## 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 nine months ended September 30, 2024, 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 nine months ended September 30, 2024, the annual MD&A contained in the 2023 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2023.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting,* and are reported in Canadian dollars. The information in this MD&A is current to November 4, 2024.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2023 Annual Report and the 2024 Annual Information Form. These filings are available on SEDAR at www.sedarplus.ca 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.

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 herein. 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 under the heading "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.sedarplus.ca 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.

## BUSINESS COMBINATION

On September 9, 2024, the Company acquired the rental business and net operating assets of Tri-City Equipment Rentals ("Tri-City"), an industry leader in heavy equipment rentals with operations in Southwestern Ontario. The acquisition expands Toromont Cat's heavy rents business to better serve our customer base.

The acquisition was accounted for as a business combination and the results of Tri-City have been included in the Equipment Group from the date of acquisition. The revenue and net income for the 21-day period ended September 30, 2024 were not significant. We anticipate that the acquisition will have a positive, accretive impact on future results.

For further information, refer to note 3 "Business Combination" in the notes to the interim condensed consolidated financial statements.

## CONSOLIDATED OPERATING RESULTS

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| *($ thousands, except per share amounts)* | **2024** | 2023 | $ change | % change | **2024** | 2023 | $ change | % change |
| **REVENUE** | **$ 1,337,992** | $ 1,174,045 | $ 163,947 | 14 % | **$ 3,714,210** | $ 3,395,364 | $ 318,846 | 9 % |
| Cost of goods sold | **1,010,202** | 838,545 | 171,657 | 20 % | **2,807,347** | 2,479,418 | 327,929 | 13 % |
| Gross profit (1) | **327,790** | 335,500 | (7,710) | (2)% | **906,863** | 915,946 | (9,083) | (1)% |
| Selling and administrative expenses | **152,891** | 142,414 | 10,477 | 7 % | **447,858** | 416,273 | 31,585 | 8 % |
| **OPERATING INCOME (1)** | **174,899** | 193,086 | (18,187) | (9)% | **459,005** | 499,673 | (40,668) | (8)% |
| Interest expense | **7,202** | 7,053 | 149 | 2 % | **21,240** | 20,976 | 264 | 1 % |
| Interest and investment income | **(11,662)** | (11,747) | 85 | (1)% | **(43,049)** | (32,850) | (10,199) | 31 % |
| Income before income taxes | **179,359** | 197,780 | (18,421) | (9)% | **480,814** | 511,547 | (30,733) | (6)% |
| Income taxes | **48,408** | 52,161 | (3,753) | (7)% | **130,594** | 136,492 | (5,898) | (4)% |
| **Net income from continuing operations** | **$ 130,951** | $ 145,619 | $ (14,668) | (10)% | **$ 350,220** | $ 375,055 | $ (24,835) | (7)% |
| **Net income from discontinued operations** | **—** | — | — | — % | **—** | 5,605 | (5,605) | nm |
| **NET EARNINGS** | **$ 130,951** | $ 145,619 | $ (14,668) | (10)% | **$ 350,220** | $ 380,660 | $ (30,440) | (8)% |
| | | | | | | | | |
| **BASIC EARNINGS PER SHARE** | | | | | | | | |
| Continuing operations | **$ 1.60** | $ 1.77 | $ (0.17) | (10)% | **$ 4.27** | $ 4.56 | $ (0.29) | (6)% |
| Discontinued operations | **$ —** | $ — | $ — | — % | **—** | 0.07 | (0.07) | nm |
| | **$ 1.60** | $ 1.77 | $ (0.17) | (10)% | **$ 4.27** | $ 4.63 | $ (0.36) | (8)% |
| **KEY RATIOS:** | | | | | | | | |
| Gross profit margin (1) | **24.5%** | 28.6% | | | **24.4%** | 27.0% | | |
| Selling and administrative expenses as a % of revenue | **11.4%** | 12.1% | | | **12.1%** | 12.3% | | |
| Operating income margin (1) | **13.1%** | 16.4% | | | **12.4%** | 14.7% | | |
| Income taxes as a % of income before income taxes | **27.0%** | 26.4% | | | **27.2%** | 26.7% | | |

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

Results for the third quarter of 2024 reflected good growth in revenue, with new equipment deliveries and execution against order backlog and project schedules. Gross profit margins were lower compared to prior year, on sales mix, with a lower percentage of product support revenue to total, and against a tough comparator in the Equipment Group last year given market dynamics in play at that time. Operating income was down 9% compared to the strong results last year.

Revenue increased $163.9 million or 14% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenue increased 14% in the quarter lead by higher new equipment sales, coupled with higher product support and rental activity, slightly offset by lower used equipment and power systems revenue. CIMCO revenue increased 17% in the quarter on strong package revenue, partially dampened by lower product support activity levels.

Revenue for the year-to-date period increased 9% from the comparable period last year to $3.7 billion. Equipment Group revenue increased 9% compared to last year on higher new equipment sales and strong product support activity. CIMCO revenue increased 14% versus last year, on higher package revenue and product support activity.

Gross profit margin decreased 410 basis points ("bps") in the quarter to 24.5% and decreased 260 bps to 24.4% year-to-date versus the comparable periods last year. Equipment Group margins decreased in both the quarter and year-to-date, on an unfavourable sales mix with a lower proportion of product support revenue to total, coupled with lower equipment, rental and product support margins. CIMCO margins decreased in the quarter, mainly due to sales mix, and increased year-to-date, reflecting good execution in both packages and product support. The unfavourable sales mix accounted for 140 bps decrease in margin in the quarter and 90 bps decrease in the year-to-date. Equipment Group gross profit margin on prime equipment sales and rentals were lower reflecting market dynamics in play.

Selling and administrative expenses increased $10.5 million or 7% in the quarter compared to last year. Compensation costs were approximately $1.0 million higher year over year, reflective of regular salary increases largely offset by lower profit sharing accruals on the lower income. Salaried headcount is largely unchanged year over year. Sales-related expenses increased $3.2 million year over year, reflecting the higher activity levels. All other expenses such as travel, training, occupancy and information technology costs have increased on continued investment for future growth and inflationary effects. Bad debt expense increased $0.2 million compared to the similar period last year, with a focus on collections. Mark-to-market ("MTM") adjustments on deferred share units ("DSUs") resulted in a $2.0 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 $31.6 million or 8% compared to the similar period last year. Compensation costs increased approximately $10.8 million, reflecting higher staffing levels, regular salary increases, partially offset by lower profit sharing accruals on the lower income. Sales related expenses increased $8.0 million year over year, reflecting the higher activity levels. Other expenses such as travel, training, occupancy and information technology costs have increased on continued investment for future growth and inflationary effects. Bad debt expense increased $1.1 million compared to the similar period last year, which was a tough comparable on good recoveries. MTM adjustments on DSUs resulted in a $1.4 million increase in expense, as a result of the higher share price. In 2023, a property disposition reduced expenses by $3.5 million. Selling and administrative expenses were 20 basis points lower as a percentage of revenue (12.1% versus 12.3% last year).

Operating income decreased $18.2 million or 9% in the quarter to $174.9 million and decreased $40.7 million or 8% to $459.0 million year-to-date, as the higher revenue was more than offset by lower gross margins and higher expenses. Operating income as a percentage of revenue decreased 230 bps in the year-to-date period (12.4% versus 14.7% last year), primarily on the lower gross margins.

Interest expense was largely unchanged at $7.2 million in the quarter and $21.2 million year-to-date.

Interest and investment income decreased $0.1 million in the quarter and increased $10.2 million year-to-date. Interest income includes interest earned on cash deposits and interest bearing investments.

The effective income tax rate was 27.0% in the quarter and 27.2% on a year-to-date basis, compared to 26.4% and 26.7% respectively in 2023.

Net earnings (excluding discontinued operations) decreased $14.7 million or 10% to $131.0 million for the quarter and decreased $24.8 million or 7% to $350.2 million year-to-date. Basic earnings per share ("EPS") (excluding discontinued operations) decreased 10% to $1.60 for the quarter and decreased 6% to $4.27 year-to-date, reflecting the change in net earnings.

The Company reported an other comprehensive loss of $5.7 million in the third quarter of 2024. This included an actuarial loss on post-employment benefit plans of $1.5 million after-tax for the quarter. This loss reflects changes in the actuarial valuation, as well as changes in the fair value of pension plan assets. Other comprehensive loss also included a unfavourable net change in the fair value of cash flow hedges of $3.7 million after tax for the quarter. 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.

In the third quarter of 2023, other comprehensive income was $19.8 million, which included an actuarial gain of $12.0 million and a favourable net change in the fair value of cash flow hedges of $7.2 million.

## 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. The discontinued operation was previously reported in the Equipment Group results.

### Equipment Group

| | **Three months ended September 30** | | | | **Nine months ended September 30** | | | |
|---|---|---|---|---|---|---|---|---|
| *($ thousands)* | **2024** | 2023 | $ change | % change | **2024** | 2023 | $ change | % change |
| Equipment sales and rentals | | | | | | | | |
| New | **$ 535,468** | $ 394,799 | $ 140,669 | 36 % | **$ 1,424,614** | $ 1,167,201 | $ 257,413 | 22 % |
| Used | **75,706** | 80,177 | (4,471) | (6)% | **228,123** | 233,090 | (4,967) | (2)% |
| Rentals | **142,835** | 138,925 | 3,910 | 3 % | **349,210** | 353,832 | (4,622) | (1)% |
| Total equipment sales and rentals | **754,009** | 613,901 | 140,108 | 23 % | **2,001,947** | 1,754,123 | 247,824 | 14 % |
| Product support | **454,035** | 448,891 | 5,144 | 1 % | **1,364,367** | 1,333,578 | 30,789 | 2 % |
| Power generation | **2,777** | 2,823 | (46) | (2)% | **8,301** | 8,514 | (213) | (3)% |
| **Total revenue** | **$ 1,210,821** | $ 1,065,615 | $ 145,206 | 14 % | **$ 3,374,615** | $ 3,096,215 | $ 278,400 | 9 % |
| **Operating income** | **$ 159,528** | $ 180,426 | $ (20,898) | (12)% | **$ 423,526** | $ 472,320 | $ (48,794) | (10)% |
| **KEY RATIOS:** | | | | | | | | |
| Product support revenue as a % of total revenue | **37.5%** | 42.1% | | | **40.4%** | 43.1% | | |
| Operating income margin | **13.2%** | 16.9% | | | **12.6%** | 15.3% | | |
| Group total revenue as a % of consolidated revenue | **90.5%** | 90.8% | | | **90.9%** | 91.2% | | |

Revenue in the Equipment Group increased in the third quarter compared to last year, with solid equipment deliveries against order backlog. Rental revenue recovered slightly in the quarter with higher activity in light equipment, while used equipment sales declined on lower rental dispositions. Operating income declined versus the prior year, as expected, given a strong comparator which reflected market dynamics in play at that time, and an unfavourable sales mix in the current year.

Total equipment sales (new and used) increased $136.2 million or 29% in the quarter and increased $252.4 million or 18% year-to-date, reflecting inflow and delivery of equipment against order backlog. New equipment sales increased 36% in the quarter and 22% year-to-date, across all market segments, except for material handling, and in most regions. Used equipment sales decreased 6% in the quarter and decreased 2% year-to-date. Both rental fleet dispositions and sales of used equipment from trades and purchases have decreased, reflecting shifting supply and demand dynamics. Overall, the change in total equipment sales revenue by market segments were as follows for the quarter (year-to-date): construction markets up 2% (+6%), mining up 118% (+60%), power systems up 17% (+24%), and material handling down 9% (-20%).

Rental revenue increased $3.9 million (+3%) in the quarter and decreased $4.6 million (-1%) year-to-date. Except for the light equipment fleet, which saw some improvement for the quarter, most market sectors and regions were down for the quarter and on a year-to-date basis, generally reflecting persisting softer market conditions, principally in residential construction. Revenue changed quarter over quarter (year-to-date) in each market as follows: heavy equipment fleet was 12% lower (-10%), light equipment fleet was 9% higher (-1%); power rentals down 14% (-6%); and material handling rentals down 6% (-8%). Revenue from the RPO fleet (rent with a purchase option) were relatively unchanged in the quarter (up 24% year-to-date), reflecting a larger fleet of $81.1 million at September 30, 2024 versus $55.3 million at September 30, 2023.

Product support revenue increased $5.1 million or 1% in the quarter and increased $30.8 million or 2% year-to-date. Parts revenue decreased 1% in the quarter and was relatively unchanged year-to-date on market activity and product support sales mix. Service revenue increased in both the quarter (+8%) and year-to-date (+9%) on the higher technician workforce. Product support revenue change by market in the quarter (first nine months of the year) was as follows: construction markets down 4% (relatively unchanged), mining up 7% (+5%), power systems up 3% (+2%) and material handling down 3% (-1%).

Gross profit margins decreased 440 bps in the quarter and decreased 290 bps year-to-date compared to the same periods last year. Sales mix was unfavourable with a lower proportion of product support to total revenue in both the quarter and year-to-date, dampening margin 140 bps and 80 bps respectively. Equipment margins were down 190 bps in the quarter (down 80 bps year-to-date) as expected given market dynamics in play. Rental margins were down 120 bps in the quarter (down 110 bps year-to-date) on lower fleet utilization. Product support margins were up 10 bps in the quarter (down 20 bps year-to-date) reflecting nature of work and sales mix.

Selling and administrative expenses increased $8.6 million or 7% in the quarter, and increased $25.8 million or 7% for the first nine months of 2024, reflecting the higher revenue. Compensation costs were higher in both periods reflecting staffing levels and regular salary increases, partially offset by lower profit sharing accruals on the lower income. Other expenses such as training, travel and occupancy costs have increased in light of sales levels, planned investment and inflation. Selling and administrative expenses were 20 basis points lower as a percentage of revenue on a year-to-date basis (11.7% versus 11.9% last year).

Operating income decreased $20.9 million or 12% to $159.5 million in the quarter and decreased $48.8 million or 10% to $423.5 million for the year-to-date, reflecting the higher revenue, more than offset by lower gross margins and higher expenses. Operating income as a percentage of revenue was 12.6% on a year-to-date basis, reflecting the lower gross margins.

### Bookings and Backlog

| *($ millions)* | **2024** | 2023 | $ change | % change |
|---|---|---|---|---|
| Bookings – three months ended September 30 | **$ 367.5** | $ 322.8 | $ 44.7 | 14 % |
| Bookings – nine months ended September 30 | **$ 1,499.1** | $ 1,339.4 | $ 159.7 | 12 % |
| Backlog – as at September 30 | **$ 803.7** | $ 971.1 | $ (167.4) | (17)% |

New bookings increased $44.7 million or 14% in the third quarter, across all markets, except mining. Construction markets were active, with bookings up 15%, reflecting a continuing evolution towards more normalized supply and demand dynamics. Power systems order activity was strong up 81% and material handling order intake was 55% higher in the quarter. Mining markets are lumpy due to the nature of the business and were down 26% from the third quarter last year which was a strong comparable.

Year-to-date bookings increased $159.7 million or 12% to $1.5 billion. Bookings were up in construction (+22%) and mining (+15%) reflecting good market activity. Power systems was down 27% year-to-date on a tough comparable last year, and reflecting tight supply chain availability of large engines. Material handling order intake was up 2 % on a year-to-date basis.

Backlog of $803.7 million at September 30, 2024, was down $167.4 million or 17%, compared to the same time last year, reflecting deliveries against customer orders from the opening backlog and solid new bookings. As at September 30, 2024, the composition of backlog by market was as follows: construction 26%; mining 35%; power systems 34%; and material handling 5%. Approximately 90% of the backlog is expected to be delivered over the next twelve months, 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 (particularly 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

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| *($ thousands)* | **2024** | 2023 | $ change | % change | **2024** | 2023 | $ change | % change |
| Package sales | **$ 69,486** | 49,292 | 20,194 | 41 % | **$ 173,304** | $ 142,649 | $ 30,655 | 21 % |
| Product support | **57,685** | 59,138 | (1,453) | (2)% | **166,291** | 156,500 | 9,791 | 6 % |
| **Total revenue** | **$ 127,171** | $ 108,430 | $ 18,741 | 17 % | **$ 339,595** | $ 299,149 | $ 40,446 | 14 % |
| **Operating income** | **$ 15,371** | $ 12,660 | $ 2,711 | 21 % | **$ 35,479** | $ 27,353 | $ 8,126 | 30 % |
| **KEY RATIOS:** | | | | | | | | |
| Product support revenue as a % of total revenue | **45.4%** | 54.5% | | | **49.0%** | 52.3% | | |
| Operating income margin | **12.1%** | 11.7% | | | **10.4%** | 9.1% | | |
| Group total revenue as a % of consolidated revenue | **9.5%** | 9.2% | | | **9.1%** | 8.8% | | |

CIMCO continued to deliver solid results in the third quarter with good execution in both Canada and the US, coupled with healthy activity levels. Package revenue in the quarter reflects advancement of construction schedules in the execution of the strong order backlog. Product support activity continued to demonstrate strong growth in Canada, supported by the larger technician workforce and was slightly dampened by the US region. Operating income increased in both the quarter and year-to-date period on the higher revenue, partially offset by higher expense.

Package revenue was up $20.2 million or 41% in the quarter, with increases in both the recreational market (up 57%) and industrial market (up 26%). Revenue in Canada was up 30%, with industrial up 72%, slightly offset by lower recreational revenue, down 13%. The US increased 66%, as stronger recreational revenue (up 216%)

was partially offset by lower industrial revenue (down 75% against a tough comparative). Package revenue reflects the progress of project construction applying the percentage-of-completion method of accounting, and as such, introduces a degree of variability as the timing of construction schedules are largely influenced by third-party schedules (contractors and end-customers).

Year-to-date, package sales increased $30.7 million or 21% compared to the similar period in the prior year, with increases in both the recreational market (up 59%) and industrial market (up 5%). Revenue in Canada was up 25%, with industrial revenue up 34% and recreational revenue up 5%. The US increased 14%, as stronger recreational revenue (up 166%) was partially offset by lower industrial revenue (down 59% against a tough comparative).

Product support revenue decreased slightly in the third quarter by $1.5 million or 2% and increased by $9.8 million or 6% year-to-date, with higher activity in Canada. Revenue in Canada increased 11% in the quarter and 13% year-to-date reflecting higher activity levels. In the US, revenue was down 34% for the quarter and down 12% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins decreased 40 bps in the quarter and increased 110 bps year-to-date versus the comparable periods of 2023. For both the quarter and year-to-date, margins were dampened by an unfavourable sales mix, resulting in a 100 bps and 40 bps reduction in gross margin respectively, on a lower proportion of product support revenue to total revenue. Package margins improved on good execution and the nature of projects in process for both periods, driving a 60 bps increase in the quarter, and a 100 bps increase year-to-date. Product support margins were unchanged in the quarter and higher year-to-date, up 50 bps. Improving execution and efficiency continues to be a focus.

Selling and administrative expenses increased $1.9 million or 11% in the quarter and increased $5.8 million or 12% for the first nine months of the year. Compensation costs increased reflecting higher staffing levels, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel, training and information technology expenses increased to support activity levels. As a percentage of revenue, selling and administrative expenses decreased to 15.6% in the first nine months of 2024 versus 15.8% for the similar period last year.

Operating income increased $2.7 million or 21% for the quarter largely reflecting the higher revenue, slightly dampened by the lower gross margins and higher expenses. On a year-to-date basis, operating income increased $8.1 million or 30%, on higher revenue and higher gross margins, partially offset by higher expenses. Operating income as a percentage of revenue improved to 10.4% on a year-to-date basis compared to 9.1% for the similar period last year.

### Bookings and Backlog

| *($ millions)* | **2024** | 2023 | $ change | % change |
|---|---|---|---|---|
| Bookings – three months ended September 30 | **$ 56.8** | $ 86.0 | $ (29.2) | (34)% |
| Bookings – nine months ended September 30 | **$ 192.5** | $ 189.7 | $ 2.8 | 1 % |
| Backlog – as at September 30 | **$ 275.8** | $ 245.3 | $ 30.5 | 12 % |

Bookings decreased $29.2 million or 34% to $56.8 million in the quarter, against a strong comparator last year. Industrial market bookings (down 78%), were partially offset by stronger bookings in the recreational market (up 56%). Industrial bookings were lower in both Canada (-78%) and in the US (-122%) against tough comparatives. Recreational bookings were up in both Canada (+26%) and in the US (+84%). Generally activity is continuing, with good strategic capital investment levels, however order bookings can be lumpy reflective of timing of end-user schedules and timing of buying decisions.

On a year-to-date basis, bookings increased $2.8 million or 1% to $192.5 million, with stronger bookings in the recreational market, largely offset by lower bookings in the industrial market. Industrial orders were down 42%, with a decrease in Canada (-58% on a tough comparable) partially by an increase in the US (+95% on a smaller base). Recreational orders increased 109%, with an increase in both Canada (+120%) and in the US (+96%).

Backlog of $275.8 million increased $30.5 million or 12% compared to the same time last year, with higher backlog in the recreational market, partially offset by lower industrial backlog. Industrial backlog decreased 2%, with a decrease in Canada (-22%), largely offset by a strong increase in the US on good order intake over the trailing 12 months. Recreational backlog was up 32%, reflecting a strong increase in Canada (+93%) and a modest decrease in the US (-6%). Approximately 75% of the backlog is expected to be realized as revenue over the next twelve months, however this is subject to construction schedules.

## CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At September 30, 2024, the ratio of net debt to total capitalization[(1)] was -1% (net cash position), compared to -17% at December 31, 2023, and -7% at September 30, 2023.

### Non-cash Working Capital

The Company's investment in non-cash working capital was $1.1 billion at September 30, 2024. The major components, along with the changes from prior periods, are identified in the following table.

| | **September 30** | September 30 | **Change** | | December 31 | **Change** | |
|---|---|---|---|---|---|---|---|
| *($ thousands)* | **2024** | 2023 | **$** | **%** | 2023 | **$** | **%** |
| Accounts receivable | **$ 688,029** | $ 637,633 | $ 50,396 | 8 % | $ 627,243 | $ 60,786 | 10 % |
| Inventories | **1,334,540** | 1,140,096 | 194,444 | 17 % | 1,119,071 | 215,469 | 19 % |
| Other current assets | **29,389** | 27,827 | 1,562 | 6 % | 23,733 | 5,656 | 24 % |
| Accounts payable and accrued liabilities | **(626,305)** | (586,909) | (39,396) | 7 % | (619,318) | (6,987) | 1 % |
| Provisions | **(29,526)** | (29,289) | (237) | 1 % | (30,269) | 743 | (2)% |
| Income tax recoverable (payable) | **19,431** | (9,019) | 28,450 | nm | (7,006) | 26,437 | nm |
| Derivative financial instruments | **(4,355)** | 5,458 | (9,813) | nm | (13,946) | 9,591 | (69)% |
| Dividends payable | **(39,315)** | (35,410) | (3,905) | 11 % | (35,383) | (3,932) | 11 % |
| Deferred revenue and contract liabilities | **(276,003)** | (302,282) | 26,279 | (9)% | (360,143) | 84,140 | (23)% |
| **Total non-cash working capital** | **$ 1,095,885** | $ 848,105 | $ 247,780 | 29 % | $ 703,982 | $ 391,903 | 56 % |

Accounts receivable increased 8% from September 30, 2023, in part reflecting the 14% increase in revenue in the quarter and good collection activity. Days sales outstanding ("DSOs") remained unchanged at 47 days overall, mainly reflecting an improvement by the Equipment Group (down 2 days), offset by an increase in CIMCO (up 4 days). Collection activity and credit metrics are being closely monitored, especially given the current economic environment. Accounts receivable of $5.7 million were acquired as part of the Tri-City acquisition.

In comparison to December 31, 2023, accounts receivable increased 10%, reflecting 9% higher trailing revenue and slower collections. DSO was 42 days at December 31, 2023.

Inventories at September 30, 2024 increased 17% compared to September 30, 2023, with increases in both Groups:

- Equipment Group inventories were up $184.9 million or 17%, with increased equipment (up $103.1 million or 15%), work-in-process (up $31.2 million or 31%), and parts (up $50.6 million or 15%). Inventory levels of equipment and parts increased in light of activity levels and reflect customer delivery schedules. Price increases and foreign exchange rates on US sourced supplies have also served to increase inventory. Work-in-process levels reflect higher activity levels.
- CIMCO inventories were up $9.6 million or 24%, mainly as work-in-process levels increased $8.7 million (up 26%), reflecting timing of project construction and product support schedules. Parts inventory increased 17%, reflecting higher product support activity levels.

Inventories at September 30, 2024 were 19% higher compared to December 31, 2023, with increases in both Groups:

- Equipment Group inventories were up $207.9 million or 19% with increases in equipment (up $135.9 million or 21%), work-in-process (up $20.7 million or 19%), and parts inventories (up $51.3 million or 16%). 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.
- CIMCO inventories were up $7.6 million or 18%, predominantly driven by higher work-in-process levels (up $6.4 million or 18%), along with higher parts inventories (up $1.2 million or 22%) reflecting the higher product support activity.

Other current assets are comprised of prepaid expenses and vendor deposits. These vary over time based on timing of ordering, receipt of invoice, vendor terms and payment.

Accounts payable and accrued liabilities at September 30, 2024, were 7% higher than at September 30, 2023, largely reflecting higher activity levels and timing of purchase and payment for inventory and other suppliers. Accounts payable at September 30, 2024, also includes $10 million deferred payment related to the acquisition of Tri-City.

In comparison to December 31, 2023, accounts payable and accrued liabilities were largely unchanged, as the timing of purchase and payment for inventory and other suppliers, was partially offset by 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 loss of $4.4 million as at September 30, 2024. 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 September 30 and December 31, 2023, reflecting the higher dividend rate. The dividend rate was increased 11.6% effective with the first quarter of 2024, which represented the 35th 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; long-term product support maintenance contracts; and, customer deposits for equipment to be delivered in the future. As at September 30, 2024, these were down 14% versus September 30, 2023, on lower customer deposits and timing of progress billings versus revenue

recognition on contracts accounted for under percentage-of-completion method. Compared to December 31, 2023, deferred revenue were down 30% reflecting lower customer 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 September 30, 2024, these were up 15% versus September 30, 2023, and up 19% versus December 31, 2023.

**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's NCIB program was renewed in September 2024. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 20, 2025. All shares purchased under the bid will be cancelled.

The Company purchased and cancelled 673,000 common shares for $82.7 million (average cost of $122.96 per share, including transaction costs) during the nine months ended September 30, 2024.

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 prior to the commencement of each blackout period. As at September 30, 2024, there was no obligation for the repurchase of shares under the ASPP.

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 nine months ended September 30, 2023. As at September 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

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

A total of 27,879 restricted share units ("RSUs") and 73,153 performance share units ("PSUs") were outstanding under the LTIP as at September 30, 2024, including reinvested dividends.

For the nine months ended September 30, 2024, LTIP expense of $4.0 million (2023 – $1.9 million) 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 81,939,472 common shares and 1,472,742 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) |
|---|---|---|---|
| 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 |
| Sep. 8, 2023 | Oct. 4, 2023 | $0.43 | $35.4 |
| Dec. 8, 2023 | Jan. 4, 2024 | $0.43 | $35.4 |
| Mar. 8, 2024 | Apr. 4, 2024 | $0.48 | $39.5 |
| Jun. 7, 2024 | Jul. 5, 2024 | $0.48 | $39.3 |
| Sep. 6, 2024 | Oct. 2, 2024 | $0.48 | $39.3 |

The Board of Directors increased the quarterly dividend by 11.6% or 5 cents per share, to 48 cents per common share on February 13, 2024.

The next dividend is payable on January 6, 2025 to shareholders on record on December 6, 2024.

## 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 September 30, 2024, December 31, 2023 and September 30, 2023.

Standby letters of credit issued utilized $39.0 million of the facility as at September 30, 2024 (December 31, 2023 – $40.3 million; September 30, 2023 – $39.6 million).

The Company expects that continued cash flows from operations, 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:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| *($ thousands)* | **2024** | 2023 | **2024** | 2023 |
| **Cash and cash equivalents, beginning of period** | **$ 803,832** | $ 733,999 | **$ 1,040,757** | $ 927,780 |
| Cash, provided by (used in): | | | | |
| **Operating activities** | | | | |
| Operations | **180,249** | 184,255 | **491,873** | 489,944 |
| Change in non-cash working capital and other | **(161,846)** | (34,002) | **(375,220)** | (297,590) |
| Net rental fleet additions | **(15,920)** | (16,608) | **(142,178)** | (154,160) |
| | **2,483** | 133,645 | **(25,525)** | 38,194 |
| **Investing activities** | **(91,328)** | (32,218) | **(159,917)** | (69,252) |
| **Financing activities** | **(44,016)** | (28,090) | **(184,807)** | (118,034) |
| Effect of foreign exchange on cash and cash equivalents balances | **(244)** | 82 | **219** | (13) |
| **(Decrease) increase in cash and cash equivalents during the period from continuing operations** | **$ (133,105)** | $ 73,419 | **$ (370,030)** | $ (149,105) |
| **Discontinued operations** | **$ —** | $ — | **$ —** | $ 28,743 |
| **Cash and cash equivalents, end of period** | **$ 670,727** | $ 807,418 | **$ 670,727** | $ 807,418 |

### Cash Flows from Operating Activities

Operating activities provided cash in the third quarter of 2024 and 2023. On a year-to-date basis, operating activities used cash in 2024 and provided cash in 2023.

Cash generated from operations decreased 2% in the quarter and was similar to last year on a year-to-date basis.

Non-cash working capital used cash in the third quarter of 2024, as working capital levels increased on higher accounts receivable balances reflecting the higher revenue, along with increased inventory levels in the quarter held in part for future customer deliveries. Non-cash working capital utilized cash in the third quarter of 2023, as working capital levels increased on higher accounts receivable and inventories, reflecting seasonality and higher activity levels. Comparatively, non-cash working capital and other used more cash in the third quarter of 2024, than the similar period of the prior year due to timing of receipt and payment of inventory and higher activity levels.

On a year-to-date basis non-cash working capital used more cash in 2024 as compared to the similar period of 2023, as higher inventory levels and lower deferred revenue balances were offset by higher accounts payable, on the timing of payments to suppliers.

Cash used for net rental fleet additions (purchases less proceeds of dispositions) decreased by $0.7 million in the third quarter of 2024 and decreased $12.0 million for the first nine months of 2024 compared to the similar periods last year. The Company continued to invest in both the heavy and light equipment rental fleets across

Eastern Canada reflective of long-term growth strategies, although at lower rates than in the comparative periods. Dispositions were lower in the third quarter compared to last year but were higher on year-to-date basis, as new equipment supply improved and aged units were rolled out.

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

During the quarter, the Company used cash of $67.5 million for the acquisition of Tri-City. See note 3 to the interim condensed consolidated financial statements for further information on this transaction.

Investments in property, plant and equipment totalled $24.4 million in the third quarter of 2024 (2023 – $32.6 million) and related largely to:

- $10.3 million additions for land, buildings and construction in process for new and upgraded facilities across the business (2023 – $17.1 million);
- $10.2 million for normal replacement of service and delivery vehicles (2023 – $13.9 million); and,
- $3.2 million for machinery and equipment replacements and upgrades (2023 – $1.8 million).

For the year-to-date period, investments in property, plant and equipment totalled $93.6 million (2023 – $77.7 million). The Company sold an excess property in 2023 for gross proceeds of $7.4 million resulting in a gain of $3.5 million or $3.1 million after-tax. Total disposition proceeds for the first nine months of 2024 were $1.3 million (2023 – $8.6 million).

Cash Flows from Financing Activities

During the third quarter of 2024, the Company used $44.0 million (2023 – used $28.1 million) in cash in financing activities. Major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of $39.3 million or $0.48 per share (2023 – $35.6 million or $0.43 per share);
- Cash received on exercise of share options of $5.5 million (2023 – $10.0 million);
- Purchase of shares under the NCIB program used $7.8 million (2023 – $0.0 million); and,
- Lease liability payments of $2.4 million (2023 – $2.5 million).

For the nine months ended September 30, 2024, financing activities used $184.8 million (2023 – used $118.0 million) in cash, major uses and sources of cash during the period included:

- Dividends paid to common shareholders of $114.2 million or $1.39 per share (2023 – $103.2 million or $1.25 per share);
- Cash received on exercise of share options of $19.7 million (2023 – $17.0 million);
- Purchase of shares under the NCIB program of $82.8 million (2023 – $25.0 million); and,
- Lease liability payments of $7.4 million (2023 – $6.9 million).

Cash Flows from Discontinued Operations

Net cash provided in 2023 from discontinued operations, AgWest Ltd., was $28.7 million, including $26.6 million in proceeds of disposition. See note 15 to the interim condensed consolidated financial statements for further information on this transaction.

## OUTLOOK

With a long-term focus on growth and returns, we remain dedicated to our operating and financial disciplines to ensure our costs are well managed, while we invest in capacity and capabilities to provide exceptional service to our customers.

We continue to monitor 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. The global supply chain continues to improve gradually.

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. 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 $CO_2$ solutions, which remains a differentiator in the markets they serve. In industrial markets, CIMCO's proven track record and strong geographical coverage provides growth opportunities. Current backlog is supportive of future activity.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results in the long term.

## QUARTERLY RESULTS

The following table summarizes quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited and has been prepared on the same basis as the 2023 annual audited consolidated financial statements. Data reflects results from discontinued operations unless otherwise noted.

| *($ thousands, except per share amounts)* | **Q3 2024** | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 | Q4 2022 |
|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | |
| Equipment Group | **$1,210,821** | $1,235,649 | $ 928,145 | $1,128,907 | $1,065,615 | $1,070,194 | $ 960,406 | $1,032,850 |
| CIMCO | **127,171** | 124,220 | 88,204 | 98,030 | 108,430 | 104,762 | 85,957 | 95,678 |
| Revenue - continuing operations | **$1,337,992** | $1,359,869 | $1,016,349 | $1,226,937 | $1,174,045 | $1,174,956 | $1,046,363 | $1,128,528 |
| | | | | | | | | |
| **NET EARNINGS** | **$ 130,951** | $ 135,350 | $ 83,919 | $ 154,052 | $ 145,619 | $ 139,037 | $ 96,004 | $ 159,862 |
| | | | | | | | | |
| **PER SHARE INFORMATION:** | | | | | | | | |
| Basic earnings per share | **$ 1.60** | $ 1.65 | $ 1.02 | $ 1.87 | $ 1.77 | $ 1.69 | $ 1.17 | $ 1.94 |
| Diluted earnings per share | **$ 1.59** | $ 1.64 | $ 1.01 | $ 1.86 | $ 1.76 | $ 1.68 | $ 1.16 | $ 1.93 |
| Dividends paid per share | **$ 0.48** | $ 0.48 | $ 0.43 | $ 0.43 | $ 0.43 | $ 0.43 | $ 0.39 | $ 0.39 |
| Weighted average common shares outstanding – basic (in thousands) | **81,931** | 82,090 | 82,309 | 82,315 | 82,282 | 82,294 | 82,333 | 82,279 |

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality. This trend has been impacted in recent years by the pandemic and resulting impact on the economy, including global supply chains, 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 can be 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.

In 2022, patterns were disrupted by supply chain pressures impacting the timing of receipt and delivery of products and services to final customers. In 2023, we saw gradual improvements to supply chain availability across most of our product offerings, although constraints in some areas still exist.

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, 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, 2023 under "Risks and Risk Management".

## MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

### Accounting Policies

The material accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements are consistent with those used in the Company's 2023 audited annual consolidated financial statements, and described in note 2 therein, except as noted below.

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after January 1, 2024, including Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies* ("IAS 1"); Amendments to International Financial Reporting Standards ("IFRS") 16 – *Lease Liability in a Sale and Leaseback*; and Amendments to IAS 7 – *Statement of Cash Flows* ("IAS 7") and IFRS 7 – *Supplier Finance Arrangements*. The amendments had no material impact on the unaudited interim condensed consolidated financial statements.

In April 2024, the International Accounting Standards Board issued IFRS 18 – *Presentation and Disclosure of Financial Statements* ("IFRS 18"), which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. In addition, narrow scope amendments have been made to IAS 7, which include changing the starting point for determining cash flows from operations under the indirect method and the removal of the optionality around the classification of cash flows from dividends and interest. Minor consequential amendments to other standards were also made. The amendments are effective for reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently assessing the potential impact of these amendments and intends to adopt these when they become effective.

### 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 2023 audited annual consolidated financial statements, contained in the Company's 2023 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") are 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 nine months ended September 30, 2024, 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.

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| *($ thousands)* | **2024** | 2023 | **2024** | 2023 |
| Net income from continuing operations | **$ 130,951** | $ 145,619 | **$ 350,220** | $ 375,055 |
| *plus:* Interest expense | **7,202** | 7,053 | **21,240** | 20,976 |
| *less:* Interest and investment income | **(11,662)** | (11,747) | **(43,049)** | (32,850) |
| *plus:* Income taxes | **48,408** | 52,161 | **130,594** | 136,492 |
| **Operating income** | **$ 174,899** | $ 193,086 | **$ 459,005** | $ 499,673 |
| | | | | |
| Total revenue | **$ 1,337,992** | $ 1,174,045 | **$ 3,714,210** | $ 3,395,364 |
| **Operating income margin** | **13.1%** | 16.4% | **12.4%** | 14.7% |

## 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)* | **September 30 2024** | December 31 2023 | September 30 2023 |
|---|---|---|---|
| Long-term debt | **$ 498,237** | $ 647,784 | $ 647,603 |
| Current portion of long-term debt | **150,000** | — | — |
| *less:* Cash and cash equivalents | **670,727** | 1,040,757 | 807,418 |
| Net debt | **(22,490)** | (392,973) | (159,815) |
| | | | |
| Shareholders' equity | **2,899,540** | 2,683,852 | 2,610,765 |
| **Total capitalization** | **$ 2,877,050** | 2,290,879 | 2,450,950 |
| | | | |
| **Net debt to total capitalization** | **(1)%** | (17)% | (7)% |
| **Net debt to equity** | **(0.01):1** | (0.15):1 | (0.06):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.

| *($ thousands)* | **September 30 2024** | December 31 2023 | September 30 2023 |
|---|---|---|---|
| Total current assets | **$ 2,742,611** | $ 2,810,804 | $ 2,618,432 |
| *less:* Total current liabilities | **1,125,999** | 1,066,065 | 962,909 |
| **Working capital** | **$ 1,616,612** | $ 1,744,739 | $ 1,655,523 |

### 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.

| *($ thousands)* | **September 30 2024** | December 31 2023 | September 30 2023 |
|---|---|---|---|
| Total current assets | **$ 2,742,611** | $ 2,810,804 | $ 2,618,432 |
| *less:* Cash and cash equivalents | **670,727** | 1,040,757 | 807,418 |
| | **2,071,884** | 1,770,047 | 1,811,014 |
| | | | |
| Total current liabilities | **1,125,999** | 1,066,065 | 962,909 |
| *less: Current portion of long-term debt* | **150,000** | 0 | — |
| | **975,999** | 1,066,065 | 962,909 |
| | | | |
| **Non-cash working capital** | **$ 1,095,885** | $ 703,982 | $ 848,105 |

### 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:

| *($ thousands, except for shares and share price)* | **September 30 2024** | December 31 2023 | September 30 2023 |
|---|---|---|---|
| Outstanding common shares | **81,937,472** | 82,297,341 | 82,352,479 |
| *times:* Ending share price | **$ 132.02** | $ 116.10 | $ 110.62 |
| **Market capitalization** | **$ 10,817,385** | $ 9,554,721 | $ 9,109,831 |
| | | | |
| Long-term debt | **$ 498,237** | $ 647,784 | $ 647,603 |
| Current portion of long-term debt | **150,000** | — | — |
| *less:* Cash and cash equivalents | **670,727** | 1,040,757 | 807,418 |
| **Net debt** | **$ (22,490)** | $ (392,973) | $ (159,815) |
| | | | |
| **Total enterprise value** | **$ 10,794,895** | $ 9,161,748 | $ 8,950,016 |

## 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, adjusted for discontinued operations.

| | Trailing twelve months ended | | |
|---|---|---|---|
| *($ thousands)* | **September 30 2024** | December 31 2023 | September 30 2023 |
| Net earnings | **$ 504,272** | $ 534,712 | $ 540,522 |
| *plus:* Interest expense | **28,362** | 28,101 | 27,766 |
| *less:* Interest and investment income | **(56,181)** | (46,349) | (41,857) |
| *plus:* Interest income – rental conversions | **3,614** | 3,348 | 3,591 |
| *plus:* Income taxes | **187,107** | 194,849 | 192,968 |
| Adjusted net earnings | **$ 667,174** | $ 714,661 | $ 722,990 |
| Average capital employed | **$ 2,538,075** | $ 2,347,864 | $ 2,284,437 |
| **Return on capital employed** | **26.3%** | 30.4% | 31.6% |

## 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 | | |
|---|---|---|---|
| *($ thousands)* | **September 30 2024** | December 31 2023 | September 30 2023 |
| Net earnings | **$ 504,272** | $ 534,712 | $ 540,522 |
| Opening shareholder's equity (net of adjustments) | **$ 2,596,115** | $ 2,317,906 | $ 2,191,616 |
| **Return on equity** | **19.4%** | 23.1% | 24.7% |