




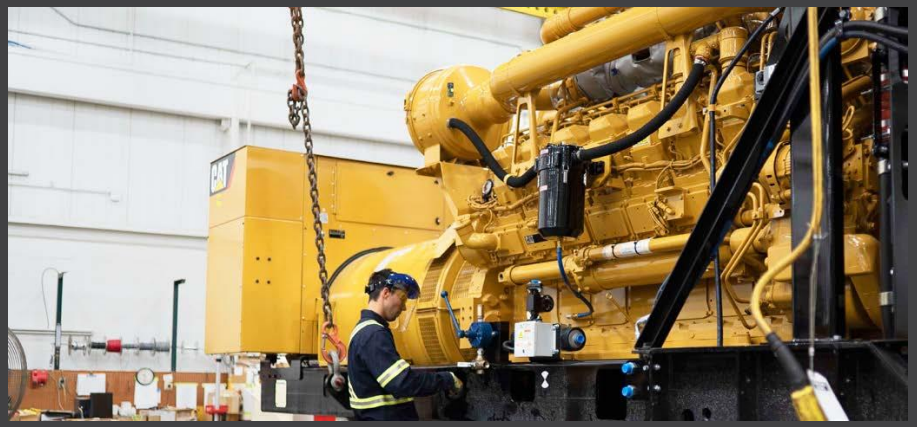

# Q2 2021 Results

July 29, 2021

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# Advisory

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

*Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; potential risks and uncertainties relating to the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity; increased regulation of or restrictions placed on our businesses as a result of COVID-19; 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; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; information technology failures, including data or cyber security breaches; failure to attract and retain key employees; 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 of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates and acquired in excess of those currently contemplated; and ability to secure insurance coverage and cost of premiums. 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 in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.*

# Recent Events

- **Retirement** of Mr. Robert Ogilvie as Chairman of the Board of Directors and **appointment** of Mr. Richard Roy as his successor, effective July 15, 2021

Robert Ogilvie

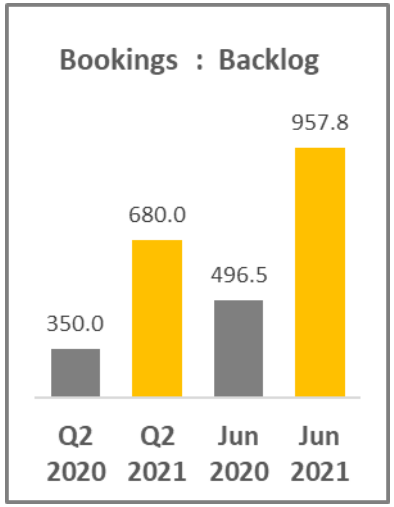
Richard Roy

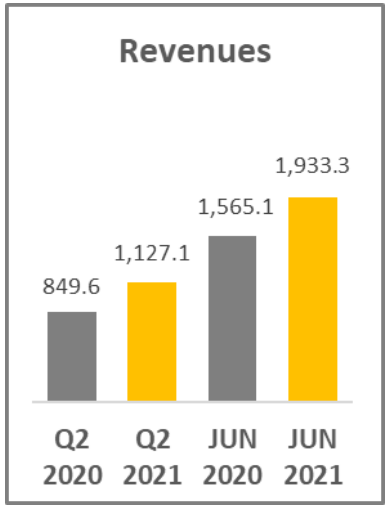
# Events in Q2

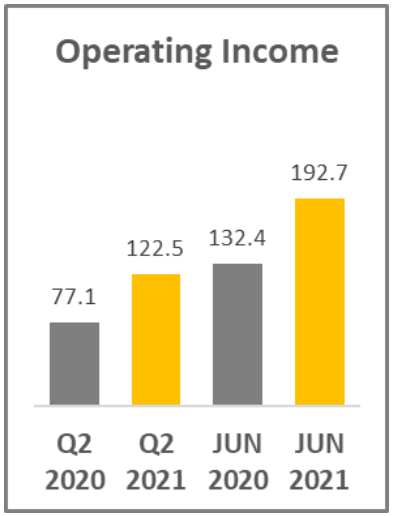
- **Improving activity levels** in our end markets YTD
- **Team** continues to demonstrate their adaptability and dedication to meet our customer needs
- The **Equipment Group** reported **strong prime product deliveries**, reflecting improved activity levels in the quarter
  - **Rental and product support** activity improved with higher utilization levels
  - **3 new Battlefield locations** being opened in the Ontario market
- **CIMCO** revenues increased reflecting the buildout of industrial orders booked in 2020
  - **Product support** activity impacted by COVID restrictions mainly in the recreational segment
- **Operational efficiencies** with continued focus on expense disciplines resulted in solid bottom line growth
- **Q2 Order bookings up 94% & backlog up 93% Y/Y** mainly stemming from the Equipment Group with an improving trend over the last three quarters
- **Financial position remains strong** ample liquidity to support business requirements and organic growth initiatives
- **Cautious tone remains** related to the ever changing status of the pandemic and required response

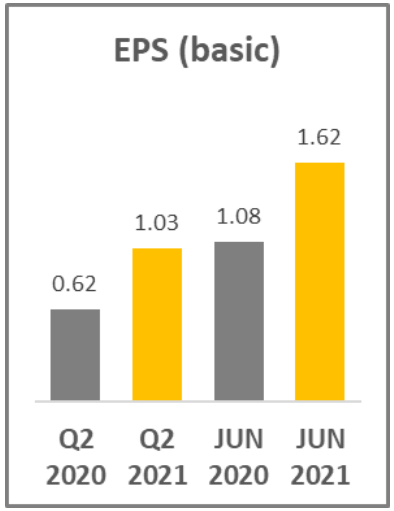
# Q2 2021 Y/Y Financial Summary

Financial Data in $ million, EPS in $ per share




- **Healthy Backlogs** of $957.8M with the Equipment Group up 201% and CIMCO lower 35% over 2020 levels.
- **Revenues** up 33% in the QTR (YTD up 24%), with increased activity, in both the Equipment Group and CIMCO, in most markets and all regions; good overall team execution
- **Product support and rental revenues** were up 14% and 27% respectively (YTD both up 7%) compared to Q2 2020, which reflected significant COVID-19 impacts
- **Expenses** were up 13% in the QTR (YTD up 7%) versus 2020 largely on higher:
  - MTM DSU adjustments on higher share price
  - Compensation versus 2020 where work-share programs, lay-offs and CEWS were in effect
  - other SG&A supporting improved activity levels (ex. travel and training)
  - bad debts expense down on good collections
- **Operating Income** up 59% in Q2 2021 (YTD up 46%) versus Q2 2020 as revenue growth outpaced expense growth; COVID-19 restrictions and cost containment focus continues
- **Net Earnings** of $85.4M were 67% higher than Q2 2020 (YTD $133.4M up 51%) with EPS (basic) at $1.03 per share, or 41 cents above Q2 last year (YTD $1.62 per share up 54 cents)

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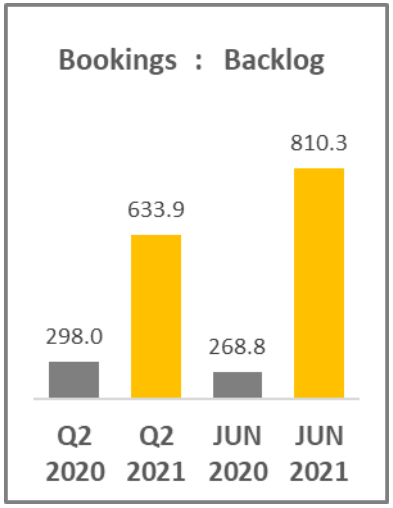
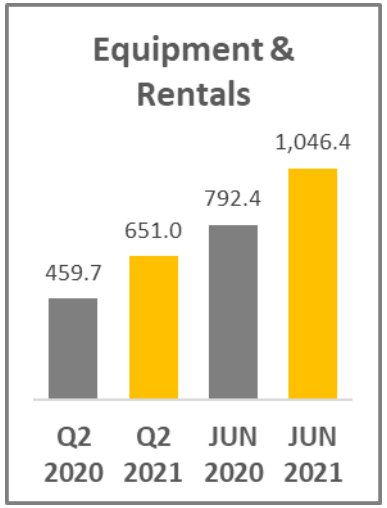
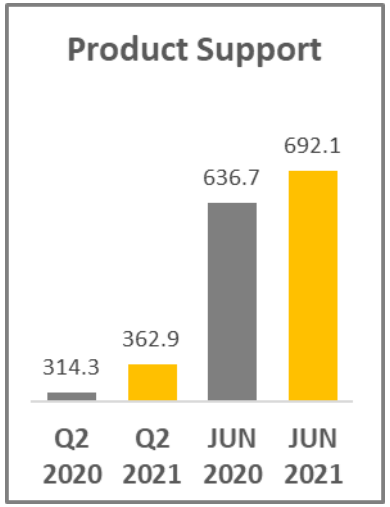
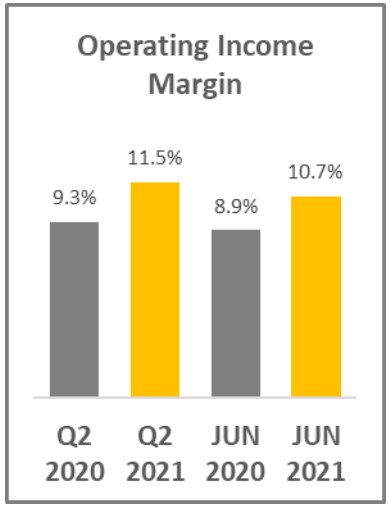
# Q2 Equipment Group Highlights

Financial Data in $ million




- **Bookings** up 113% in the QTR across all sectors except agriculture (YTD up 108% across all sectors); **Backlogs** up 201% YoY
- **Revenues** of $1.0 billion up 31% in the QTR (YTD at $1.7 billion up 22% vs 2020)
  - **New & Used equipment up 44% in the QTR (up 38% YTD)**
    - **Construction** up 38% in QTR (up 36% YTD)
    - **Mining** up 181% in QTR (up 97% YTD)
    - **Power systems** up 15% in QTR (up 18% YTD)
    - **Material Handling** up 26% in QTR (up 19% YTD)
    - **Agriculture** up 76% in QTR (up 76% YTD)
  - **Rental up 27% in QTR (up 7% YTD)**
    - Most markets and segments were higher reflecting improved market activity versus weaker comparable in prior periods
    - **RPO** down 15% in the QTR (down 35% YTD) on smaller average fleet and customers recent preference for purchase versus rental
  - **Product Support up 15% in QTR (up 9% YTD)**
- **Operating Income** $116.4M (up 61%) in the QTR; (YTD at $186.3M up 46%)
  - **Equipment & product support** margins were largely unchanged (QTR & YTD)
  - **Rental** margins improved in both the QTR and YTD reflective of higher utilization and rental fleet management
  - **Shift in sales mix** with lower product support revenues to total revenues decreased margins in both the QTR and YTD
  - **Selling & Admin** expenses were up 12% in the QTR (up 7% YTD) mainly due to higher compensation costs and DSU related MTM expense
  - **Other expenses** increased in support of higher activity following a reduced spending period, partly offset by reduced AFDA on good collections

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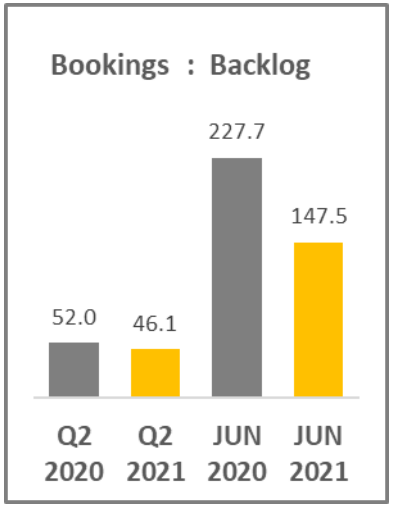
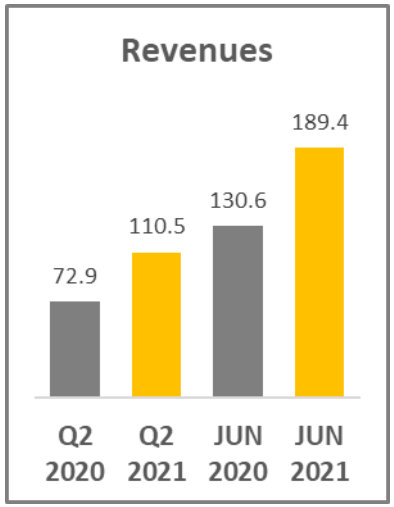
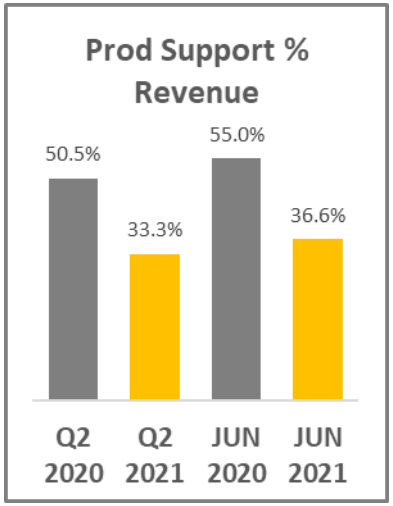
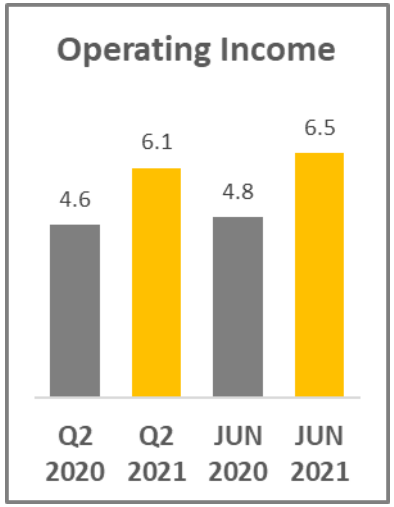
# Q2 CIMCO Highlights

Financial Data in $ million




- **Backlog** of $147.5M, lower 35% YoY
  - **Bookings of $46.1M** lower 11% for the QTR (YTD down 49%) in both markets, mainly due to exceptionally strong industrial orders booked in Canada in 2020
  - **Recreational bookings** were 4% lower in the QTR (YTD down 18%) reflecting restrictions/reduced market activity. Canada lower 16% (YTD down 53%) while the US up 21% (YTD down 1%)
- **Revenues** of $110.5M up 52% in Q2 (YTD $189.4M up 45%)
  - **Packages Sales** up 104% in Q2 (up 105% YTD) with increases in both recreation and industrial markets
    - Canada Q2 up 149% (YTD up 127%) with build-out of industrial orders booked in 2020
    - US Q2 down 9% with lower recreational and higher industrial sales (YTD up 26%, on higher sales in both markets)
  - **Product Support** remained flat in Q2 (YTD down 4%), mainly on lower activity in the recreational markets due to pandemic related site restrictions
- **Operating Income** $6.1M (up 31%) in Q2 (YTD $6.5M up 35%) reflecting higher package sales, partially offset by lower gross margins
  - **Gross Margin** down 420 bps in the QTR (down 470 bps YTD) mainly on higher package sales and lower product support activity (mix)
  - **Selling & Admin** up 21% in Q2 (YTD up 10%) reflecting higher activity levels: for example, travel and training following a period of contained spending and higher compensation expenses as technician hiring continued to meet demand

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# Financial Highlights

- **Working Capital –** reflecting teams focus and effective actions to proactively manage changes related to activity levels and underlying demand
  - **AR** increased $73 million, while DSO was down 5 days from Q2 2020
  - **Inventories** lower by $220 million, reflective of market signals over last 12 months
  - **AP** lower by $225 million due to timing of purchasing and expected unwind of extended supplier terms

- **Strong financial position** with **$661 million** cash on hand, additional liquidity of approximately **$470 million** and Net Debt to Total Capitalization ratio of **-1%** (net cash position)

- **Returns**, remain strong and reflect improvements with Return on Opening Shareholders Equity of **19.0%** and pre-tax Return on Capital Employed of **24.2%**

- **Dividend** approved for quarterly distribution of $0.35 per share per quarter – returning approximately **$28.9 million** quarterly to shareholders

# Key Takeaways Leading into Q3

- We continue to provide **essential services and solutions** to our clients, focusing on **3 key areas** to protect our employees, serving our customer needs and protecting the business for the future
- Expecting the business environment to remain fluid in 2021 and the **tone of caution to persist** given the changing status of the pandemic and response required
- **Operationally**, our Team is focused on delivering our products and services safely, responding to changes in demand, executing on organic growth opportunities and our long term business plan
- Our **order backlog** was healthy heading into 2021, and **new order bookings** in 2021 are supportive
- **Technician hiring** remains a priority to meet demand
- Market activity was strong in Q2, **unique buying patterns relative to historic trends** were evident, team working diligently on the pipeline forecast, repair schedules and parts demand signals
- **Financially, we are well positioned** to manage through the pandemic with ample sources of liquidity and ability to invest in organic growth initiatives and opportunities
- **Thank-you** to our customers, our people, our supply partners and our shareholders for your continued support

# Thank You
# &
# Stay Safe

**Q2 2021 Results Conference Call**
**July 29, 2021**

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