

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three months ended March 31, 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 months ended March 31, 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 April 27, 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 and on the Company's website at 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 or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

CONSOLIDATED OPERATING RESULTS

(\$ thousands, except per share amounts)	Three months ended March 31			
	2023	2022	\$ change	% change
REVENUE	\$ 1,061,265	\$ 860,143	\$ 201,122	23 %
Cost of goods sold	796,249	646,636	149,613	23 %
Gross profit ⁽¹⁾	265,016	213,507	51,509	24 %
Selling and administrative expenses	137,503	127,384	10,119	8 %
OPERATING INCOME ⁽¹⁾	127,513	86,123	41,390	48 %
Interest expense	6,906	6,686	220	3 %
Interest and investment income	(10,493)	(2,617)	(7,876)	nm
Income before income taxes	131,100	82,054	49,046	60 %
Income taxes	35,096	22,522	12,574	56 %
NET EARNINGS	\$ 96,004	\$ 59,532	\$ 36,472	61 %
BASIC EARNINGS PER SHARE	\$ 1.17	\$ 0.72	\$ 0.45	63 %
KEY RATIOS:				
Gross profit margin ⁽¹⁾	25.0%	24.8%		
Selling and administrative expenses as a % of revenue	13.0%	14.8%		
Operating income margin ⁽¹⁾	12.0%	10.0%		
Income taxes as a % of income before income taxes	26.8%	27.4%		

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

Results for the first quarter of 2023 were solid, reflecting improved new equipment deliveries against a healthy opening backlog, good execution and favourable operating leverage. Higher revenue in both the Equipment Group and CIMCO, improved gross margins, lower relative expenses and higher interest income on cash balances, all contributed to our higher net earnings. Rental and product support revenue increased on customer activity. Equipment revenue increased as the inflow of inventory supply continued to improve. Package sales demonstrated improvement as previously delayed construction schedules advanced. General macroeconomic factors such as inflation, higher interest rates and a weakening Canadian dollar continue to challenge the business, as well as disrupt historical seasonality, and are expected to continue to do so for the near term.

Revenue for the quarter increased 23% from the comparable period last year to \$1.1 billion. Equipment Group revenue increased 24% compared to last year on higher equipment sales, product support and rental activity. CIMCO revenue increased 17% versus the first quarter last year, on higher package revenue and product support activity levels. While we continue to see improvement in the inflow of inventory through the supply chain, challenges still exist in some product lines and parts, and the current uncertain economic environment may continue to constrain revenue growth.

Gross profit margin increased 20 basis points ("bps") to 25.0% versus 24.8% for the first quarter of last year. The Equipment Group reported lower margins in most areas, coupled with an unfavourable sales mix while CIMCO margins increased. Product support margins increased in both groups on higher volume and improved operating efficiencies.

Selling and administrative expenses for the quarter increased \$10.1 million or 8% compared to the similar period last year. Compensation costs increased approximately \$6.0 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 increased \$1.6 million

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

compared to last year on higher aged receivables and heightened concern over the current economic environment. During the quarter, an excess property was sold which resulted in a \$3.5 million pre-tax gain. A higher share price in the current period resulted in a \$2.0 million mark-to-market expense on cash-settled DSUs, compared to an expense of \$0.8 million in 2022. Selling and administrative expenses were 180 basis points lower as a percentage of revenue (13.0% versus 14.8% last year).

Operating income increased \$41.4 million or 48% in the quarter on the higher revenue and lower relative expense level. Operating income margin increased 200 bps to 12.0%, reflecting the lower relative expense level.

Interest expense was largely unchanged at \$6.9 million.

Interest and investment income increased \$7.9 million in the quarter on higher average cash balances and higher interest rates.

The effective income tax rate for the quarter was 26.8% compared to 27.4% in the first quarter of last year, reflecting the lower capital gains rate on the property disposition in the current period.

Net earnings for the quarter increased \$36.5 million or 61% to \$96.0 million from the comparable period last year. Basic earnings per share ("EPS") increased \$0.45 or 63% to \$1.17.

Other comprehensive loss of \$2.7 million in the quarter (2022 – comprehensive income of \$12.5 million) included an actuarial gain on defined benefit pension and other post-employment benefit plans of \$0.1 million (2022 – actuarial gain of \$23.7 million). These gains reflect changes in the weighted average discount rates used in the valuation, which are reflective of underlying financial markets, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a unfavourable net change in the fair value of cash flow hedges of \$2.8 million (2022 – unfavourable net change of \$11.0 million). These changes reflect mark to market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the underlying USD/CAD exchange rates at period end compared to the contract date.

SUBSEQUENT EVENT

On April 17, 2023, the Company announced it had entered into an agreement for the sale of AgWest Ltd., a wholly-owned subsidiary, effective May 1, 2023, in a share and asset transaction. Total proceeds will be paid in cash and are subject to customary post-closing adjustments. AgWest is reported in the Equipment Group. This transaction is not expected to have a material impact on Toromont's overall future operations, revenue or earnings.

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.

Equipment Group

(\$ thousands)	Three months ended March 31			
	2023	2022	\$ change	% change
Equipment sales and rentals				
New	\$ 374,127	\$ 253,555	\$ 120,572	48 %
Used	74,839	83,552	(8,713)	(10)%
Rentals	98,459	93,221	5,238	6 %
Total equipment sales and rentals	547,425	430,328	117,097	27 %
Product support	425,035	353,634	71,401	20 %
Power generation	2,848	2,665	183	7 %
Total revenue	\$ 975,308	\$ 786,627	\$ 188,681	24 %
Operating income	\$ 122,657	\$ 84,966	\$ 37,691	44 %
KEY RATIOS:				
Product support revenue as a % of total revenue	43.6%	45.0%		
Operating income margin	12.6%	10.8%		
Group total revenue as a % of consolidated revenue	91.9%	91.5%		

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

Total equipment revenue (new and used) increased \$111.9 million or 33% compared to the first quarter of last year, predominantly reflecting the delivery of equipment against the opening order backlog, reflecting improving inventory supply and also customer delivery schedules for sites. New equipment sales increased 48% in the quarter, across all market segments and regions. Used equipment sales decreased 10% during the quarter, with lower sales of used equipment and higher rental fleet dispositions. Used equipment sales vary based on availability, from trades and purchases. Rental fleet dispositions increased compared to last year. Timing of 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, equipment revenue by market segments was as follows for the first quarter compared to the comparable period last year: construction markets higher +3%, mining up +307%, power systems up +26%, material handling up +42%, and agriculture up +5%.

Rental revenue increased \$5.2 million or 6% versus the first quarter of last year, reflecting higher market activity, strong execution and an expanded heavy and light equipment fleet. During the first quarter revenue changes in each market were as follows: Light equipment rentals up +9%, power systems lower -8%, heavy equipment rentals higher +32%, RPO (rent with a purchase option) revenue lower -38% and material handling higher +21%. As at March 31, 2023, the RPO fleet was \$43.0 million versus \$50.1 million at this time last year.

Product support revenue increased \$71.4 million or 20% compared to the first quarter of last year with increases in both parts (up 22%) and service (up 14%). Activity was higher across all markets and in all regions as follows: construction markets +15%; mining +29%; power systems +15%; material handling +17%; and agriculture +45%.

Gross profit margin decreased 20 bps to 25.2% from 25.4% in the first quarter of last year, with higher product support margins more than offset by weaker margins in equipment and rental, coupled with an unfavourable sales mix (lower product support and rental revenue to total revenue). Equipment margins were down 50 bps on a weaker Canadian dollar and with the improving availability in new equipment from suppliers. Rental margins were down 20 bps despite good fleet utilization, reflective of higher recent acquisition and

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

maintenance and repair costs. Product support margins increased 100 bps on continued focus on efficiency as well as higher activity levels. Sales mix decreased margin by 50 bps.

Selling and administrative expenses increased \$8.5 million or 7% in the first quarter of 2023. Compensation costs increased on higher headcount, annual salary increases and higher profit sharing on the increased earnings, partially offset by the mark-to-market adjustment on DSUs and lower defined benefit pension expense. Certain expenses such as travel and training have increased compared to the prior year which experienced tighter restrictions. Allowance for doubtful accounts increased \$0.5 million on a larger balance of aged receivables. As a percentage of revenue, selling and administrative expenses were lower at 12.6% in the current period versus 14.6% in the similar period last year, reflecting the higher revenue.

Operating income increased \$37.7 million or 44% and was 180 bps higher as a percentage of revenue (12.6% versus 10.8% in the comparable period last year) reflecting the higher revenue and lower relative expenses .

Bookings and Backlog

<i>(\$ millions)</i>	2023	2022	\$ change	% change
Bookings – three months ended March 31	\$ 366.5	\$ 567.1	\$ (200.6)	(35)%
Backlog – as at March 31	\$ 1,004.9	\$ 1,360.3	\$ (355.4)	(26)%

New bookings decreased by \$200.6 million or 35% in the quarter, compared the first quarter of last year, reflecting in part a tough comparable, with an extended period of strong activity following the pandemic slowdown, as well as several large specific customer orders. Additionally, customer and industry activity softened in the quarter to more normal levels. Bookings in the following sectors were lower: construction (-29%), power systems (-21%), and mining (-90%), partially offset by higher orders in material handling (+13%) and agriculture (+3%).

Backlog of \$1.0 billion at March 31, 2023, was down by \$355.4 million or 26%, compared to the same time last year, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. As at March 31, 2023, the breakdown of backlog by market was as follows: construction 40%; mining 21%; power systems 28%; agriculture 6%; and material handling 5%. Approximately 80% 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

<i>(\$ thousands)</i>	Three months ended March 31			
	2023	2022	\$ change	% change
Package sales	\$ 39,446	\$ 30,543	\$ 8,903	29 %
Product support	46,511	42,973	3,538	8 %
Total revenue	\$ 85,957	\$ 73,516	\$ 12,441	17 %
Operating income	\$ 4,856	\$ 1,157	\$ 3,699	nm

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

KEY RATIOS:

Product support revenue as a % of total revenue	54.1%	58.5%
Operating income margin	5.6%	1.6%
Group total revenue as a % of consolidated revenue	8.1%	8.5%

CIMCO had a good start to the year with the advancement on construction schedules and increased product support activity. Operating income increased on higher revenues and higher gross margins partially offset by higher expenses.

Package sales increased \$8.9 million or 29% versus the first quarter of last year. Industrial market revenue was up 37%, with higher activity in both Canada and the US. Recreational market revenue was comparable with last year in both markets. 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).

Product support revenue increased \$3.5 million or 8% versus the first quarter of last year on higher activity levels in both Canada (up 4%) and the US (up 25%). Activity levels continued to improve, reflective of market conditions and increased labour capacity.

Gross profit margin increased 340 basis points versus the first quarter of last year to 22.3%. Package margins were up 380 bps, on improved execution and the nature of projects in process. Product support margins increased 50 bps on improved execution on fixed rate contracts and higher market activity. An unfavourable sales mix reduced margins by 90 bps, reflecting a lower proportion of product support revenue to total revenue.

Selling and administrative expenses increased \$1.6 million or 12% versus the first quarter of last year. Allowance for doubtful accounts increased \$1.1 million on a larger balance of aged receivables and slower collections. Compensation costs increased due to an increase in head count, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditure such as travel and training expenses increased to support activity and staffing levels. Expenditure control measures on discretionary spend remained in effect. As a percentage of revenue, selling and administrative expenses were lower at 16.7% in the current period versus 17.3% in the similar period last year, reflecting the higher revenue.

Operating income increased by \$3.7 million or 320% in the first quarter of 2023, reflecting improved gross margins and higher revenue. Operating income as percentage of revenue increased 400 bps to 5.6% compared to the first quarter of last year.

Bookings and Backlog

(\$ millions)	2023		2022	\$ change	% change
Bookings – three months ended March 31	\$	40.2	\$ 39.8	\$ 0.4	1 %
Backlog – as at March 31	\$	199.1	\$ 169.6	\$ 29.5	17 %

Bookings increased \$0.4 million or 1% to \$40.2 million in the first quarter of 2023. Industrial bookings were down 14% with a decrease in Canada (-31%), being partially offset with an increase in the US (+61%), mainly led by a decline in market activity in our Quebec region. Recreational bookings were up 23%, with good orders in the US, up 103%, slightly offset by a decrease in Canada, down 8%.

Backlog of \$199.1 million increased \$29.5 million or 17% compared to the same time last year. Recreational backlog was up 45% in both Canada (up 21%) and the US (up 70%), reflecting good order intake last year, and some deferral or delay in construction schedules resulting from supply chain constraints. Industrial backlog

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

decreased 3%, with a decrease in Canada (down 6%), offset slightly by an increase in the US (up 14%). Approximately 85% 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 March 31, 2023, the ratio of net debt to total capitalization⁽¹⁾ was -1% (net cash position), compared to -14% at December 31, 2022, and -8% at March 31, 2022.

Non-cash Working Capital

The Company's investment in non-cash working capital was \$848.0 million at March 31, 2023. The major components, along with the changes from prior periods, are identified in the following table.

(\$ thousands)	March 31		Change		December 31		Change	
	2023	March 31 2022	\$	%	2022	\$	%	
Accounts receivable	\$ 549,060	\$ 480,555	\$ 68,505	14 %	\$ 579,682	\$ (30,622)	(5)%	
Inventories	1,142,751	837,028	305,723	37 %	1,025,759	116,992	11 %	
Other current assets	17,901	22,348	(4,447)	(20)%	17,444	457	3 %	
Accounts payable and accrued liabilities	(544,557)	(534,078)	(10,479)	2 %	(658,980)	114,423	(17)%	
Provisions	(27,471)	(25,005)	(2,466)	10 %	(27,653)	182	(1)%	
Income tax recoverable (payable)	6,864	7,572	(708)	(9)%	(28,653)	35,517	nm	
Derivative financial instruments	8,648	(12,796)	21,444	nm	18,530	(9,882)	(53)%	
Dividends payable	(35,413)	(32,164)	(3,249)	10 %	(32,104)	(3,309)	10 %	
Deferred revenue and contract liabilities	(269,757)	(235,634)	(34,123)	14 %	(309,349)	39,592	(13)%	
Total non-cash working capital	\$ 848,026	\$ 507,826	\$ 340,200	67 %	\$ 584,676	\$ 263,350	45 %	

Accounts receivable increased 14% from March 31, 2022, mainly reflecting the 23% increase in revenue in the quarter, offset by focused collection activity. Days sales outstanding ("DSOs") decreased 3 days to 37 days overall, reflecting an improvement in both groups, with the Equipment Group DSO down 2 days and CIMCO DSO down 12 days. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2022, accounts receivable decreased 5%, reflecting lower trailing revenues and good collections. DSO was 42 days at December 31, 2022.

Inventories at March 31, 2023 increased 37% compared to March 31, 2022:

- Equipment Group inventories were up \$300.0 million or 37%, with increased equipment (up \$177.3 million or 37%), service work-in-process (up \$12.4 million or 13%), and parts (up \$110.3 million or 46%). Inventory levels increased as a result of improving availability through the supply chain for both equipment and parts, higher activity levels, as well as recent price increases. Work-in-process levels reflect higher activity levels, including rebuilds, and some continuing delays from supply chain delays.
- CIMCO inventories were up \$5.7 million or 23%. Parts inventory increased \$1.3 million or 28% on higher activity and recent price increases. Work-in-process levels increased \$4.4 million (up 22%), reflecting timing of project construction schedules.

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

Inventories at March 31, 2023 were 11% higher compared to December 31, 2022, with an increase in the Equipment Group, offset by a decrease at CIMCO:

- Equipment Group inventories were up \$122.2 million or 12% higher with increases in equipment (up \$90.7 million or 16%), service work-in-progress (up \$15.0 million or 17%), and parts inventories (up \$16.5 million or 5%). 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. Pandemic and economic factors as well as supply chain constraints have altered this pattern over the past two years.
- CIMCO inventories were down \$5.2 million or 15% predominantly driven by lower work-in-process levels (down \$5.1 million or 17%), along with parts inventories (down \$0.2 million or 4%) reflecting the progression of construction schedules.

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 March 31, 2023, were 2% higher than at March 31, 2022, reflecting higher activity levels and higher profit sharing accruals on higher earnings, partially offset by the lower DSU liability (lower number of units and lower share price).

In comparison to December 31, 2022, accounts payable and accrued liabilities decreased 17%, mainly reflecting the timing of purchase and payment for inventory and other supplies and the payment of annual performance bonuses.

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 gain of \$8.6 million as at March 31, 2023. This is not expected to affect net earnings as the unrealized gains will offset future losses on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to March 31 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 first 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; sales of equipment with residual value guarantees; and, customer deposits for equipment to be delivered in the future. As at March 31, 2023, these were up 14.5% versus March 31, 2022 largely related to progress billings and customer deposits for future deliveries. Compared to December 31, 2022, deferred revenues were down 14.4% reflecting equipment delivery against customer orders, thereby utilizing deposits.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages and vary depending on timing of billings compared to customer's construction schedules. As at March 31, 2023, these were up 14.6% versus March 31, 2022, and up 0.7% 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.

Long-term Incentive Plan ("LTIP")

During the quarter, 7,153 restricted share units ("RSUs") and 29,714 performance share units ("PSUs") were granted under the LTIP. A total of 14,344 RSUs and 57,963 PSUs have been granted under the LTIP as at March 31, 2023, including reinvested dividends. LTIP expense of \$510 thousand was included in selling and administrative expenses with a credit to contributed surplus.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,360,231 common shares and 2,094,165 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)
Jun 9, 2021	Jul. 5, 2021	\$0.35	\$28.9
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

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 July 5, 2023 to shareholders on record on June 9, 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.

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

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 March 31, 2023, December 31, 2022 and March 31, 2022.

Standby letters of credit issued utilized \$30.4 million of the facility as at March 31, 2023 (December 31, 2022 – \$28.9 million and March 31, 2022 – \$32.7 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 March 31	
	2023	2022
Cash and cash equivalents, beginning of period	\$ 927,780	\$ 916,830
Cash, provided by (used in):		
Operating activities		
Operations	128,455	91,021
Change in non-cash working capital and other	(272,345)	(150,907)
Net rental fleet additions	(57,261)	(22,361)
	(201,151)	(82,247)
Investing activities	(19,489)	(11,022)
Financing activities	(31,694)	(27,731)
Effect of foreign exchange on cash and cash equivalents balances	(6)	(99)
Decrease in cash and cash equivalents during the period	(252,340)	(121,099)
Cash and cash equivalents, end of period	\$ 675,440	\$ 795,731

Cash Flows from Operating Activities

Operating activities utilized cash in both the first quarter of 2023 and the comparable period last year, a typical seasonal trend.

Cash generated from operations increased 41% from the comparable period last year primarily on the higher net earnings, which increased 61%.

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

Non-cash working capital and other used cash in the first quarter of 2023, as operations prepare for the busier selling season and in support of certain customer orders. Inventory levels increased in the first quarter, using cash, a normal seasonal trend. Payments against accounts payable, including income taxes and annual bonus payments also used cash. Payments from customers reduced accounts receivable and provided cash in the quarter. Non-cash working capital used cash in 2022, on largely similar reasons.

Net rental fleet additions (purchases less proceeds of dispositions) increased by \$34.9 million in the first quarter of 2023 compared to the comparable period last year. The Company continued to increase investment in both the heavy and light equipment rental fleets across Eastern Canada, reflective of improved market activity and supply 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 \$27.2 million in the first quarter of 2023 (2022 – \$11.2 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business – \$14.5 million (2022 – \$5.1 million); and
- Normal replacement of service and delivery vehicles – \$9.7 million (2022 – \$4.7 million).

During the quarter, the Company sold an excess property for gross proceeds of \$7.4 million resulting in a capital gain of \$3.5 million or \$3.1 million after-tax.

Cash Flows from Financing Activities

During the first quarter of 2023, the Company used \$31.7 million (2022 – used \$27.7 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$32.1 million or \$0.39 per share (2022 – \$28.9 million or \$0.35 per share);
- Cash received on exercise of share options of \$2.5 million (2022 – \$3.5 million);
- Lease liability payments of \$2.1 million (2022 – \$2.4 million).

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, resulting in extended delivery schedules for equipment and repairs. We continue to actively manage supply chain constraints by taking appropriate mitigation steps.

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

We continue to monitor developments, economic and inflationary, and potential impacts related to the pandemic, remaining focused on the health and safety of our employees and 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 CO₂ 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. 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>	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
REVENUE								
Equipment Group	\$ 975,308	\$1,054,419	\$1,045,493	\$ 993,214	\$ 786,627	\$ 866,970	\$ 914,386	\$1,016,545
CIMCO	85,957	95,678	94,106	87,683	73,516	89,065	82,812	110,521
Total revenue	\$1,061,265	\$1,150,097	\$1,139,599	\$1,080,897	\$ 860,143	\$ 956,035	\$ 997,198	\$1,127,066
NET EARNINGS	\$ 96,004	\$ 159,862	\$ 123,123	\$ 111,681	\$ 59,532	\$ 105,590	\$ 93,764	\$ 85,400
PER SHARE INFORMATION:								
Basic earnings per share	\$ 1.17	\$ 1.94	\$ 1.50	\$ 1.35	\$ 0.72	\$ 1.28	\$ 1.13	\$ 1.03
Diluted earnings per share	\$ 1.16	\$ 1.93	\$ 1.49	\$ 1.34	\$ 0.72	\$ 1.27	\$ 1.12	\$ 1.02
Dividends paid per share	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.31
Weighted average common shares outstanding – basic (in thousands)	82,333	82,279	82,183	82,433	82,467	82,401	82,705	82,587

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 three-month period ending March 31, 2023.

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 months ended March 31, 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 earnings before interest expense, interest and investment income and income taxes and is used by management to assess and evaluate the financial performance of its operating segments. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments do not correspond to income tax jurisdictions and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

(\$ thousands)	Three months ended March 31	
	2023	2022
Net earnings	\$ 96,004	\$ 59,532
<i>plus:</i> Interest expense	6,906	6,686
<i>less:</i> Interest and investment income	(10,493)	(2,617)
<i>plus:</i> Income taxes	35,096	22,522
Operating income	\$ 127,513	\$ 86,123
Total revenue	\$ 1,061,265	\$ 860,143
Operating income margin	12.0%	10.0%

Net Debt to Total Capitalization/Equity

Net debt to total capitalization/equity are calculated as net debt divided by total capitalization and shareholders' equity, respectively, as defined below, and are used by management as measures of the Company's financial leverage.

Net debt is calculated as long-term debt plus current portion of long-term debt less cash and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

TOROMONT INDUSTRIES LTD.
Management Discussion and Analysis – 2023 Q1

The calculations are as follows:

<i>(\$ thousands)</i>	March 31 2023	December 31 2022	March 31 2022
Long-term debt	\$ 647,241	\$ 647,060	\$ 646,518
<i>less:</i> Cash and cash equivalents	675,440	927,780	795,731
Net debt	(28,199)	(280,720)	(149,213)
Shareholders' equity	2,389,157	2,325,359	1,998,258
Total capitalization	\$ 2,360,958	2,044,639	1,849,045
Net debt to total capitalization	(1)%	(14)%	(8)%
Net debt to equity	(0.01):1	(0.12):1	(0.07):1

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 with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with IFRS.

Working Capital

Working capital is defined as total current assets less total current liabilities. Management views working capital as a measure for assessing overall liquidity.

<i>(\$ thousands)</i>	March 31 2023	December 31 2022	March 31 2022
Total current assets	\$ 2,402,514	\$ 2,569,195	\$ 2,143,470
<i>less:</i> Total current liabilities	879,048	1,056,739	839,913
Working capital	\$ 1,523,466	\$ 1,512,456	\$ 1,303,557

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>	March 31 2023	December 31 2022	March 31 2022
Total current assets	\$ 2,402,514	\$ 2,569,195	\$ 2,143,470
less: Cash and cash equivalents	675,440	927,780	795,731
	1,727,074	1,641,415	1,347,739
Total current liabilities	879,048	1,056,739	839,913
Non-cash working capital	\$ 848,026	\$ 584,676	\$ 507,826

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>	March 31 2023	December 31 2022	March 31 2022
Outstanding common shares	82,360,231	82,318,159	82,522,223
times: Ending share price	\$ 110.93	\$ 97.71	\$ 118.51
Market capitalization	\$ 9,136,220	\$ 8,043,307	\$ 9,779,709
Long-term debt	\$ 647,241	\$ 647,060	\$ 646,518
less: Cash and cash equivalents	675,440	927,780	795,731
Net debt	\$ (28,199)	\$ (280,720)	\$ (149,213)
Total enterprise value	\$ 9,108,021	\$ 7,762,587	\$ 9,630,496

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 before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity, also referred to as total capitalization.

	Trailing twelve months ended		
	March 31 2023	December 31 2022	March 31 2022
<i>(\$ thousands)</i>			
Net earnings	\$ 490,670	\$ 454,198	\$ 344,286
<i>plus:</i> Interest expense	27,558	27,338	27,670
<i>less:</i> Interest and investment income	(30,108)	(22,232)	(9,641)
<i>plus:</i> Interest income – rental conversions	4,352	4,760	2,624
<i>plus:</i> Income taxes	177,439	164,865	129,528
Adjusted net earnings	\$ 669,911	\$ 628,929	\$ 494,467
Average capital employed	\$ 2,065,882	\$ 1,944,501	\$ 1,801,398
Return on capital employed	32.4%	32.3%	27.4%

Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings 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		
	March 31 2023	December 31 2022	March 31 2022
<i>(\$ thousands)</i>			
Net earnings	\$ 490,671	\$ 454,198	\$ 344,286
Opening shareholder's equity (net of adjustments)	\$ 1,969,837	\$ 1,935,365	\$ 1,746,111
Return on equity	24.9%	23.5%	19.7%