per share, including transaction costs) during the three and six months ended June 30, 2022. As at June 30, 2022, an obligation for the repurchase of shares of \$12.3 million was recognized under the ASPP.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### Dividends Declared

Dividend	2023				2022			
	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)
Quarter 1	Mar. 9, 2023	\$ 0.43	Apr. 4, 2023	\$ 35.4	Mar. 9, 2022	\$ 0.39	Apr. 4, 2022	\$ 32.2
Quarter 2	Jun. 9, 2023	0.43	Jul. 5, 2023	35.6	Jun. 9, 2022	0.39	Jul. 5, 2022	32.1
		\$ 0.86		\$ 71.0		\$ 0.78		\$ 64.3

On July 26, 2023, the Board of Directors declared a quarterly dividend of \$0.43 per common share, payable on October 4, 2023, to shareholders on record on September 8, 2023.

## 7. FINANCIAL INSTRUMENTS

### Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	June 30 2023	December 31 2022	June 30 2022
<b>Other financial liabilities:</b>			
Long-term debt	\$ 647,422	\$ 647,060	\$ 646,699
<b>Derivative financial instruments (liabilities) assets, net:</b>			
Foreign exchange forward contracts	\$ (8,475)	\$ 18,530	\$ 12,639

### Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate as at period-end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

The fair value and carrying value of long-term debt are as follows:

	June 30 2023	December 31 2022	June 30 2022
<b>Long-term debt:</b>			
Fair value	\$ 621,744	\$ 626,585	\$ 628,469
Carrying value	\$ 650,000	\$ 650,000	\$ 650,000

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three and six months ended June 30, 2023**

(\$ thousands, except where otherwise indicated) (Unaudited)

During the six months ended June 30, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

### Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency-denominated obligations related to purchases of inventory and sales of products. As at June 30, 2023, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$668.0 million at an average exchange rate of \$1.3358, maturing between July 2023 and June 2024; and (ii) US dollar sale contracts with a notional amount of \$29.8 million at an average exchange rate of \$1.3547, maturing between July 2023 and November 2023.

Management estimates that a loss of \$8.5 million (December 31, 2022 – gain of \$18.5 million; June 30, 2022 – gain of \$12.6 million) would be realized if the contracts were terminated on June 30, 2023. Certain of these forward contracts are designated as cash flow hedges and, accordingly, an unrealized loss of \$7.2 million (December 31, 2022 – unrealized gain of \$13.3 million; June 30, 2022 – unrealized gain of \$9.4 million) has been included in other comprehensive (loss) income. These gains and losses are not expected to affect net earnings as the amounts will be reclassified to net earnings within the next 12 months and will offset losses and gains recorded on the underlying hedged items, namely foreign-denominated accounts payable and accrued liabilities. Certain of these forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A loss of \$1.3 million (December 31, 2022 – gain of \$5.2 million; June 30, 2022 – gain of \$3.2 million) on forward contracts not designated as hedges is included in net earnings, which offsets gains recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

## 8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Credit facilities	\$ 426	\$ 388	\$ 876	\$ 721
Senior debentures	6,314	6,313	12,556	12,505
Interest on lease liabilities	279	155	491	314
	<b>\$ 7,019</b>	<b>\$ 6,856</b>	<b>\$ 13,923</b>	<b>\$ 13,540</b>

The components of interest and investment income were as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Interest on conversion of rental equipment	\$ 1,131	\$ 1,163	\$ 1,482	\$ 1,922
Interest income	9,624	2,613	19,621	4,353
	<b>\$ 10,755</b>	<b>\$ 3,776</b>	<b>\$ 21,103</b>	<b>\$ 6,275</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three and six months ended June 30, 2023**  
(\$ thousands, except where otherwise indicated) (Unaudited)

**9. EARNINGS PER SHARE**

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Income from continuing operations	\$ 133,317	\$ 111,010	\$ 229,436	\$ 171,278
Income (loss) from discontinued operations	\$ 5,720	\$ 671	\$ 5,605	\$ (65)
<b>Net earnings available to common shareholders</b>	<b>\$ 139,037</b>	<b>\$ 111,681</b>	<b>\$ 235,041</b>	<b>\$ 171,213</b>
Weighted average common shares outstanding	<b>82,294,205</b>	82,433,458	<b>82,313,550</b>	82,449,900
Effect of dilutive securities	<b>680,261</b>	760,642	<b>668,488</b>	764,534
<b>Weighted average common shares outstanding – diluted</b>	<b>82,974,466</b>	83,194,100	<b>82,982,038</b>	83,214,434
<b>Basic earnings per share</b>				
Continuing operations	\$ 1.62	\$ 1.34	\$ 2.79	\$ 2.08
Discontinued operations	\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	<b>\$ 1.69</b>	<b>\$ 1.35</b>	<b>\$ 2.86</b>	<b>\$ 2.08</b>
<b>Diluted earnings per share</b>				
Continuing operations	\$ 1.61	\$ 1.33	\$ 2.76	\$ 2.06
Discontinued operations	\$ 0.07	\$ 0.01	\$ 0.07	\$ —
	<b>\$ 1.68</b>	<b>\$ 1.34</b>	<b>\$ 2.83</b>	<b>\$ 2.06</b>

For the three-month period ended June 30, 2023, 325,761 outstanding share options with an average exercise price of \$109.92 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options for the comparative period in 2022.

For the six-month period ended June 30, 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options for the comparative period in 2022.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the three and six months ended June 30, 2023**  
(\$ thousands, except where otherwise indicated) (Unaudited)

**10. SHARE-BASED COMPENSATION**

**Share Option Plan**

A reconciliation of the outstanding options for the six months ended June 30, 2023 and June 30, 2022 was as follows:

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	1,967,892	\$ 73.21	2,167,025	\$ 68.44
Granted	168,545	112.48	—	—
Exercised <sup>(1)</sup>	(100,818)	69.41	(123,055)	51.79
Forfeited	(11,573)	104.85	(13,342)	83.98
<b>Options outstanding, June 30</b>	<b>2,024,046</b>	<b>\$ 76.49</b>	<b>2,030,628</b>	<b>\$ 69.34</b>
<b>Options exercisable, June 30</b>	<b>895,516</b>	<b>\$ 61.95</b>	<b>787,660</b>	<b>\$ 57.75</b>

<sup>(1)</sup> The weighted average share price at the date of exercise for the six months ended June 30, 2023 was \$110.21 (2022 – \$111.41).

The following table summarizes share options outstanding and exercisable as at June 30, 2023:

Range of exercise prices	Options outstanding			Options exercisable		
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price	Weighted average exercise price
\$23.40 – \$26.52	57,990	1.1	\$ 26.45	57,990	\$ 26.45	\$ 26.45
\$25.53 – \$53.89	315,900	3.2	44.50	315,900	44.50	44.50
\$53.90 – \$72.95	990,857	6.3	69.05	403,795	68.18	68.18
\$72.96 – \$112.48	659,299	8.6	107.40	117,831	104.91	104.91
	<b>2,024,046</b>	<b>6.4</b>	<b>\$ 76.49</b>	<b>895,516</b>	<b>\$ 61.95</b>	<b>\$ 61.95</b>

The fair values of the share options granted during 2023 and 2022 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Fair value price per option	\$ 24.20	\$ 22.27
Share price	\$ 112.48	\$ 107.36
Expected life of options (years)	4.94	5.30
Expected share price volatility	22.0%	21.5%
Expected dividend yield	1.53%	1.45%
Risk-free interest rate	3.40%	2.77%

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### Deferred Share Unit ("DSU") Plans

A reconciliation of the cash-settled DSU plan was as follows:

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	190,128	\$ 18,528	202,969	\$ 23,074
Units taken or taken in lieu and dividends	1,507	155	18,703	2,071
Redemptions	(1,829)	(193)	—	—
Fair market value adjustments	—	1,534	—	(2,501)
<b>Outstanding, June 30</b>	<b>189,806</b>	<b>\$ 20,024</b>	<b>221,672</b>	<b>\$ 22,644</b>

The liability for cash-settled DSUs is recorded in accounts payable and accrued liabilities.

During the quarter, 4,034 equity-settled DSU units were taken in lieu of cash payment for director fees valued at \$0.4 million, which is included in selling and administrative expenses with a credit to contributed surplus. The plan had a total of 25,429 units as at June 30, 2023, including dividend credits of 115 units.

### Long-term Incentive Plan ("LTIP")

A total of 14,282 restricted share units ("RSUs") and 56,336 performance share units ("PSUs") have been granted under the LTIP as at June 30, 2023, including reinvested dividends. LTIP expense of \$784 thousand was included in selling and administrative expenses with a credit to contributed surplus during the quarter. During the quarter, 118 RSUs and 1,856 PSUs were cancelled or forfeited under the LTIP.

## 11. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Defined benefit plans	\$ 1,504	\$ 3,565	\$ 3,597	\$ 6,994
Defined contribution plans	4,727	4,577	9,423	8,843
401(k) matched saving plans	113	77	214	153
	<b>\$ 6,344</b>	<b>\$ 8,219</b>	<b>\$ 13,234</b>	<b>\$ 15,990</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

### 12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Net change in non-cash working capital and other				
Accounts receivable	\$ (36,344)	\$ (88,095)	\$ (3,825)	\$ (116,083)
Inventories	7,616	(69,482)	(111,292)	(182,967)
Accounts payable and accrued liabilities	29,370	71,063	(84,931)	53,427
Provisions	789	1,812	609	1,370
Deferred revenue and contract liabilities	7,042	64,389	(35,533)	97,473
Income taxes	4,102	10,557	(30,445)	(11,599)
Derivative financial instruments	872	(5,036)	6,967	(1,828)
Other	(1,685)	2,326	(2,552)	(6,159)
	<b>\$ 11,762</b>	<b>\$ (12,466)</b>	<b>\$ (261,002)</b>	<b>\$ (166,366)</b>
Cash paid during the period for:				
Interest	\$ 9,605	\$ 9,605	\$ 12,388	\$ 12,388
Income taxes	\$ 44,103	\$ 32,141	\$ 114,021	\$ 80,835
Cash received during the period for:				
Interest	\$ 8,163	\$ 3,862	\$ 17,562	\$ 6,403
Income taxes	\$ —	\$ —	\$ —	\$ —

### 13. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO as described in note 1, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments and does not meet the definition of a reportable operating segment as defined in IFRS 8 – *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

Segment performance is assessed based on operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current income taxes, deferred income taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

The aggregation of the operating segments is based on the economic characteristics of the business units. These business units are considered to have similar economic characteristics including nature of products and services, class of customers and markets served and similar distribution models.

No reportable segment is reliant on any single external customer.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2023

(\$ thousands, except where otherwise indicated) (Unaudited)

The following table sets forth information by segment for the three and six months ended June 30, 2023 and June 30, 2022:

Three months ended June 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 488,559	\$ 442,832	\$ 53,911	\$ 45,576	\$ 542,470	\$ 488,408
Rentals	116,448	108,839	—	—	116,448	108,839
Product support	462,344	411,709	50,851	42,107	513,195	453,816
Power generation	2,843	2,635	—	—	2,843	2,635
<b>Total revenue</b>	<b>\$ 1,070,194</b>	<b>\$ 966,015</b>	<b>\$ 104,762</b>	<b>\$ 87,683</b>	<b>\$ 1,174,956</b>	<b>\$ 1,053,698</b>
<b>Operating income</b>	<b>\$ 168,936</b>	<b>\$ 150,671</b>	<b>\$ 9,837</b>	<b>\$ 5,071</b>	<b>\$ 178,773</b>	<b>\$ 155,742</b>
Interest expense					7,019	6,856
Interest and investment income					(10,755)	(3,776)
Income taxes					49,192	41,652
<b>Income from continuing operations</b>					<b>\$ 133,317</b>	<b>\$ 111,010</b>

Six months ended June 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 925,315	\$ 768,266	\$ 93,357	\$ 76,119	\$ 1,018,672	\$ 844,385
Rentals	214,907	202,060	—	—	214,907	202,060
Product support	884,687	763,487	97,362	85,080	982,049	848,567
Power generation	5,691	5,300	—	—	5,691	5,300
<b>Total revenue</b>	<b>\$ 2,030,600</b>	<b>\$ 1,739,113</b>	<b>\$ 190,719</b>	<b>\$ 161,199</b>	<b>\$ 2,221,319</b>	<b>\$ 1,900,312</b>
<b>Operating income</b>	<b>\$ 291,894</b>	<b>\$ 236,761</b>	<b>\$ 14,693</b>	<b>\$ 6,228</b>	<b>\$ 306,587</b>	<b>\$ 242,989</b>
Interest expense					13,923	13,540
Interest and investment income					(21,103)	(6,275)
Income taxes					84,331	64,446
<b>Income from continuing operations</b>					<b>\$ 229,436</b>	<b>\$ 171,278</b>

Operating income from rental operations was \$23.8 million for the three months ended June 30, 2023 (2022 – \$22.5 million) and \$34.6 million for the six months ended June 30, 2023 (2022 – \$32.5 million).

### 14. BUSINESS SEASONALITY

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenue is recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has 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.

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the three and six months ended June 30, 2023**

(\$ thousands, except where otherwise indicated) (Unaudited)

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. Revenue is typically lower during the first quarter as winter weather slows down construction schedules. Revenue increases in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and the customer's 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 trends also typically lead to accounts receivable to be at their highest level at year-end.

Market and economic factors, local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur in the future.

## **How to get in touch with us**

Tel: 416.667.5511

Fax: 416.667.5555

E-mail: [InvestorRelations@aim.toromont.com](mailto:InvestorRelations@aim.toromont.com)

[www.toromont.com](http://www.toromont.com)

## **How to reach our transfer agent and registrar**

Investors are encouraged to contact TSX Trust Company for information regarding their security holdings.

TSX Trust Company

P.O. Box 700

Station B

Montreal, Quebec

H3B 3K3

Toll-Free North America: 1.800.387.0825

Local: 416.682.3860

E-mail: [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)

[www.tsxtrust.com](http://www.tsxtrust.com)

## **Common Shares**

Listed on the Toronto Stock Exchange

Stock Symbol – TIH

## **Toromont Industries Ltd.**

Corporate Office

3131 Highway 7 West

P.O. Box 5511

Concord ON L4K 1B7