

# TOROMONT

For immediate release

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

Toronto, Ontario (April 27, 2023) – Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the first quarter ended March 31, 2023.

(\$ millions, except per share amounts)	Three months ended March 31		
	2023	2022	% change
Revenue	\$ 1,061.3	\$ 860.1	23 %
Operating income	\$ 127.5	\$ 86.1	48 %
Net earnings	\$ 96.0	\$ 59.5	61 %
Basic earnings per share ("EPS")	1.17	0.72	63 %

"We are pleased with the solid start to the year, buoyed in part by a solid opening order backlog," 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 improved in the quarter on project construction and higher product support activity. Across the organization, we remain committed to our operating disciplines, driving our after-market strategies and delivering customer solutions."

### HIGHLIGHTS:

#### Consolidated Results

- Revenue increased \$201.1 million (23%) to \$1.1 billion for the quarter. Revenue increased in both groups, with the Equipment Group up 24%, compared to last year on higher equipment sales (+33%), product support (+20%) and rental activity (+6%), while CIMCO was up 17% versus the first quarter last year, on higher package revenue (+29%) and product support activity levels (+8%).
- Operating income increased 48% in the quarter, and was 12% of revenue compared to 10% in the similar period last year, reflecting a lower relative expense ratio.
- During the quarter, a vacant property was sold for \$7.4 million, resulting in an after-tax gain of \$3.1 million (\$0.04 per share basic).
- For the quarter, net earnings increased \$36.5 million or 61% to \$96.0 million, or \$1.17 EPS (basic) and \$1.16 EPS (fully diluted).

- Bookings<sup>(1)</sup> decreased 33% compared to the similar period last year. Equipment Group booking decreased against a tough comparable which included several large orders, exacerbated by cautious market ordering during the uncertain economic environment. CIMCO bookings increased on solid demand for our products and services. A number of factors previously reported have impacted booking activity over the past several years, over-riding typical seasonality.
- Backlog<sup>(1)</sup> was \$1.2 billion as at March 31, 2023, compared to \$1.5 billion as at March 31, 2022, reflecting progress on construction and delivery schedules as well as some improvement in general equipment flow through the supply chain.

## **Equipment Group**

- Revenue was up \$188.7 million or 24% to \$1.0 billion for the quarter, across all geographical markets and revenue streams, except for used equipment sales. New equipment sales increased on the delivery against the opening order backlog, reflecting improving inventory supply and also customer delivery schedules for sites. Rental revenue increased due to higher market activity and an expanded heavy and light equipment fleet. Product support saw strong activity, up in both parts and service.
- Operating income increased \$37.7 million or 44% to \$122.7 million in the quarter, reflecting the higher revenue and gross margins, coupled with lower relative expense levels. Operating income margin increased 180 bps to 12.6%.
- Bookings in 2023 were \$0.4 billion, a decrease of \$200.6 million or 35% versus prior year, reflecting in part a tough comparable, with an extended period of strong industry activity, as well as several large specific customer orders. Additionally, the uncertain economic environment is leading to cautious investing behaviors across the industries we serve.
- Backlog of \$1.0 billion at the end of March 2023 was down \$355.4 million or 26% from the end of March 2022, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. Approximately 80% of the backlog is expected to be delivered in 2023, subject to timing of receipt of equipment from suppliers.

## **CIMCO**

- Revenue increased \$12.4 million or 17% to \$86.0 million for the quarter on higher package revenue (up 29%), mainly lead by an increase in the industrial market, while the recreational market remained relatively flat compared to the same period last year. Product support sales also increased (up 8%) on higher activity in both Canada and the US. The timing of construction schedules continues to be impacted by supply chain constraints, affecting the comparability of reported package revenue between periods.

- Operating income was up \$3.7 million or 320% to \$4.9 million for the quarter, reflecting improved gross margins and higher revenue. Operating income margin increased to 5.6% (2022 – 1.6%).
- Bookings increased 1% to \$40.2 million in the first quarter of 2023. Recreational orders were up 23%, with higher orders in the US being slightly offset by weaker orders in Canada. Industrial orders were down 14%, mainly on weaker orders in Canada, partially offset by increased US orders.
- Backlog of \$199.1 million at March 31, 2023 was up \$29.5 million or 17% 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 was marginally down, with a decrease in Canada, being slightly offset by an increase in the US. Approximately 85% 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 \$110.93 at the end of March 2023, translates to a market capitalization<sup>(1)</sup> and a total enterprise value<sup>(1)</sup> of \$9.1 billion.
- The Company maintained a strong financial position. Leverage as represented by the net debt to total capitalization<sup>(1)</sup> ratio was -1% at the end of March 2023, compared to -14% at the end of December 2022 and -8% at the end of March 2022. Leverage reduced as significant investments were made in working capital and capital assets in order to support current and future activity levels.
- The Board of Directors approved a quarterly dividend of \$0.43 cents per share, payable on July 5, 2023 to shareholders on record on June 9, 2023.
- The Company's return on equity<sup>(1)</sup> was 24.9% at the end of March 2023, on a trailing twelve-month basis, compared to 23.5% at the end of December 2022 and 19.7% at the end of March 2022. Trailing twelve month pre-tax return on capital employed<sup>(1)</sup> was 32.4% at the end of March 2023, compared to 32.3% at the end of December 2022 and 27.4% at the end of March 2022.
- 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.

"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 technology 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 months ended March 31, 2023 compared to the three months ended March 31, 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 months ended March 31, 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.

## **ANNUAL MEETING OF SHAREHOLDERS**

The Company will be holding its Annual Meeting of Shareholders in a virtual-only format, via live audio webcast on Friday, April 28, 2023, at 10:00 a.m. (EDT). Shareholders and other interested parties can attend the Annual Shareholders' Meeting virtually by going to <https://web.lumiagm.com/485110321> (password "toromont2023"). The meeting will also be available via live audio webcast at [www.toromont.com](http://www.toromont.com).

## **QUARTERLY CONFERENCE CALL AND WEBCAST**

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Friday, April 28, 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 31665224. A replay of the conference call will be available until Friday, May 5, 2023 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 665224. 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 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.

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

(\$ 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
<b>Operating income</b>	<b>\$ 127,513</b>	<b>\$ 86,123</b>
Total revenue	\$ 1,061,265	\$ 860,143
<b>Operating income margin</b>	<b>12.0%</b>	<b>10.0%</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)	March 31	December 31	March 31
	2023	2022	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
<b>Total capitalization</b>	<b>\$ 2,360,958</b>	<b>\$ 2,044,639</b>	<b>\$ 1,849,045</b>
<b>Net debt to total capitalization</b>	<b>(1)%</b>	<b>(14)%</b>	<b>(8)%</b>
<b>Net debt to equity</b>	<b>(0.01):1</b>	<b>(0.12):1</b>	<b>(0.07):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>March 31 2023</b>	December 31 2022	March 31 2022
Outstanding common shares	<b>82,360,231</b>	82,318,159	82,522,223
<i>times: Ending share price</i>	<b>\$ 110.93</b>	\$ 97.71	\$ 118.51
<b>Market capitalization</b>	<b>\$ 9,136,220</b>	\$ 8,043,307	\$ 9,779,709
Long-term debt	<b>\$ 647,241</b>	\$ 647,060	\$ 646,518
<i>less: Cash and cash equivalents</i>	<b>675,440</b>	927,780	795,731
<b>Net debt</b>	<b>\$ (28,199)</b>	\$ (280,720)	\$ (149,213)
<b>Total enterprise value</b>	<b>\$ 9,108,021</b>	\$ 7,762,587	\$ 9,630,496

## 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.

(\$ thousands)	Trailing twelve months ended		
	March 31 2023	December 31 2022	March 31 2022
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
<b>Return on capital employed</b>	<b>32.4%</b>	<b>32.3%</b>	<b>27.4%</b>

## 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.

(\$ thousands)	Trailing twelve months ended		
	March 31 2023	December 31 2022	March 31 2022
Net earnings	\$ 490,671	\$ 454,198	\$ 344,286
Opening shareholder's equity (net of adjustments)	\$ 1,969,837	\$ 1,935,365	\$ 1,746,111
<b>Return on equity</b>	<b>24.9%</b>	<b>23.5%</b>	<b>19.7%</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, a complementary material handling business and an agricultural equipment 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 March 31	
	2023	2022
<i>(\$ thousands, except share amount)</i>		
<b>Revenue</b>	<b>\$ 1,061,265</b>	<b>\$ 860,143</b>
Cost of goods sold	<b>796,249</b>	646,636
Gross profit	<b>265,016</b>	213,507
Selling and administrative expenses	<b>137,503</b>	127,384
<b>Operating income</b>	<b>127,513</b>	86,123
Interest expense	<b>6,906</b>	6,686
Interest and investment income	<b>(10,493)</b>	(2,617)
Income before income taxes	<b>131,100</b>	82,054
Income taxes	<b>35,096</b>	22,522
<b>Net earnings</b>	<b>\$ 96,004</b>	<b>\$ 59,532</b>
<b>Earnings per share</b>		
Basic	<b>\$ 1.17</b>	\$ 0.72
Diluted	<b>\$ 1.16</b>	\$ 0.72
<b>Weighted average number of shares outstanding</b>		
Basic	<b>82,333,111</b>	82,466,525
Diluted	<b>83,008,699</b>	83,257,204