

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and six months ended June 30, 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 six months ended June 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 July 30, 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](http://www.sedarplus.ca) and on the Company's website at [www.toromont.com](http://www.toromont.com).

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

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

### **Forward-Looking Information**

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

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](http://www.sedarplus.ca) or at our website [www.toromont.com](http://www.toromont.com). Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

**CONSOLIDATED OPERATING RESULTS**

	Three months ended June 30				Six months ended June 30			
	2024	2023	\$ change	% change	2024	2023	\$ change	% change
<i>(\$ thousands, except per share amounts)</i>								
<b>REVENUE</b>	<b>\$ 1,359,869</b>	\$ 1,174,956	\$ 184,913	16 %	<b>\$ 2,376,218</b>	\$ 2,221,319	\$ 154,899	7 %
Cost of goods sold	<b>1,030,970</b>	857,623	173,347	20 %	<b>1,797,145</b>	1,640,873	156,272	10 %
Gross profit <sup>(1)</sup>	<b>328,899</b>	317,333	11,566	4 %	<b>579,073</b>	580,446	(1,373)	— %
Selling and administrative expenses	<b>151,378</b>	138,560	12,818	9 %	<b>294,967</b>	273,859	21,108	8 %
<b>OPERATING INCOME</b> <sup>(1)</sup>	<b>177,521</b>	178,773	(1,252)	(1)%	<b>284,106</b>	306,587	(22,481)	(7)%
Interest expense	<b>7,044</b>	7,019	25	— %	<b>14,038</b>	13,923	115	1 %
Interest and investment income	<b>(15,700)</b>	(10,755)	(4,945)	46 %	<b>(31,387)</b>	(21,103)	(10,284)	49 %
Income before income taxes	<b>186,177</b>	182,509	3,668	2 %	<b>301,455</b>	313,767	(12,312)	(4)%
Income taxes	<b>50,827</b>	49,192	1,635	3 %	<b>82,186</b>	84,331	(2,145)	(3)%
<b>Net income from continuing operations</b>	<b>\$ 135,350</b>	\$ 133,317	\$ 2,033	2 %	<b>\$ 219,269</b>	\$ 229,436	\$ (10,167)	(4)%
<b>Net income from discontinued operations</b>	<b>—</b>	5,720	(5,720)	(100)%	<b>—</b>	5,605	(5,605)	(100)%
<b>NET EARNINGS</b>	<b>\$ 135,350</b>	\$ 139,037	\$ (3,687)	(3)%	<b>\$ 219,269</b>	\$ 235,041	\$ (15,772)	(7)%
<b>BASIC EARNINGS PER SHARE</b>								
Continuing operations	<b>\$ 1.65</b>	\$ 1.62	\$ 0.03	2 %	<b>\$ 2.67</b>	\$ 2.79	\$ (0.12)	(4)%
Discontinued operations	<b>\$ —</b>	\$ 0.07	\$ (0.07)	(100)%	<b>—</b>	0.07	(0.07)	(100)%
	<b>\$ 1.65</b>	\$ 1.69	\$ (0.04)	(2)%	<b>\$ 2.67</b>	\$ 2.86	\$ (0.19)	(7)%
<b>KEY RATIOS:</b>								
Gross profit margin <sup>(1)</sup>	<b>24.2%</b>	27.0%			<b>24.4%</b>	26.1%		
Selling and administrative expenses as a % of revenue	<b>11.1%</b>	11.8%			<b>12.4%</b>	12.3%		
Operating income margin <sup>(1)</sup>	<b>13.1%</b>	15.2%			<b>12.0%</b>	13.8%		
Income taxes as a % of income before income taxes	<b>27.3%</b>	27.0%			<b>27.3%</b>	26.9%		

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

Results improved in the second quarter of 2024, on growth in revenue, with good deliveries and execution against order backlog and project schedules. Gross profit margins were lower compared to prior year, predominantly on sales mix, with a lower percentage of product support revenue to total. Higher revenue and higher interest income on cash balances were effectively offset by the lower gross margins and higher expenses. New bookings were solid through the first half of the year and are supportive of future results.

Revenue increased \$184.9 million or 16% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenue increased 15% in the quarter on higher total equipment sales and product support activity, partially dampened by lower rental revenue. CIMCO revenue increased 19% in the quarter on strong package revenue coupled with good product support activity levels.

Revenue for the year-to-date period increased 7% from the comparable period last year to \$2.4 billion. Equipment Group revenue increased 7% compared to last year on higher new equipment sales and strong product support activity, slightly offset by lower power systems and rental revenue. CIMCO revenue increased 11% versus last year, on higher package revenue and product support activity.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

Gross profit margin decreased 280 basis points ("bps") in the quarter to 24.2% and decreased 170 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, largely on an unfavourable sales mix with a lower proportion of product support revenues to total, coupled with slightly lower equipment, rental and product support margins. CIMCO margins increased in both the quarter and year-to-date, reflecting good execution in both packages and product support.

Selling and administrative expenses increased \$12.8 million or 9% in the quarter compared to last year. Compensation costs were approximately \$5.2 million higher year over year, reflective of higher staffing levels and regular salary increases. Sales-related expenses increased \$3.2 million year over year, reflecting the higher activity levels. All other expenses such as information technology and occupancy costs have increased on continued investment for future growth and inflationary effects. Bad debt expense increased \$3.0 million compared to the similar period last year, which was a tough comparable on good recoveries. Mark-to-market ("MTM") adjustments on deferred share units ("DSUs") resulted in a \$1.0 million decrease in expense, as a result of the lower share price in the current period.

Selling and administrative expenses for the year-to-date period increased \$21.1 million or 8% compared to the similar period last year. In 2023, a property disposition reduced expenses by \$3.5 million. Excluding this item, expenses increased \$17.6 million or 6% year over year. Compensation costs increased approximately \$7.4 million, reflecting higher staffing levels, regular salary increases, partially offset by lower profit sharing accruals on the lower income and MTM adjustments on DSUs. Sales-related expenses increased \$4.8 million year over year, reflecting the higher activity levels. Other expenses such as information technology and occupancy costs have increased on continued investment for future growth and inflationary effects. Bad debt expense increased \$0.9 million compared to the similar period last year, which was a tough comparable on good recoveries. Selling and administrative expenses were 10 basis points higher as a percentage of revenue (12.4% versus 12.3% last year), reflecting the property gain last year.

Operating income decreased \$1.3 million or 1% in the quarter to \$177.5 million and decreased \$22.5 million or 7% to \$284.1 million year-to-date, as the higher revenue was more than offset by lower gross margins and higher expense levels. Operating income as a percentage of revenue decreased 180 bps in the year-to-date period (12.0% versus 13.8% last year), primarily on the lower gross margins.

Interest expense was largely unchanged at \$7.0 million in the quarter and \$14.0 million year-to-date.

Interest and investment income increased \$4.9 million in the quarter and increased \$10.3 million year-to-date on higher interest rates earned on cash deposits and interest bearing investments.

The effective income tax rate was 27.3% in both the quarter and on a year-to-date basis, compared to 27.0% and 26.9% respectively in 2023.

Net earnings (excluding discontinued operations) increased \$2.0 million or 2% to \$135.4 million for the quarter and decreased \$10.2 million or 4% to \$219.3 million year-to-date. Basic earnings per share ("EPS") (excluding discontinued operations) increased 2% to \$1.65 for the quarter and decreased 4% to \$2.67 year-to-date, reflecting the changes in net earnings.

Other comprehensive income in the quarter was \$1.8 million (2023 – loss \$6.7 million) and \$29.2 million year-to-date (2023 – loss \$9.4 million). This included an actuarial gain on post-employment benefit plans of \$1.5 million after-tax for the quarter (2023 – actuarial gain of \$5.8 million) and year-to-date actuarial gain of \$18.7 million (2023 – actuarial gain of \$6.0 million). These gains reflect changes in the actuarial valuation, as well as changes in the fair value of pension plan assets. Other comprehensive income/loss also included a

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

favourable net change in the fair value of cash flow hedges of \$0.1 million after-tax for the quarter (2023 – a unfavourable net change of \$12.0 million) and year-to-date an favourable net change of \$9.7 million after-tax (2023 – a unfavourable net change of \$14.8 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and reflect underlying USD/CAD exchange rates at period end compared to contract date.

**BUSINESS SEGMENT OPERATING RESULTS**

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth, operating income relative to revenue and return on capital employed. Corporate expenses are allocated based on each segment’s revenue. Interest expense and interest and investment income are not allocated.

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

**Equipment Group**

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2024	2023	\$ change	% change	2024	2023	\$ change	% change
Equipment sales and rentals								
New	\$ 558,755	\$ 403,203	\$ 155,552	39 %	\$ 889,146	\$ 772,402	\$ 116,744	15 %
Used	88,595	85,356	3,239	4 %	152,417	152,913	(496)	— %
Rentals	110,521	116,448	(5,927)	(5)%	206,375	214,907	(8,532)	(4)%
Total equipment sales and rentals	757,871	605,007	152,864	25 %	1,247,938	1,140,222	107,716	9 %
Product support	475,029	462,344	12,685	3 %	910,332	884,687	25,645	3 %
Power generation	2,749	2,843	(94)	(3)%	5,524	5,691	(167)	(3)%
<b>Total revenue</b>	<b>\$ 1,235,649</b>	<b>\$ 1,070,194</b>	<b>\$ 165,455</b>	<b>15 %</b>	<b>\$ 2,163,794</b>	<b>\$ 2,030,600</b>	<b>\$ 133,194</b>	<b>7 %</b>
<b>Operating income</b>	<b>\$ 165,242</b>	<b>\$ 168,936</b>	<b>\$ (3,694)</b>	<b>(2)%</b>	<b>\$ 263,998</b>	<b>\$ 291,894</b>	<b>\$ (27,896)</b>	<b>(10)%</b>
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	38.4%	43.2%			42.1%	43.6%		
Operating income margin	13.4%	15.8%			12.2%	14.4%		
Group total revenue as a % of consolidated revenue	90.9%	91.1%			91.1%	91.4%		

Revenues in the Equipment Group increased in the second quarter compared to last year, with improving equipment availability and with deliveries against strong order backlog. Operating income declined versus the prior year, somewhat as expected, given a stronger comparator which reflected market dynamics in play at that time.

Total equipment sales (new and used) increased \$158.8 million or 33% in the quarter and increased \$116.2 million or 13% year-to-date, reflecting inflow and delivery of equipment. New equipment sales increased 39% in the quarter and 15% year-to-date, across most market segments and most regions. Used equipment sales increased 4% during the quarter and remained relatively unchanged year-to-date. Used equipment sales include rental fleet dispositions, which have increased, reflecting fleet management decisions (age of the fleet), as well as availability of new equipment. Sales of used equipment from trades and purchases have decreased, reflecting shifting supply and demand dynamics. Overall, total equipment sales revenue by market segments

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

were as follows for the quarter (year-to-date): construction markets up 16% (+7%), mining up 130% (+29%), power systems up 25% (+29%), and material handling down 32% (-26%).

Rental revenue decreased \$5.9 million (-5%) in the quarter and decreased \$8.5 million (-4%) year-to-date. All market sectors and most regions were down, reflecting generally softer market conditions, principally in residential construction. Revenue decreased quarter over quarter (first half of the year) in each market as follows: heavy equipment fleet was 3% lower (-8%), light equipment fleet was 8% lower (-7%); power rentals down 6% (relatively flat); and material handling rentals down 9% (-8%). Revenues from the RPO fleet (rent with a purchase option) increased 41% (46%), reflecting a larger fleet of \$64.1 million at June 30, 2024 versus \$44.2 million at June 30, 2023.

Product support revenue increased \$12.7 million or 3% in the quarter and increased \$25.6 million or 3% year-to-date, with increases in both parts and service. Activity was up across all markets and most regions in the quarter (first half of the year) as follows: construction markets up 1% (+2%), mining up 5% (+5%), power systems relatively unchanged (+1%) and material handling up 5% (relatively unchanged).

Gross profit margins decreased 310 bps in the quarter and decreased 210 bps year-to-date compared to the similar 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 180 bps and 60 bps respectively. Equipment margins were down 30 bps in the quarter (down 20 bps year-to-date) as expected given market dynamics in play in the prior year. Rental margins were down 90 bps in the quarter (down 100 bps year-to-date) on lower fleet utilization. Product support margins were down 10 bps in the quarter (down 30 bps year-to-date) reflecting slightly higher input costs.

Selling and administrative expenses were up \$10.4 million or 8% in the quarter, and up \$17.1 million or 7% for the first six months of 2024, reflecting the increase in revenue. Compensation costs were higher in both periods reflecting staffing levels and regular salary increases. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, planned investment and inflation. Selling and administrative expenses were 12.0% of revenues on a year-to-date basis, unchanged from the similar period last year.

Operating income decreased \$3.7 million or 2% to \$165.2 million in the quarter and decreased \$27.9 million or 10% to \$264.0 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 reduced to 12.2% on a year-to-date basis, reflecting the lower gross margins.

**Bookings and Backlog**

<i>(\$ millions)</i>	<b>2024</b>	2023	\$ change	% change
Bookings – three months ended June 30	\$ <b>610.0</b>	\$ 671.2	\$ (61.2)	(9)%
Bookings – six months ended June 30	\$ <b>1,131.6</b>	\$ 1,016.6	\$ 115.0	11 %
Backlog – as at June 30	\$ <b>1,047.3</b>	\$ 1,123.3	\$ (76.0)	(7)%

New bookings decreased \$61.2 million or 9% in the second quarter, after a stronger start to the year and compared to a strong comparable period. Construction markets were active, with bookings up 12%, reflecting a continuing evolution towards more normalized supply and demand dynamics. Mining markets was also strong, with several large orders received in the quarter, however down 17% from the second quarter last year which was a strong comparable. Power systems order activity was 50% lower, reflecting a large project received last year. Material handling order intake was 30% higher in the quarter.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

With a strong first quarter, year-to-date bookings increased \$115.0 million or 11% to \$1.1 billion. Bookings were up in construction (+25%) and mining (+26%) reflecting good market activity. Power systems was down 44% year-to-date on a tough comparable last year, and reflecting tight supply chain availability of large engines. Material handling order intake was down 12 % on a year-to-date basis.

Backlog of \$1.0 billion at June 30, 2024, was down \$76.0 million or 7%, compared to the same time last year, reflecting deliveries against customer orders from the opening backlog and solid new bookings. As at June 30, 2024, the composition of backlog by market was as follows: construction 25%; mining 43%; power systems 28%; and material handling 4%. 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**

(\$ thousands)	Three months ended June 30				Six months ended June 30			
	2024	2023	\$ change	% change	2024	2023	\$ change	% change
Package sales	\$ 67,133	53,911	13,222	25 %	\$ 103,818	\$ 93,357	\$ 10,461	11 %
Product support	57,087	50,851	6,236	12 %	108,606	97,362	11,244	12 %
<b>Total revenue</b>	<b>\$ 124,220</b>	<b>\$ 104,762</b>	<b>\$ 19,458</b>	<b>19 %</b>	<b>\$ 212,424</b>	<b>\$ 190,719</b>	<b>\$ 21,705</b>	<b>11 %</b>
<b>Operating income</b>	<b>\$ 12,279</b>	<b>\$ 9,837</b>	<b>\$ 2,442</b>	<b>25 %</b>	<b>\$ 20,108</b>	<b>\$ 14,693</b>	<b>\$ 5,415</b>	<b>37 %</b>
<b>KEY RATIOS:</b>								
Product support revenue as a % of total revenue	46.0%	48.5%			51.1%	51.0%		
Operating income margin	9.9%	9.4%			9.5%	7.7%		
Group total revenue as a % of consolidated revenue	9.1%	8.9%			8.9%	8.6%		

CIMCO continued to deliver solid results in the second quarter driven by good execution in both Canada and the US, coupled with healthy activity levels. Package revenue in the quarter reflects some delays from the first quarter, however generally equipment delivery has improved. Product support activity continued to demonstrate strong growth, supported by the larger technician workforce.

Package revenue was up \$13.2 million or 25% in the quarter, with increases in both the recreational market (up 51%) and industrial market (up 16%). Revenues in Canada were up 38%, in both markets, with industrial up 45% and recreational revenue up 13%. The US decreased 4%, as recreational revenues (up 121%) were more than offset by lower industrial revenues (down 53% against a tough comparator). Package revenue reflects the progress of project construction applying the percentage-of-completion method of accounting. This introduces a degree of variability as the timing of projects and construction schedules are largely influenced by third party schedules (contractors and end-customers).

Year-to-date, package sales increased \$10.5 million or 11% compared to the similar period in the prior year, on stronger recreational revenue (up 62%), partially offset by slightly lower industrial revenue (down 2%). Revenues were higher in Canada (up 22%) and lower in the US (down 12%), reflecting similar trends as noted for the quarter.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

Product support revenue increased in the second quarter by \$6.2 million or 12% and increased by \$11.2 million or 12% year-to-date, with higher activity in Canada. Revenue in Canada increased 17% in the quarter and 14% year-to-date reflecting higher activity levels. In the US, revenue was relatively flat for the quarter and up 3% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 10 bps in the quarter and 200 bps year-to-date versus the comparable periods of 2023. For the quarter a 60 bps increase in product support margin, was largely offset by lower package margins, down 30 bps, and an unfavourable sales mix down 20 bps, with a lower proportion of product support revenue to total revenue. On a year-to-date basis package margins increased 120 bps and product support margins also increased 80 bps, while sales mix was unchanged. Package margins improved on good execution and the nature of projects in process. Product support margins increased on improved execution and a higher volume of activity.

Selling and administrative expenses increased \$2.5 million or 15% in the quarter and increased \$4.0 million or 13% for the first half 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 increased to 16.2% in the first six months of 2024 versus 15.9% for the similar period last year, reflecting higher spending levels to support current and future business.

Operating income increased \$2.4 million or 25% for the quarter largely reflecting the higher revenue and improved gross margins, partially offset by higher relative expense levels. On a year-to-date basis operating income increased \$5.4 million or 37%, for similar reasons as noted for the quarter. Operating income as a percentage of revenue improved to 9.5% on a year-to-date basis compared to 7.7% for the similar period last year.

**Bookings and Backlog**

<i>(\$ millions)</i>	2024	2023	\$ change	% change
Bookings – three months ended June 30	\$ 32.6	\$ 63.5	\$ (30.9)	(49)%
Bookings – six months ended June 30	\$ 135.7	\$ 103.7	\$ 32.0	31 %
Backlog – as at June 30	\$ 289.7	\$ 207.2	\$ 82.5	40 %

Bookings decreased \$30.9 million or 49% to \$32.6 million in the quarter, against a strong comparator last year. Industrial market bookings (down 88%), were partially offset by stronger bookings in the recreational market (up 324%). Industrial bookings were lower in both Canada (-92%) and in the US (-60%) against tough comparatives in both regions. Recreational bookings were up in both Canada (+313%) and in the US (+393%). Generally activity is improving, with stronger 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 \$32.0 million or 31% to \$135.7 million, with stronger bookings in the recreational market, partially offset by weaker bookings in the industrial market. Industrial orders were down 15%, down in Canada (-40% on a tough comparable) and up in the US (+102% on a smaller base). Recreational orders increased 166%, with an increase in both Canada (+200%) and in the US (+113%).

Backlog of \$289.7 million increased \$82.5 million or 40% compared to the same time last year, with an increase in both markets. Industrial backlog increased 45%, with an increase in both Canada (+24%) and in the US (+323%). Recreational backlog was up 34%, predominately reflecting a strong increase in Canada

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

(+72%) and a modest increase in the US (+3%). Approximately 80% 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 June 30, 2024, the ratio of net debt to total capitalization<sup>(1)</sup> was -6% (net cash position), compared to -17% at December 31, 2023, and -4% at June 30, 2023.

**Non-cash Working Capital**

The Company's investment in non-cash working capital was \$941.9 million at June 30, 2024. The major components, along with the changes from prior periods, are identified in the following table.

(\$ thousands)	June 30	June 30	Change		December 31	Change	
	2024	2023	\$	%	2023	\$	%
Accounts receivable	\$ 665,832	\$ 581,313	\$ 84,519	15 %	\$ 627,243	\$ 38,589	6 %
Inventories	1,298,728	1,115,170	183,558	16 %	1,119,071	179,657	16 %
Other current assets	18,408	22,052	(3,644)	(17)%	23,733	(5,325)	(22)%
Accounts payable and accrued liabilities	(669,389)	(571,790)	(97,599)	17 %	(619,318)	(50,071)	8 %
Provisions	(30,805)	(27,695)	(3,110)	11 %	(30,269)	(536)	2 %
Income tax recoverable (payable)	22,614	2,636	19,978	nm	(7,006)	29,620	nm
Derivative financial instruments	2,938	(8,475)	11,413	nm	(13,946)	16,884	nm
Dividends payable	(39,319)	(35,638)	(3,681)	10 %	(35,383)	(3,936)	11 %
Deferred revenue and contract liabilities	(327,058)	(273,387)	(53,671)	20 %	(360,143)	33,085	(9)%
<b>Total non-cash working capital</b>	<b>\$ 941,949</b>	<b>\$ 804,186</b>	<b>\$ 137,763</b>	<b>17 %</b>	<b>\$ 703,982</b>	<b>\$ 237,967</b>	<b>34 %</b>

Accounts receivable increased 15% from June 30, 2023, reflecting the 16% increase in revenue in the quarter. Days sales outstanding ("DSOs") increased 1 day to 41 days overall, largely on mix, with DSO unchanged in both the Equipment Group and CIMCO. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2023, accounts receivable increased 6%, reflecting 11% higher trailing revenues and improved collections. DSO was 42 days at December 31, 2023.

Inventories at June 30, 2024 increased 16% compared to June 30, 2023, with increases in both Groups:

- Equipment Group inventories were up \$165.8 million or 15%, with increased equipment (up \$154.2 million or 24%) and work-in-process (up \$24.7 million or 24%), partly offset by lower parts (down \$13.1 million or 4%). Inventory levels 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 also reflect activity levels. The decrease in parts inventory reflects optimization strategies.
- CIMCO inventories were up \$17.8 million or 55%, mainly as work-in-process levels increased \$17.8 million (up 66%), reflecting timing of project construction and product support schedules. Parts inventory marginally increased 1%, reflecting close management of inventory levels.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

Inventories at June 30, 2024 were 16% higher compared to December 31, 2023, with increases in both Groups:

- Equipment Group inventories were up \$170.9 million or 16% with increases in equipment (up \$150.3 million or 24%), service work-in-process (up \$17.6 million or 16%), and parts inventories (up \$3.0 million or 1%). 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 \$8.8 million or 21%, predominantly driven by higher work-in-process levels (up \$8.5 million or 24%), along with higher parts inventories (up \$0.3 million or 5%) reflecting higher activity levels.

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 June 30, 2024, were 17% higher than at June 30, 2023, largely reflecting higher activity levels and timing of purchase and payment for inventory and other suppliers.

In comparison to December 31, 2023, accounts payable and accrued liabilities increased 8%, mainly reflecting the timing of purchase and payment for inventory and other suppliers, 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 gain of \$2.9 million as at June 30, 2024. This is not expected to affect net earnings as the unrealized gain will offset future losses on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to June 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 June 30, 2024, these were up 14% versus June 30, 2023 largely on customer deposits for future equipment deliveries. Compared to December 31, 2023, deferred revenues were down 13% reflecting equipment delivery against customer orders.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages and vary depending on timing of billings compared to customer's construction schedules. As at June 30, 2024, these were up 57% versus June 30, 2023, and up 13% 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 2023. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 18, 2024. All shares purchased under the bid will be cancelled.

The Company purchased and cancelled 608,000 common shares for \$75.0 million (average cost of \$123.32 per share, including transaction costs) during the six months ended June 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 June 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 six months ended June 30, 2023. As at June 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

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

A total of 21,571 restricted share units ("RSUs") and 72,864 performance share units ("PSUs") were outstanding under the LTIP as at June 30, 2024, including reinvested dividends.

For the six months ended June 30, 2024, LTIP expense of \$2.5 million (2023 – \$1.1 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 81,923,581 common shares and 1,551,633 share options outstanding.

## Dividends

The Company declared and paid the following dividends to common shareholders during the last eight quarters.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
Sep. 8, 2022	Oct. 4, 2022	\$0.39	\$32.1
Dec. 8, 2022	Jan. 5, 2023	\$0.39	\$32.1
Mar. 9, 2023	Apr. 4, 2023	\$0.43	\$35.4
Jun. 9, 2023	Jul. 5, 2023	\$0.43	\$35.6
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

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 October 2, 2024 to shareholders on record on September 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 June 30, 2024, December 31, 2023 and June 30, 2023.

Standby letters of credit issued utilized \$39.0 million of the facility as at June 30, 2024 (December 31, 2023 – \$40.3 million; June 30, 2023 – \$28.7 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:

(\$ thousands)	Three months ended		Six months ended	
	2024	June 30 2023	2024	June 30 2023
<b>Cash and cash equivalents, beginning of period</b>	\$ 983,355	\$ 675,440	\$ 1,040,757	\$ 927,780
Cash, provided by (used in):				
<b>Operating activities</b>				
Operations	183,906	177,142	311,624	305,689
Change in non-cash working capital and other	(167,888)	8,763	(213,374)	(263,588)
Net rental fleet additions	(74,819)	(80,291)	(126,258)	(137,552)
	(58,801)	105,614	(28,008)	(95,451)
<b>Investing activities</b>	(35,854)	(17,829)	(68,589)	(37,034)
<b>Financing activities</b>	(85,026)	(58,279)	(140,791)	(89,944)
Effect of foreign exchange on cash and cash equivalents balances	158	(89)	463	(95)
<b>Increase (decrease) in cash and cash equivalents during the period from continuing operations</b>	\$ (179,523)	\$ 29,417	\$ (236,925)	\$ (222,524)
<b>Discontinued operations</b>	\$ —	\$ 29,142	\$ —	\$ 28,743
<b>Cash and cash equivalents, end of period</b>	\$ 803,832	\$ 733,999	\$ 803,832	\$ 733,999

### Cash Flows from Operating Activities

Operating activities utilized cash in both the second quarter and on a year-to-date basis for 2024 and 2023.

Cash generated from operations increased for the quarter (up 4%) and year-to-date (up 2%) from the similar periods last year on the higher cash earnings (net earnings before depreciation and amortization).

Non-cash working capital used cash in the second 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 advance of the busier selling season, coupled with some deferrals in customer deliveries. Non-cash working capital provided cash in the second quarter of 2023, as working capital levels decreased from March 2023. Comparatively, non-cash working capital and other used more cash in the second 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 less cash in 2024 as compared to the first six months of 2023, as higher inventory levels and accounts receivable balances were offset by the timing of payments to suppliers.

Cash used for net rental fleet additions (purchases less proceeds of dispositions) decreased by \$5.5 million in the second quarter of 2024 and decreased \$11.3 million for the first six 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

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

Eastern Canada reflective of long-term growth strategies. Dispositions increased year over year 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

Investments in property, plant and equipment totalled \$36.2 million in the second quarter of 2024 (2023 – \$18.1 million) and related largely to:

- \$17.0 million additions for land, buildings and construction in process for new and upgraded facilities across the business (2023 – \$4.7 million);
- \$15.0 million for normal replacement of service and delivery vehicles (2023 – \$9.4 million);
- \$1.2 million for upgrades and enhancements to information technology infrastructure and office furniture (2023 – \$1.5 million); and,
- \$3.0 million for machinery and equipment replacements and upgrades (2023 – \$2.5 million).

For the year-to-date period, investments in property, plant and equipment totalled \$69.2 million (2023 – \$45.1 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 2024 were \$0.6 million (2023 – \$8.1 million).

Cash Flows from Financing Activities

During the second quarter of 2024, the Company used \$85.0 million (2023 – used \$58.3 million) in cash in financing activities. Major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of \$39.5 million or \$0.48 per share (2023 – \$35.4 million or \$0.43 per share);
- Cash received on exercise of share options of \$7.1 million (2023 – \$4.5 million);
- Purchase of shares under the NCIB program used \$50.0 million (2023 – \$25.0 million); and,
- Lease liability payments of \$2.4 million (2023 – \$2.4 million).

For the six months ended June 30, 2024, financing activities used \$140.8 million (2023 – used \$89.9 million) in cash, major uses and sources of cash during the period included:

- Dividends paid to common shareholders of \$74.9 million or \$0.91 per share (2023 – \$67.5 million or \$0.82 per share);
- Cash received on exercise of share options of \$14.2 million (2023 – \$7.0 million);
- Purchase of shares under the NCIB program of \$75.0 million (2023 – \$25.0 million); and,
- Lease liability payments of \$5.0 million (2023 – \$4.4 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 14 to the interim condensed 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<sub>2</sub> 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.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

(\$ thousands, except per share amounts)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
<b>REVENUE</b>								
Equipment Group	\$1,235,649	\$ 928,145	\$1,128,907	\$1,065,615	\$1,070,194	\$ 960,406	\$1,032,850	\$ 992,401
CIMCO	124,220	88,204	98,030	108,430	104,762	85,957	95,678	94,106
Revenue - continuing operations	\$1,359,869	\$1,016,349	\$1,226,937	\$1,174,045	\$1,174,956	\$1,046,363	\$1,128,528	\$1,086,507
<b>NET EARNINGS</b>	\$ 135,350	\$ 83,919	\$ 154,052	\$ 145,619	\$ 139,037	\$ 96,004	\$ 159,862	\$ 123,123
<b>PER SHARE INFORMATION:</b>								
Basic earnings per share	\$ 1.65	\$ 1.02	\$ 1.87	\$ 1.77	\$ 1.69	\$ 1.17	\$ 1.94	\$ 1.50
Diluted earnings per share	\$ 1.64	\$ 1.01	\$ 1.86	\$ 1.76	\$ 1.68	\$ 1.16	\$ 1.93	\$ 1.49
Dividends paid per share	\$ 0.48	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.39	\$ 0.39	\$ 0.39
Weighted average common shares outstanding – basic (in thousands)	82,090	82,309	82,315	82,282	82,294	82,333	82,279	82,183

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 has typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules. This trend can also be impacted during periods of equipment supply constraints from suppliers.

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 six months ended June 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.

(\$ thousands)	Three months ended		Six months ended	
	2024	June 30 2023	2024	June 30 2023
Net income from continuing operations	\$ 135,350	\$ 133,317	\$ 219,269	\$ 229,436
<i>plus:</i> Interest expense	7,044	7,019	14,038	13,923
<i>less:</i> Interest and investment income	(15,700)	(10,755)	(31,387)	(21,103)
<i>plus:</i> Income taxes	50,827	49,192	82,186	84,331
<b>Operating income</b>	<b>\$ 177,521</b>	<b>\$ 178,773</b>	<b>\$ 284,106</b>	<b>\$ 306,587</b>
Total revenue	\$ 1,359,869	\$ 1,174,956	\$ 2,376,218	\$ 2,221,319
<b>Operating income margin</b>	<b>13.1%</b>	<b>15.2%</b>	<b>12.0%</b>	<b>13.8%</b>

## Net Debt to Total Capitalization/Equity

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

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

The calculations are as follows:

(\$ thousands)	June 30 2024	December 31 2023	June 30 2023
Long-term debt	\$ 648,045	\$ 647,784	\$ 647,422
<i>less:</i> Cash and cash equivalents	803,832	1,040,757	733,999
Net debt	(155,787)	(392,973)	(86,577)
Shareholders' equity	2,812,849	2,683,852	2,468,323
<b>Total capitalization</b>	<b>\$ 2,657,062</b>	<b>2,290,879</b>	<b>2,381,746</b>
<b>Net debt to total capitalization</b>	<b>(6)%</b>	<b>(17)%</b>	<b>(4)%</b>
<b>Net debt to equity</b>	<b>(0.06):1</b>	<b>(0.15):1</b>	<b>(0.04):1</b>

## NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

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

### Working Capital

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

<i>(\$ thousands)</i>	<b>June 30 2024</b>	December 31 2023	June 30 2023
Total current assets	\$ 2,812,352	\$ 2,810,804	\$ 2,455,995
less: Total current liabilities	1,066,571	1,066,065	917,810
<b>Working capital</b>	<b>\$ 1,745,781</b>	<b>\$ 1,744,739</b>	<b>\$ 1,538,185</b>

### Non-Cash Working Capital

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

<i>(\$ thousands)</i>	<b>June 30 2024</b>	December 31 2023	June 30 2023
Total current assets	\$ 2,812,352	\$ 2,810,804	\$ 2,455,995
less: Cash and cash equivalents	803,832	1,040,757	733,999
	<b>2,008,520</b>	1,770,047	1,721,996
Total current liabilities	1,066,571	1,066,065	917,810
<b>Non-cash working capital</b>	<b>\$ 941,949</b>	<b>\$ 703,982</b>	<b>\$ 804,186</b>

### Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the closing share price of the Company's common shares by the total number of common shares outstanding.

Total enterprise value represents the total value of the Company and is often used as a more comprehensive alternative to market capitalization. It is calculated by adding debt/net debt (defined above) to market capitalization.

**TOROMONT INDUSTRIES LTD.**  
**Management Discussion and Analysis – 2024 Q2**

The calculations are as follows:

<i>(\$ thousands, except for shares and share price)</i>	<b>June 30 2024</b>	December 31 2023	June 30 2023
Outstanding common shares	<b>81,923,581</b>	82,297,341	82,180,977
<i>times: Ending share price</i>	<b>\$ 121.13</b>	\$ 116.10	\$ 108.83
<b>Market capitalization</b>	<b>\$ 9,923,403</b>	\$ 9,554,721	\$ 8,943,756
Long-term debt	<b>\$ 648,045</b>	\$ 647,784	\$ 647,422
<i>less: Cash and cash equivalents</i>	<b>803,832</b>	1,040,757	733,999
<b>Net debt</b>	<b>\$ (155,787)</b>	\$ (392,973)	\$ (86,577)
<b>Total enterprise value</b>	<b>\$ 9,767,616</b>	\$ 9,161,748	\$ 8,857,179

**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		
	June 30 2024	December 31 2023	June 30 2023
<i>(\$ thousands)</i>			
Net earnings	\$ 518,940	\$ 534,712	\$ 518,027
<i>plus:</i> Interest expense	28,213	28,101	27,721
<i>less:</i> Interest and investment income	(56,266)	(46,349)	(37,038)
<i>plus:</i> Interest income – rental conversions	3,843	3,348	4,320
<i>plus:</i> Income taxes	190,860	194,849	186,683
Adjusted net earnings	\$ 685,590	\$ 714,661	\$ 699,713
Average capital employed	\$ 2,456,294	\$ 2,347,864	\$ 2,175,358
<b>Return on capital employed</b>	<b>27.9%</b>	<b>30.4%</b>	<b>32.2%</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.

	Trailing twelve months ended		
	June 30 2024	December 31 2023	June 30 2023
<i>(\$ thousands)</i>			
Net earnings	\$ 518,940	\$ 534,712	\$ 518,027
Opening shareholder's equity (net of adjustments)	\$ 2,467,414	\$ 2,317,906	\$ 2,067,536
<b>Return on equity</b>	<b>21.0%</b>	<b>23.1%</b>	<b>25.1%</b>