



# Q4 2020 Results

February 11, 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; 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](http://www.sedar.com) or at our website [www.toromont.com](http://www.toromont.com). Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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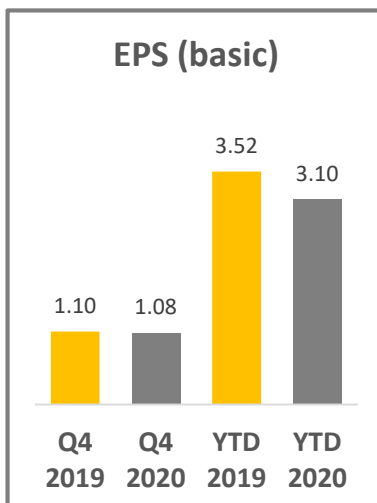
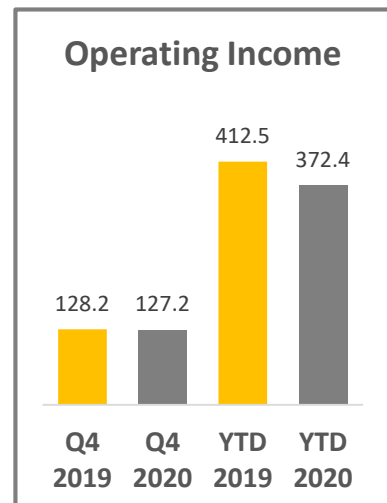
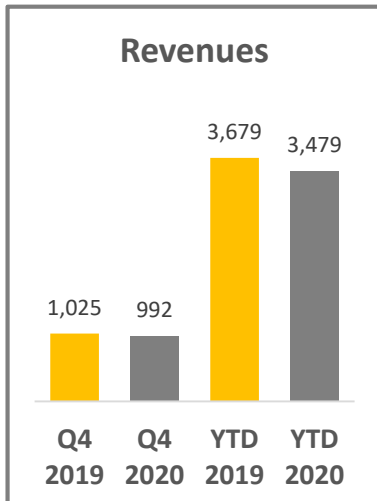
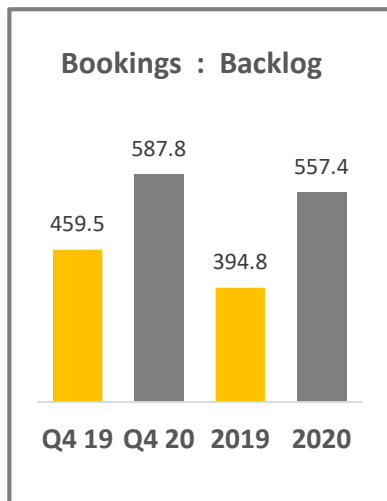
TOROMONT CIMCO

# Events in Q4

- **Markets continue to demonstrate gradual sequential improvement, however below 2019 levels and the cautious tone remains**
- **Order bookings improved in the quarter versus last year (up 28%); similarly total backlog was also up by 41%**
- **Toromont Cat systems conversion and integration investment of \$3.1 million in the year providing enhanced visibility within operations, enabling improved efficiencies and go-to-market strategies**
- **Team continues to show their commitment and perform at a high level during a year of many unique challenges and opportunities**
- **Strong financial position maintained, working capital and discretionary spending well managed, ample liquidity to support business requirements and organic growth**

# Q4 2020 YoY Financial Summary

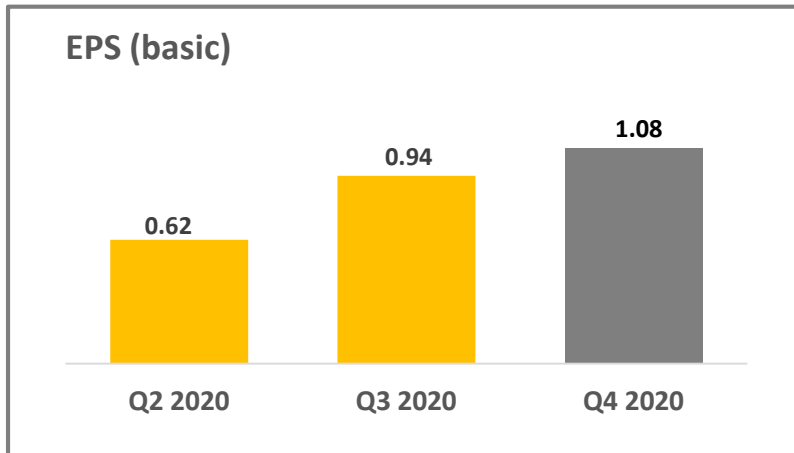
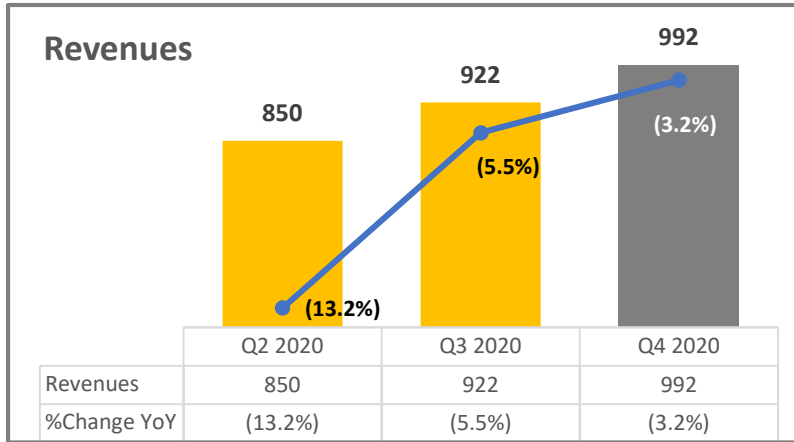
Financial Data in \$ million, EPS in \$ per share



- **Healthy Backlogs** with Equipment Group up 37% and CIMCO up 51% over 2019 levels
- **Revenues** lower by 3% in Q4 versus 2019, reflecting the gradual improvement and activity phase-in during the quarter with sequential increases in certain markets
- **Expenses** tightly managed with reductions in discretionary areas and compensation, while focusing on business priorities for the long term health of the Company. CEWS was a \$4.7 million benefit before tax
- **Operating Income** in 2020 1% lower than 2019 on lower volume, partially offset by lower expenses. Cost containment initiatives, T&E and sales-related expenses were lower improving contribution
- **Net Earnings** of \$88.9 million were lower 2% in the QTR with EPS (basic) at \$1.08 per share, or 2 cents below last year; including COVID-19 related and system integration costs

# Q4 2020 Sequential Financial Summary

Financial Data in \$ million, EPS in \$ per share

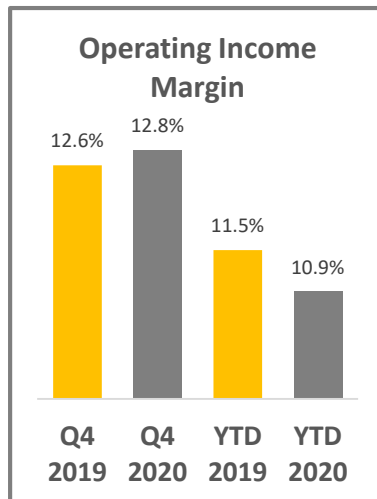
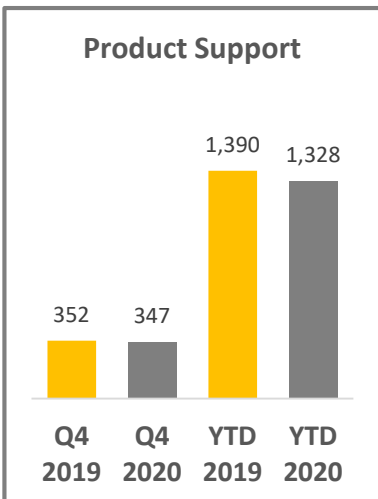
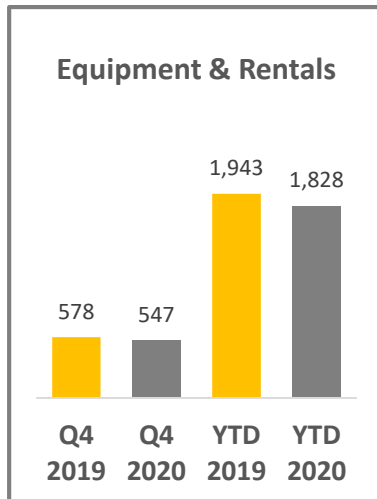
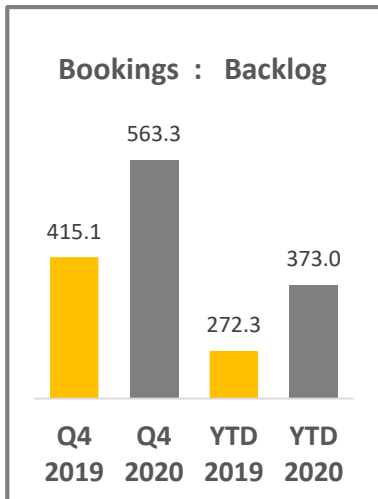


- **Continued Sequential improvement in Q4** experienced as economic activity continued to phase-in, machine utilization rates improved, product support and productivity benefited
- **Revenues** remained below prior year levels but continued to improve Quarter-over-Quarter
- **EPS (basic)** of \$1.08 was \$0.14 better than Q3, excluding the impact of CEWS was approximately \$1.04 or a \$0.16 improvement QoQ.
- **Sequential improvement in results reflects a more positive trend, however an undertone of caution persists**

% Change reflects Year-over-Year comparison

# Q4 Equipment Group Highlights

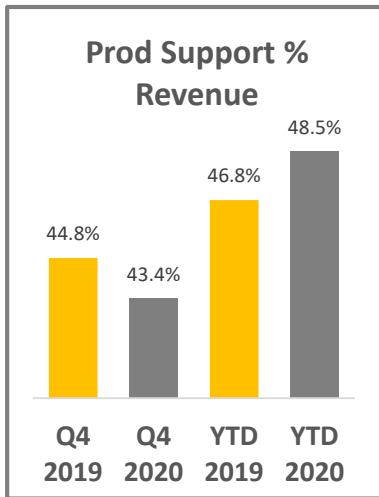
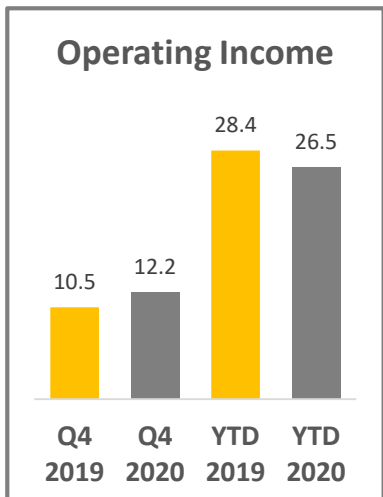
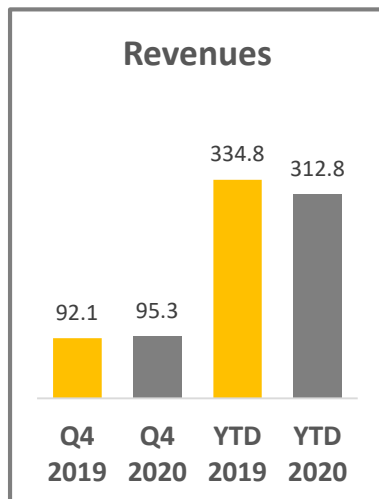
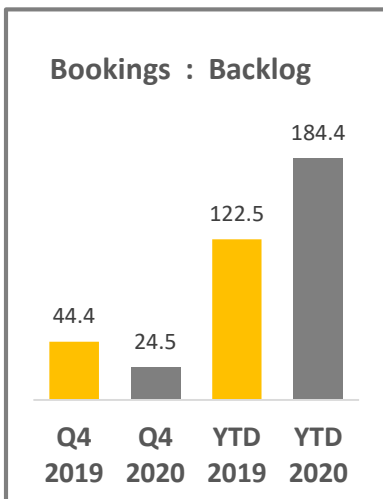
Financial Data in \$ million



- **Q4 Bookings** up 36% and **Backlog** up 37% for the group
- **Revenues** of \$897 million down 4% in QTR (YTD at \$3.2 billion down 5% versus 2019)
  - **New equipment down 8%, where Used was up 12%** in the QTR, (down 9% and up 16% respectively YTD)
    - **Construction** up 8% in QTR (up 1% YTD)
    - **Mining** down 28% in QTR (down 26% YTD)
    - **Power systems** down 30% in QTR (down 8% YTD)
    - **Material Handling** down 9% in QTR (down 6% YTD)
    - **Agriculture** down 20% in QTR (down 5% YTD)
- **Rental** down 12% in QTR (down 14% YTD)
- **Product Support** down 1% in QTR (down 5% YTD)
- **Operating Income** \$2.8 million (or 2%) lower than Q4 2019
  - **Equipment** margins lower mainly due to sales mix
  - **Rental** margins improved in the quarter reflective of reductions in the rental fleet, YTD were lower due to lower fleet utilization coupled with straight-line depreciation expenses
  - **Product Support** margins lower in both the quarter and YTD mainly due to lower activity
  - **Selling & Admin** expenses were down 7% in the quarter and 6% YTD reflecting cost containment initiatives & lower activity levels

# Q4 CIMCO Highlights

Financial Data in \$ million



- **Strong Order Book with Backlog** of \$184M up 51% YoY
  - **Industrial** orders up 96% YTD reflect strong activity in both Canada and the US, while **recreational** backlogs were 13% lower in both Canada and the US, order book positioned well for 2021 (subject to COVID-19 timing)
- **Revenues** of \$95.3 million up 3% in Q4 (YTD \$313 million down 7%)
  - **Packages Sales** up 6% in Q4 (down 9% YTD)
    - Canada revenues were up 6% during the QTR in both market segments, down 12% YTD with lower recreational and industrial activity
    - US up 9% in QTR, on strong recreational sales, slightly offset by lower industrial sales (up 4% YTD and higher recreational sales, offset by lower industrial sales on a smaller base)
  - **Product Support** in line with 2019 for the QTR (down 3% YTD)
- **Operating Income** higher \$1.7 million or 17% in Q4 (lower \$1.9 million YTD)
  - **Gross Margin** down 100 bps in the QTR mainly on lower package margins and up 50 bps YTD as package margins increased on improved project execution
  - **Selling & Admin** down \$1.8M or 13%, hiring costs increased supporting backlog growth, while other expenses incl. travel and training were lower; down 3% YTD, on higher compensation costs with higher headcount, offset by cost reductions in other areas with lower activity; governmental subsidies under the CEWS program reduced expenses by \$0.6 million

# Financial Highlights

- **Working Capital** – reflecting teams focus and effective actions proactively managing changes related to activity levels and underlying demand
  - AR increased \$17 million, while DSO was down 2 days from 2019
  - Inventories lower by \$184 million, reflective of adjustments made on market signals
  - AP lower by \$239 million due to timing of purchasing and expected unwind of extended supplier terms
- **Strong financial position** with **\$591 million** cash on hand, additional liquidity of approximately **\$719 million** and Net Debt to Total Capitalization ratio of **3%**
- **Returns**, although affected by the economic downturn remain strong with Return on Opening Shareholders Equity of **16.6%** and pre-tax Return on Capital Employed of **20.4%**
- **Dividend** approved for quarterly distribution of \$0.31 per share per quarter – returning approximately \$25.5 million quarterly to shareholders



# Key Takeaways Leading into 2021

- We continue to focus 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 well into 2021 and the **tone of caution to persist**
- **Operationally**, our Team is focused on delivering our products and services safely, responding to changes in demand, executing on organic growth opportunities and executing our long term business plan
- **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

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Q4 2020 Results Conference Call  
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