MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three months ended March 31, 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 months ended March 31, 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 34 – *Interim Financial Reporting,* and are reported in Canadian dollars. The information in this MD&A is current to May 1, 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.

CONSOLIDATED OPERATING RESULTS

	Three months ended March 31			
($ thousands, except per share amounts)	**2024**	2023	$ change	% change
REVENUE	**$ 1,016,349**	$ 1,046,363	$ (30,014)	(3)%
Cost of goods sold	**766,175**	783,250	(17,075)	(2)%
Gross profit [1]	**250,174**	263,113	(12,939)	(5)%
Selling and administrative expenses	**143,589**	135,299	8,290	6 %
OPERATING INCOME [1]	**106,585**	127,814	(21,229)	(17)%
Interest expense	**6,994**	6,904	90	1 %
Interest and investment income	**(15,687)**	(10,348)	(5,339)	52 %
Income before income taxes	**115,278**	131,258	(15,980)	(12)%
Income taxes	**31,359**	35,139	(3,780)	(11)%
Net income from continuing operations	**$ 83,919**	$ 96,119	$ (12,200)	(13)%
Net income from discontinued operations	**—**	(115)	115	nm
NET EARNINGS	**$ 83,919**	$ 96,004	$ (12,085)	(13)%
BASIC EARNINGS PER SHARE				
Continuing operations	**$ 1.02**	$ 1.17	$ (0.15)	(13)%
Discontinued operations	**—**	—	—	nm
	$ 1.02	$ 1.17	$ (0.15)	(13)%
KEY RATIOS:				
Gross profit margin [1]	**24.6%**	25.1%		
Selling and administrative expenses as a % of revenue	**14.1%**	12.9%		
Operating income margin [1]	**10.5%**	12.2%		
Income taxes as a % of income before income taxes	**27.2%**	26.8%		

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

Results in the first quarter of 2024 were lower than the first quarter of 2023, as expected, given market dynamics in play at that time. Lower revenue, lower gross margins and higher expenses were partially offset by the higher interest income on cash balances. Strong opening order backlog and good order bookings during the quarter are supportive.

Revenue for the quarter decreased 3% from the comparable period last year to $1.0 billion. Equipment Group revenue decreased 3% compared to last year on lower equipment sales and rental activity, partially offset by higher product support revenue. CIMCO revenue increased 3% versus last year, on higher product support activity, partially offset by lower package revenue. We continue to see an evolution toward more typical seasonality in terms of supply chain flow and market dynamics.

Gross profit margin decreased 50 basis points ("bps") to 24.6% versus 25.1% for the first quarter of last year. The Equipment Group reported lower margins in most areas, slightly offset by a favourable sales mix, while CIMCO margins increased on good execution in most areas.

Selling and administrative expenses for the quarter increased $8.3 million or 6% compared to the similar period last year. In 2023, a property disposition reduced expenses by $3.5 million. Excluding this item, expenses increased $4.8 million or 4% year over year. Compensation costs increased approximately $5.0 million, reflecting higher staffing levels, 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 as a result of higher activity levels and inflationary pressures. Allowance for doubtful accounts decreased $2.1 million compared to last year on improved aged receivables and good collections. Selling and administrative expenses were 120 basis points higher as a percentage of revenue (14.1% versus 12.9% last year), reflecting the lower revenue level.

Operating income decreased $21.2 million or 17% in the quarter. Excluding the property gain in 2023, operating income decreased 14%, on the lower revenue levels, lower gross margins and higher expenses. Operating income margin decreased 170 bps to 10.5%, reflecting lower gross margins and the higher relative expense level.

Interest expense was largely unchanged at $7.0 million, with no change to outstanding fixed-rate term debt and an unused credit facility.

Interest and investment income increased $5.3 million or 52% in the quarter on higher average cash balances and higher interest rates.

The effective income tax rate for the quarter was up slightly to 27.2% compared to 26.8% in the first quarter of last year, reflecting the lower capital gains rate on the property disposition in Q1 2023.

Net earnings (including discontinued operations) for the quarter decreased $12.1 million or 13% to $83.9 million from the comparable period last year. Basic earnings per share ("EPS") decreased $0.15 or 13% to $1.02.

Other comprehensive income of $27.4 million in the quarter (2023 – comprehensive loss of $2.7 million) included an actuarial gain on post-employment benefit plans of $17.2 million (2023 – actuarial gain of $0.1 million). These gains reflect actuarial changes used in the valuation, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a favourable net change in the fair value of cash flow hedges of $9.6 million (2023 – unfavourable net change of $2.8 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the underlying USD/CAD exchange rates at period end compared to the contract date.

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 March 31			
($ thousands)	**2024**	2023	$ change	% change
Equipment sales and rentals				
New	**$ 330,391**	$ 369,199	$ (38,808)	(11)%
Used	**63,822**	67,557	(3,735)	(6)%
Rentals	**95,854**	98,459	(2,605)	(3)%
Total equipment sales and rentals	**490,067**	535,215	(45,148)	(8)%
Product support	**435,303**	422,343	12,960	3 %
Power generation	**2,775**	2,848	(73)	(3)%
Total revenue	**$ 928,145**	$ 960,406	$ (32,261)	(3)%
Operating income	**$ 98,756**	$ 122,958	$ (24,202)	(20)%
KEY RATIOS:				
Product support revenue as a % of total revenue	**46.9%**	44.0%		
Operating income margin	**10.6%**	12.8%		
Group total revenue as a % of consolidated revenue	**91.3%**	91.8%		

The Equipment Group reported lower results in the first quarter of 2024 versus the similar period of last year, which was a stronger comparator given specific customer deliveries and market dynamics in play at that time. Improving equipment availability, solid bookings during the quarter and a healthy opening order backlog remain supportive for the future.

Total equipment revenue (new and used) decreased $42.5 million or 10% across most market segments compared to the first quarter of last year, predominantly impacted by a delay in customer deliveries. New equipment sales decreased 11% in the period, across all market segments and regions, except for power systems, against a strong comparative period in 2023. Used equipment sales decreased 6% during the period on lower sales from trades and purchases reflecting shifting supply and demand dynamics. Used equipment sales also include rental fleet dispositions, which have increased, reflecting fleet management decisions (age of the fleet), as well as availability and cost of new equipment. The change in equipment revenue by market segment was as follows: construction -4%, mining -34%, material handling -20% and power systems up +34%.

Rental revenue decreased $2.6 million or 3% versus the first quarter of last year. Most markets and regions were lower, reflecting adverse weather and competitive market conditions. Revenue change quarter over quarter in each market was as follows: Light equipment rentals -6%, heavy equipment rentals -13%, material handling -8% and power systems +9%. As at March 31, 2024, the RPO fleet (rent with a purchase option) was $70.1 million versus $38.7 million at this time last year, and associated rental revenue was up 50% compared to last year.

Product support revenue increased $13.0 million or 3% compared to the first quarter of last year with increases in both parts (up 2%) and service (up 7%). Activity was higher across most markets and regions on good end user demand and a higher technician base. Revenue change by market was as follows: construction +3%; mining +4%; power systems +3%; and material handling -5%.

Gross profit margin decreased 100 bps to 24.4% from 25.4% in the first quarter of last year. Equipment margins increased slightly, up 10 bps on sales mix. Rental margins were down 130 bps on lower fleet utilization, higher recent acquisition costs, in part due to a weaker Canadian dollar, and higher maintenance and repair costs. Product support margins decreased 60 bps on generally higher costs. Sales mix, with a higher proportion of product support revenues to total, increased margin by 80 bps.

Selling and administrative expenses increased $6.8 million or 6% in the first quarter of 2024. In 2023 property related dispositions reduced expenses by $3.5 million. Excluding this item, expenses increased $3.3 million or 3% year over year. Compensation costs were higher year-over-year reflecting staffing levels, 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 activity levels and inflationary pressures. Allowance for doubtful accounts decreased $0.5 million, reflecting good collection activity and improved aging of receivables. As a percentage of revenue, selling and administrative expenses were 120 bps higher at 13.8% in the current period versus 12.6% in the similar period last year.

Operating income decreased $24.2 million or 20% on the lower revenue. As a percentage of revenue, operating income was 220 bps lower at 10.6% versus 12.8% in the comparable period last year, reflecting the lower gross margins and higher relative expenses.

Bookings and Backlog

($ millions)	**2024**	2023	$ change	% change
Bookings – three months ended March 31	**$ 521.6**	$ 345.5	$ 176.1	51 %
Backlog – as at March 31	**$ 1,084.7**	$ 940.7	$ 144.0	15 %

Bookings increased $176.1 million or 51% in the first quarter of 2024, compared to the first quarter of last year. Mining bookings increased significantly in the quarter, with several large orders received. Construction bookings were also healthy up 40%. These were partially offset by lower orders in power systems (-35%) and material handling (-42%).

Backlog of $1.1 billion at March 31, 2024, was up $144.0 million or 15%, compared to the same time last year, reflecting good new bookings and some delivery delays on customer orders. As at March 31, 2024, the composition of backlog by market was as follows: construction 31%; mining 38%; power systems 28%; and material handling 3%. Approximately 85% 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 (especially in mining and power systems), the timing of orders and deliveries with customers (which are in turn reflective of economic factors and general activity levels), and the availability of equipment from either inventory or suppliers.

CIMCO

	Three months ended March 31			
($ thousands)	**2024**	2023	$ change	% change
Package sales	**$ 36,685**	$ 39,446	$ (2,761)	(7)%
Product support	**51,519**	46,511	5,008	11 %
Total revenue	**$ 88,204**	$ 85,957	$ 2,247	3 %
Operating income	**$ 7,829**	$ 4,856	$ 2,973	61 %
KEY RATIOS:				
Product support revenue as a % of total revenue	**58.4%**	54.1%		
Operating income margin	**8.9%**	5.6%		
Group total revenue as a % of consolidated revenue	**8.7%**	8.2%		

CIMCO had a solid start to the year driven by good execution in both Canada and the US, coupled with healthy activity levels. Product support activity continued to demonstrate strong growth, supported by the larger technician workforce. Operating income increased on the higher revenues, improved gross margins, and favourable sales mix (a higher proportion of product support revenues to total), partially offset by higher expenses.

Package sales decreased $2.8 million or 7% versus the first quarter of last year, with a decrease in the industrial market being partially offset by an increase in the recreational market. Industrial market revenue was down 24%, with lower activity in both the US (-53%) and in Canada (-10%), mainly due to delays in equipment delivery and customer schedules. Recreational market revenue increased 85%, as revenue was higher in both the US (+106%) and Canada (+71%). Package revenue reflects the progress of construction applying the percentage-of-completion method of accounting. This introduces a degree of variability as the timing of construction schedules are largely under the control of third parties (contractors and end-customers).

Product support revenue increased $5.0 million or 11% versus the first quarter of last year on higher activity levels in both Canada (up 12%) and the US (up 7%). In Canada strong execution in our Ontario, Quebec and Atlantic regions drove a substantial portion of the increased revenue. Activity levels continued to improve on good customer demand and the increased technician base.

Gross profit margin increased 450 basis points versus the first quarter of last year to 26.8%. Package margins were up 270 bps, on good execution and the nature of projects in process. Product support margins increased 120 bps on improved execution and higher volume. A favourable sales mix, with a higher proportion of product support revenue to total revenue, accounted for 60 bps of the increase.

Selling and administrative expenses increased $1.5 million or 10% versus the first quarter of last year. Allowance for doubtful accounts decreased $1.6 million reflecting focused efforts on collections and an improvement of aged receivable balances. Compensation costs increased reflecting staff levels, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel and training expenses increased to support activity and staffing levels. As a percentage of revenue, selling and administrative expenses increased to 17.9% in the first quarter of 2024 versus 16.7% in the first quarter of last year.

Operating income increased by $3.0 million or 61% in the first quarter of 2024, reflecting improved gross margins and higher revenue. Operating income as percentage of revenue increased 330 bps to 8.9% compared to the first quarter of last year.

Bookings and Backlog

($ millions)	**2024**	2023	$ change	% change
Bookings – three months ended March 31	**$ 103.1**	$ 40.2	$ 62.9	156 %
Backlog – as at March 31	**$ 323.2**	$ 199.1	$ 124.1	62 %

Bookings increased $62.9 million or 156% to $103.1 million in the first quarter of 2024. Industrial bookings were up 194% or $39.0 million with increases in the US (+275%), and Canada (+152%). Recreational bookings increased 119%, with higher orders in both the US (+88%) and in Canada (+146%).

Backlog of $323.2 million increased $124.1 million or 62% compared to the same time last year, largely driven by an increase in the industrial market with strong order intake, along with a modest increase in the recreational market. Industrial backlog increased 114%, with an increase in both Canada (+104%) and in the US (+172%). Recreational backlog was up 17%, with an increase in Canada (+34%) and the US (+4%).

Approximately 80% of the backlog is expected to be realized as revenue over the next twelve months, however this is subject to construction schedules and potential changes stemming from supply chain dynamics.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2024, the ratio of net debt to total capitalization(1) was -14% (net cash position), compared to -17% at December 31, 2023, and -1% at March 31, 2023.

Non-cash Working Capital

The Company's investment in non-cash working capital was $772.2 million at March 31, 2024. The major components, along with the changes from prior periods, are identified in the following table.

($ thousands)	**March 31 2024**	March 31 2023	Change $	Change %	December 31 2023	Change $	Change %
Accounts receivable	**$ 536,739**	$ 549,060	$ (12,321)	(2)%	$ 627,243	$ (90,504)	(14)%
Inventories	**1,257,356**	1,142,751	114,605	10 %	1,119,071	138,285	12 %
Other current assets	**18,658**	17,901	757	4 %	23,733	(5,075)	(21)%
Accounts payable and accrued liabilities	**(656,423)**	(544,557)	(111,866)	21 %	(619,318)	(37,105)	6 %
Provisions	**(29,823)**	(27,471)	(2,352)	9 %	(30,269)	446	(1)%
Income tax recoverable (payable)	**20,262**	6,864	13,398	nm	(7,006)	27,268	nm
Derivative financial instruments	**2,880**	8,648	(5,768)	(67)%	(13,946)	16,826	nm
Dividends payable	**(39,543)**	(35,413)	(4,130)	12 %	(35,383)	(4,160)	12 %
Deferred revenue and contract liabilities	**(337,881)**	(269,757)	(68,124)	25 %	(360,143)	22,262	(6)%
Total non-cash working capital	**$ 772,225**	$ 848,026	$ (75,801)	(9)%	$ 703,982	$ 68,243	10 %

Accounts receivable decreased 2% from March 31, 2023, mainly reflecting the 3% decrease in revenue in the quarter. Days sales outstanding ("DSOs") increased 4 days to 41 days overall, with an increase in DSO days in both the Equipment Group (up 4 days) and CIMCO (up 2 days). Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2023, accounts receivable decreased 14%, reflecting lower trailing revenues and improved collections. DSO was 42 days at December 31, 2023.

Inventories at March 31, 2024 increased 10% compared to March 31, 2023, with increases in both Groups:

- Equipment Group inventories were up $93.6 million or 8%, with increased equipment (up $99.8 million or 15%) and work-in-process (up $18.3 million or 17%), partly offset by lower parts (down $24.5 million or 7%). Inventory levels increased in light of higher activity levels and in line with customer delivery schedules against order backlog. Price increases and foreign exchange rates on US sourced supplies have also served to increase inventory. Work-in-process levels also reflect activity levels and some continuing delays due to supply chain issues. The decease in parts inventory reflects optimization strategies.
- CIMCO inventories were up $21.0 million or 69%, mainly as work-in-process levels increased $21.2 million (up 86%), reflecting timing of project construction and product support schedules. Parts inventory decreased $0.2 million or 3% reflecting close management of inventory levels.

Inventories at March 31, 2024 were 12% higher compared to December 31, 2023, with increases in both Groups:

- Equipment Group inventories were up $128.1 million or 12% with increases in equipment (up $117.1 million or 18%) and work-in-process (up $14.0 million or 13%), partly offset by lower parts inventories (down $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 $10.2 million or 25%, with higher work-in-process levels (up $9.7 million or 27%), along with higher parts inventories (up $0.5 million or 9%).

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 March 31, 2024, were 21% higher than at March 31, 2023, largely reflecting higher activity levels and timing of purchase and payment for inventory.

In comparison to December 31, 2023, accounts payable and accrued liabilities increased 6%, mainly reflecting the timing of purchase and payment for inventory and other supplies, 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 March 31, 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 March 31 and December 31, 2023, reflecting the higher dividend rate. The dividend rate was increased 11.6% effective with the first quarter of 2024, and representing 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 March 31, 2024, these were up 17% versus March 31, 2023 largely on customer deposits for future equipment deliveries. Compared to December 31, 2023, deferred revenues were down 11% 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 March 31, 2024, these were up 83% versus March 31, 2023, and up 22% 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 195,700 common shares for $25.0 million (average cost of $127.70 per share, including transaction costs) during the three months ended March 31, 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 March 31, 2024, there was no obligation for the repurchase of shares under the ASPP.

The Company did not purchase any common shares during the three months ended March 31, 2023. As at March 31, 2023, there was no obligation for the repurchase of shares under the ASPP.

Long-term Incentive Plan ("LTIP")

A total of 21,521 restricted share units ("RSUs") and 74,115 performance share units ("PSUs") were outstanding under the LTIP as at March 31, 2024, including reinvested dividends.

For the three months ended March 31, 2024, LTIP expense of $1.1 million (2023 – $0.5 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 82,213,286 common shares and 1,686,761 share options outstanding.

Dividends

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

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

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 July 5, 2024 to shareholders on record on June 7, 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 March 31, 2024, December 31, 2023 and March 31, 2023.

Standby letters of credit issued utilized $39.1 million of the facility as at March 31, 2024 (December 31, 2023 – $40.3 million; March 31, 2023 – $30.4 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 March 31 2024	2023
Cash and cash equivalents, beginning of period	**$ 1,040,757**	$ 927,780
Cash, provided by (used in):		
Operating activities		
Operations	**127,718**	128,547
Change in non-cash working capital and other	**(45,486)**	(272,351)
Net rental fleet additions	**(51,439)**	(57,261)
	30,793	(201,065)
Investing activities	**(32,735)**	(19,205)
Financing activities	**(55,765)**	(31,665)
Effect of foreign exchange on cash and cash equivalents balances	**305**	(6)
Decrease in cash and cash equivalents during the period from continuing operations	**$ (57,402)**	$ (251,941)
Discontinued operations	**$ —**	$ (399)
Cash and cash equivalents, end of period	**$ 983,355**	$ 675,440

<u>Cash Flows from Operating Activities</u>

Operating activities provided cash in the first quarter of 2024 and utilized cash in the comparable period last year.

Cash generated from operations decreased 1% from the comparable period last year reflecting in part the lower net earnings, which decreased 13%.

Non-cash working capital and other used cash in the first quarter of 2024. Inventory levels increased in the quarter in advance of the busier selling season, coupled with some deferrals in customer deliveries, partially offset by good collections of accounts receivable. Non-cash working capital used cash in the comparable period of 2023 on similar reasons. Comparatively, non-cash working capital and other used less cash in the first quarter of 2024, than the similar period of the prior year due to timing of receipt and payment of inventory.

Cash used for net rental fleet additions (purchases less proceeds of dispositions) decreased by $5.8 million in the first quarter of 2024 compared to the comparable period last year. The Company continued to invest in both the heavy and light equipment rental fleets across Eastern Canada reflective of market conditions and growth strategies. Dispositions increased slightly 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 $32.9 million in the first quarter of 2024 (2023 – $26.9 million) and related largely to:

- $15.4 million additions for land, buildings and construction in process for new and upgraded facilities across the business (2023 – $14.4 million);
- $14.6 million for normal replacement of service and delivery vehicles (2023 – $9.5 million);
- $0.5 million for upgrades and enhancements to information technology infrastructure and office furniture (2023 – $1.2 million); and
- $2.5 million for machinery and equipment replacements and upgrades (2023 – $1.8 million).

In the first quarter of 2023, the Company sold an excess property for gross proceeds of $7.4 million resulting in a capital gain of $3.5 million or $3.1 million after-tax. Total disposition proceeds for 2024 were $0.2 million (2023 – $7.8 million).

Cash Flows from Financing Activities

During the first quarter of 2024, the Company used $55.8 million (2023 – used $31.7 million) in cash in financing activities. Major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of $35.4 million or $0.43 per share (2023 – $32.1 million or $0.39 per share);
- Cash received on exercise of share options of $7.1 million (2023 – $2.5 million);
- Purchase of shares under the NCIB program of $25.0 million (2023 – nil); and
- Lease liability payments of $2.5 million (2023 – $2.0 million).

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.

($ thousands, except per share amounts)	**Q1 2024**	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
REVENUE								
Equipment Group	**$ 928,145**	$1,128,907	$1,065,615	$1,070,194	$ 960,406	$1,032,850	$ 992,401	$ 966,015
CIMCO	**88,204**	98,030	108,430	104,762	85,957	95,678	94,106	87,683
Revenue - continuing operations	**$1,016,349**	$1,226,937	$1,174,045	$1,174,956	$1,046,363	$1,128,528	$1,086,507	$1,053,698
NET EARNINGS	**$ 83,919**	$ 154,052	$ 145,619	$ 139,037	$ 96,004	$ 159,862	$ 123,123	$ 111,681
PER SHARE INFORMATION:								
Basic earnings per share	**$ 1.02**	$ 1.87	$ 1.77	$ 1.69	$ 1.17	$ 1.94	$ 1.50	$ 1.35
Diluted earnings per share	**$ 1.01**	$ 1.86	$ 1.76	$ 1.68	$ 1.16	$ 1.93	$ 1.49	$ 1.34
Dividends paid per share	**$ 0.43**	$ 0.43	$ 0.43	$ 0.43	$ 0.39	$ 0.39	$ 0.39	$ 0.39
Weighted average common shares outstanding – basic (in thousands)	**82,309**	82,315	82,282	82,294	82,333	82,279	82,183	82,433

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 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*; Amendments to International Financial Reporting Standards ("IFRS") 16 – *Lease Liability in a Sale and Leaseback*; and Amendments to IAS 7 and IFRS 7 – *Supplier Finance Arrangements*. The amendments had no material impact on the unaudited interim condensed consolidated financial statements. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

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 months ended March 31, 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 March 31	
($ thousands)	**2024**	2023
Net income from continuing operations	**$ 83,919**	$ 96,119
plus: Interest expense	**6,994**	6,904
less: Interest and investment income	**(15,687)**	(10,348)
plus: Income taxes	**31,359**	35,139
Operating income	**$ 106,585**	$ 127,814
Total revenue	**$ 1,016,349**	$ 1,046,363
Operating income margin	**10.5%**	12.2%

Net Debt to Total Capitalization/Equity

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

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

The calculations are as follows:

($ thousands)	**March 31 2024**	December 31 2023	March 31 2023
Long-term debt	**$ 647,964**	$ 647,784	$ 647,241
less: Cash and cash equivalents	**983,355**	1,040,757	675,440
Net debt	**(335,391)**	(392,973)	(28,199)
Shareholders' equity	**2,754,769**	2,683,852	2,389,157
Total capitalization	**$ 2,419,378**	2,290,879	2,360,958
Net debt to total capitalization	**(14)%**	(17)%	(1)%
Net debt to equity	**(0.12):1**	(0.15):1	(0.01):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)	**March 31 2024**	December 31 2023	March 31 2023
Total current assets	**$ 2,821,696**	$ 2,810,804	$ 2,402,514
less: Total current liabilities	**1,066,116**	1,066,065	879,048
Working capital	**$ 1,755,580**	$ 1,744,739	$ 1,523,466

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)	**March 31 2024**	December 31 2023	March 31 2023
Total current assets	**$ 2,821,696**	$ 2,810,804	$ 2,402,514
less: Cash and cash equivalents	**983,355**	1,040,757	675,440
	1,838,341	1,770,047	1,727,074
Total current liabilities	**1,066,116**	1,066,065	879,048
Non-cash working capital	**$ 772,225**	$ 703,982	$ 848,026

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)	**March 31 2024**	December 31 2023	March 31 2023
Outstanding common shares	**82,213,286**	82,297,341	82,360,231
times: Ending share price	**$ 130.35**	$ 116.10	$ 110.93
Market capitalization	**$ 10,716,502**	$ 9,554,721	$ 9,136,220
Long-term debt	**$ 647,964**	$ 647,784	$ 647,241
less: Cash and cash equivalents	**983,355**	1,040,757	675,440
Net debt	**$ (335,391)**	$ (392,973)	$ (28,199)
Total enterprise value	**$ 10,381,111**	$ 9,161,748	$ 9,108,021

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		
	March 31	December 31	March 31
($ thousands)	**2024**	2023	2023
Net earnings	**$ 522,627**	$ 534,712	$ 490,671
plus: Interest expense	**28,188**	28,101	27,558
less: Interest and investment income	**(51,383)**	(46,349)	(30,108)
plus: Interest income – rental conversions	**3,684**	3,348	4,352
plus: Income taxes	**191,111**	194,849	177,439
Adjusted net earnings	**$ 694,227**	$ 714,661	$ 669,912
Average capital employed	**$ 2,396,373**	$ 2,347,864	$ 2,065,882
Return on capital employed	**29.0%**	30.4%	32.4%

Return on Equity ("ROE")

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

	Trailing twelve months ended		
	March 31	December 31	March 31
($ thousands)	**2024**	2023	2023
Net earnings	**$ 522,627**	$ 534,712	$ 490,671
Opening shareholder's equity (net of adjustments)	**$ 2,374,586**	$ 2,317,906	$ 1,969,837
Return on equity	**22.0%**	23.1%	24.9%