



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fourth quarter and year ended  
**December 31, 2018**

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## GENERAL INFORMATION

The following is TFI International Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company", "TFI International" and "TFI" shall mean TFI International Inc., and shall include its independent operating subsidiaries. This MD&A provides a comparison of the Company's performance for its three-month period and year ended December 31, 2018 with the corresponding three-month period and year ended December 31, 2017 and it reviews the Company's financial position as of December 31, 2018. It also includes a discussion of the Company's affairs up to February 27, 2019, which is the date of this MD&A. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2018.

In this document, all financial data are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") unless otherwise noted. All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "\$" and "C\$", designate Canadian dollars unless otherwise indicated. Variances may exist as numbers have been rounded. This MD&A also uses non-IFRS financial measures. Refer to the section of this report entitled "Non-IFRS Financial Measures" for a complete description of these measures.

The Company's audited consolidated financial statements have been approved by its Board of Directors ("Board") upon recommendation of its audit committee on February 27, 2019. Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints for maintaining the confidentiality of certain information that, if published, would probably have an adverse impact on the competitive position of the Company.

Additional information relating to the Company can be found on its website at [www.tfiintl.com](http://www.tfiintl.com). The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly consolidated financial statements, annual report, annual information form, management proxy circular and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING STATEMENTS

The Company may make statements in this report that reflect its current expectations regarding future results of operations, performance and achievements. These are "forward-looking" statements and reflect management's current beliefs. They are based on information currently available to management. Words such as "may", "could", "should", "would", "believe", "expect", "anticipate" and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected.

The Company wishes to caution readers not to place undue reliance on any forward-looking statements which reference issues only as of the date made. The following important factors could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement: the highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, fuel price variations and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in governmental regulations applicable to the Company's operations, adverse weather conditions, accidents, the market for used equipment, changes in interest rates, cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers, and credit market liquidity.

The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise or update any previously made forward-looking statements unless required to do so by applicable securities laws. Unanticipated events are likely to occur. Readers should also refer to the section "Risks and Uncertainties" at the end of this MD&A for additional information on risk factors and other events that are not within the Company's control. The Company's future financial and operating results may fluctuate as a result of these and other risk factors.

## SELECTED FINANCIAL DATA AND HIGHLIGHTS

<i>(unaudited)</i> <i>(in thousands of dollars, except per share data)</i>	Fourth quarters ended December 31		Years ended December 31		
	2018	2017*	2018	2017*	2016**
Revenue before fuel surcharge	1,162,279	1,069,679	4,508,197	4,378,985	3,830,931
Fuel surcharge	159,166	123,199	615,011	458,429	320,720
Total revenue	1,321,445	1,192,878	5,123,208	4,837,414	4,151,651
Adjusted EBITDA <sup>1</sup>	180,654	131,017	686,283	514,481	442,351
Operating income	103,283	66,076	430,524	178,421	258,213
Net income	76,728	120,192	291,994	157,988	157,059
Adjusted net income <sup>1</sup>	86,262	53,945	321,612	192,188	187,517
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601	337,908
Free cash flow from continuing operations <sup>1</sup>	103,917	102,432	339,707	376,487	288,340
Total assets	4,049,960	3,727,628	4,049,960	3,727,628	4,026,879
Total long-term debt	1,584,423	1,498,396	1,584,423	1,498,396	1,584,815
Per share data					
EPS – diluted	0.85	1.31	3.22	1.70	1.64
Adjusted EPS – diluted <sup>1</sup>	0.96	0.59	3.54	2.07	1.96
Dividends	0.24	0.21	0.87	0.78	0.70
As a percentage of revenue before fuel surcharge					
Adjusted EBITDA margin <sup>1</sup>	15.5%	12.2%	15.2%	11.7%	11.5%
Depreciation of property and equipment	4.5%	4.5%	4.4%	4.8%	3.6%
Amortization of intangible assets	1.3%	1.5%	1.4%	1.4%	1.4%
Operating margin <sup>1</sup>	8.9%	6.2%	9.5%	4.1%	6.7%
Adjusted operating ratio <sup>1</sup>	90.3%	93.8%	90.6%	94.4%	93.5%

(\*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements)

(\*\*) From continuing operations and recasted for changes in presentation

## Q4 Highlights

- The comparatives to the consolidated statement of income have been reclassified to conform to the current period presentation regarding the line items included within the subtotal of operating income, as stated in the audited consolidated financial statements. As a result, the following measures have changed from Q4 2017 and year-end 2017: operating income and operating margin.
- Record fourth quarter operating and financial results.
- Operating income increased to \$103.3 million, up 56% from the same quarter last year, driven by strong execution across the organisation, increased quality of revenue, and cost efficiencies.
- Operating income and operating margin<sup>1</sup>, a non-IFRS measure, increased meaningfully at all four of the Company's reportable segments with the exception of Logistics and Last Mile due to an impairment:
  - Package and Courier operating income increased 22% to \$34.4 million, with the operating margin increasing 200 basis points to 19.4%;
  - Less-Than-Truckload operating income increased 77% to \$23.5 million, with the operating margin increasing 360 basis points to 10.1%;
  - Truckload operating income increased 129% to \$52.3 million, with the operating margin increasing 520 basis points to 9.9%;
  - Logistics and Last Mile operating income decreased to \$2.9 million due primarily to a \$12.6 million impairment to intangible assets related to a prior year business acquisition in the segment. This impairment was offset by a \$13.0 million reduction in contingent consideration for the same acquisition, which was recorded in net finance costs. Excluding the \$12.6 million impairment, operating income increased 9% to \$15.4 million with the operating margin increasing 50 basis points to 6.5%.
- Net income of \$76.7 million decreased by \$43.5 million compared to Q4 2017, which included a \$76.1 million reduction in income tax expense as a result of U.S. tax reform.
- Diluted earnings per share (diluted "EPS") of \$0.85 compares to \$1.31 in Q4 2017, with the decrease primarily attributable to the income tax expense reduction recorded in Q4 2017, partially offset by higher revenues and stronger operating margins.
- Adjusted net income<sup>1</sup>, a non-IFRS measure, increased 60% to \$86.3 million primarily due to higher revenues and stronger operating margins.
- Adjusted diluted EPS<sup>1</sup>, a non-IFRS measure, increased 63% to \$0.96 from \$0.59 in Q4 2017.
- Net cash from operating activities from continuing operations increased to \$173.8 million, compared to \$116.1 million in Q4 2017.
- Debt-to-adjusted EBITDA ratio<sup>1</sup>, a non-IFRS measure, stood at 2.3x as of December 31, 2018, down from 2.9x as of December 31, 2017.
- The Company returned \$80.4 million to shareholders during the quarter, of which \$18.5 million was through dividends and \$61.9 million was through share repurchases.

<sup>1</sup> Refer to the section "Non-IFRS financial measures".

- During the quarter, TFI International completed the acquisitions of six Canadian specialized truckload companies.
- On December 17, 2018, the Board of Directors of TFI declared a quarterly dividend of \$0.24. This dividend represented a 14% increase over the \$0.21 quarterly dividend declared in Q4 2017.

## ABOUT TFI INTERNATIONAL

### Services

TFI International is a North American leader in the transportation and logistics industry, operating across the United States, Canada and Mexico through its subsidiaries. TFI International creates value for shareholders by identifying strategic acquisitions and managing a growing network of wholly-owned operating subsidiaries. Under the TFI International umbrella, companies benefit from financial and operational resources to build their businesses and increase their efficiency. TFI International companies service the following reportable segments:

- Package and Courier;
- Less-Than-Truckload;
- Truckload;
- Logistics and Last Mile.

### Seasonality of operations

The activities conducted by the Company are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

### Human resources

The Company has 17,127 employees who work in TFI International's different business segments across North America. This compares to 17,044 employees as of December 31, 2017. The year-over-year increase of 83 is attributable to business acquisitions that added 1,098 employees offset by rationalizations affecting 1,015 employees mainly in the Less-Than-Truckload ("LTL") and Logistics and Last Mile segments. The Company believes that it has a relatively low turnover rate among its employees in Canada, a normal turnover rate in the U.S., and that its employee relations are very good.

### Equipment

The Company has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at December 31, 2018, the Company had 7,465 power units, 26,487 trailers and 8,527 independent contractors. This compares to 7,058 power units, 24,617 trailers and 9,074 independent contractors as at December 31, 2017.

### Facilities

TFI International's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at December 31, 2018, the Company had 369 facilities, as compared to 391 facilities as at December 31, 2017. Of these, 264 are located in Canada, including 170 and 94, respectively, in Eastern and Western Canada. The Company also had 93 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 14 facilities were added from business acquisitions and the terminal consolidation decreased the total number of facilities by 36, mainly in the Logistics and Last Mile segment. In Q4 2018, the Company closed 11 sites.

### Customers

The Company has a diverse customer base across a broad cross-section of industries with no single client accounting for more than 5% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of the Company's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on operations. The Company has forged strategic partnerships with other transport companies in order to extend its service offering to customers across North America.

Revenue by Top Customers' Industry (58% of total revenue)	
Retail	30%
Manufactured Goods	14%
Automotive	8%
Metals & Mining	8%
Building Materials	7%
Food & Beverage	6%
Energy	5%
Forest Products	5%
Services	4%
Waste Management	3%
Chemicals & Explosives	3%
Maritime Containers	1%
Others	6%

(For the year ended December 31, 2018)

## CONSOLIDATED RESULTS

*This section provides general comments on the consolidated results of operations. A more detailed analysis is provided in the "Segmented results" section.*

### 2018 business acquisitions

In line with its growth strategy, the Company acquired nine businesses during 2018: Normandin Transit ("Normandin"), Brasseur Transport ("Brasseur"), Timeline Logistic ("Timeline"), Gorski Bulk Transport ("GBT"), Double-D Transport ("Double-D"), SAF Transport ("SAF"), A. Beaumont Transport ("Beaumont"), Hughson Trucking ("Hughson") and Cole Carriers Corp. ("Cole").

On April 3, 2018, TFI International completed the acquisition of Normandin. Based in Québec, Normandin provides cross-border LTL and Truckload ("TL") services.

On May 1, 2018, TFI International completed the acquisition of Brasseur. Based in Québec, Brasseur specializes in liquid bulk transportation across Canada and the U.S.

On July 1, 2018, TFI International completed the acquisition of Timeline. Based in Saskatchewan, Timeline provides specialized long distance truckload transportation services across North America, primarily serving the oil and gas, forestry products, and manufactured products industries.

On October 1, 2018, TFI International acquired GBT. Based in Ontario, GBT has been in business for more than 60 years and specializes in the tank truck transportation of liquid and dry bulk commodities.

On November 1, 2018, TFI International acquired Double-D. Based in Ontario, Double-D has been in business since 1991 and specializes in transporting over-sized and over-dimensional freight between Canada and the U.S.

On November 21, 2018, TFI International acquired SAF. Based in Québec, SAF was founded in 1994 and offers specialized transportation and storage services.

On December 1, 2018, TFI International acquired Beaumont. Based in Québec, Beaumont was founded in 1987 and specializes in the bulk transport of a variety of products ranging from fertilizer to hydro sulfate.

On December 4, 2018, TFI International acquired certain assets of Hughson. Based in Alberta, Hughson offers transportation solutions to the oil and gas, forestry and lumber, agriculture, mining, construction, and food processing industries.

On December 14, 2018, TFI International acquired certain assets of Cole. Based in Ontario, Cole provides a complete integrated supply chain management system specializing in handling and transportation for the steel, aluminum and automotive industries.

### Revenue

For the quarter ended December 31, 2018, total revenue reached \$1,321.4 million, up 11%, or \$128.6 million, from Q4 2017, attributable to organic growth of \$70.7 million and the contribution from business acquisitions of \$57.9 million. Excluding business acquisitions<sup>1</sup>, fuel surcharge revenue increased by \$29.7 million and revenue before fuel surcharge increased 4%, or \$41.0 million, from a net increase of volume and pricing of \$21.6 million mainly attributable to the Package and Courier segment and from a positive currency impact of \$19.4 million. The average exchange rate used to convert TFI International's revenue generated in U.S. dollars was 3.9% higher this quarter (C\$1.3204) than it was for the same quarter last year (C\$1.2709).

For the year ended December 31, 2018, total revenue reached \$5.12 billion, up 6%, or \$285.8 million, from \$4.84 billion in 2017 mainly due to the contribution from business acquisitions of \$190.5 million.

### Operating expenses

For the quarter ended December 31, 2018, the Company's operating expenses increased by \$91.4 million, or 8%, to \$1,218.2 million from \$1,126.8 million in Q4 2017. The increase is mainly attributable to business acquisitions that added \$53.7 million. Excluding business acquisitions, operating expenses increased 3%, or \$37.6 million compared to Q4 2017, while total revenue increased by 6%. Operating improvements, better fleet utilization and lower material and services expenses as a percentage of revenue contributed to maintaining the operating expenses in the Company's existing operations below the Q4 2017 level as a percentage of total revenue.

For the quarter ended December 31, 2018, material and services expenses, net of fuel surcharge, decreased by 3.7 percentage points of revenue before fuel surcharge compared to the same period last year mainly due to lower subcontractors, rolling stock lease and accident costs as a percentage of revenue before fuel surcharge. Personnel expenses increased by 1.0 percentage point of revenue before fuel surcharge partially attributable to adjustments to driver compensation to improve retention and attract new drivers. Other operating expenses, which are primarily composed of costs related to office and terminal rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses increased \$4.2 million in absolute terms, but decreased by 0.2 percentage points of revenue before fuel surcharge compared to last year same period, mainly as a result of higher building repairs and maintenance expenses. Depreciation of property and equipment increased by \$4.1 million, or 8%, compared to last year same period. As a percentage of revenue before fuel surcharge, depreciation of property and equipment remained stable at 4.5% compared to Q4 2017. Intangible asset amortization decreased by \$0.5 million compared to last year same period mainly due to intangible assets that were completely amortized during the last twelve months. Gain on sale of equipment increased by \$5.2 million compared to last year same period mainly due to the Company's TL segment which incurred losses in Q4 2017, mainly generated by the CFI fleet renewal plan.

For the year ended December 31, 2018, the Company's operating expenses increased by \$33.7 million, or 1%, from \$4.66 billion in 2017 to \$4.69 billion in 2018. The increase is mainly attributable to business acquisitions of \$174.7 million and to lower gain on sale of property of \$61.5 million, partially offset by operating improvements, better fleet utilization, lower material and services expenses in the Company's existing operations of \$23.8 million or 1%, lower depreciation of \$18.6 million or 9% and to lower impairment of intangible assets of \$130.4 million.

<sup>1</sup> After removing from the current period any contributions from business acquisitions for the portion of time that such business acquisitions have no comparable results.

## Impairment of intangible assets

In the quarter ended December 31, 2018, the Company recorded an impairment charge of \$12.6 million on a customer relationship intangible asset related to a 2017 business acquisition in the Logistics and Last Mile segment. The difficulties in retaining and recruiting qualified subcontractors and the inability to successfully increase revenue impacted the current and expected future cash flow from that company. Accordingly, the contingent consideration recorded in the original purchase price allocation of that business acquisition was completely reversed as management determined that required minimum earning levels in future periods would not be reached. The resulting \$13.0 million gain was presented as a change in fair value of contingent considerations in finance income and costs.

In 2017, impairment of intangible assets was \$143.0 million, including \$13.2 million for an impairment of the Dynamex trade name recorded in the first quarter, and \$129.8 million for a goodwill impairment in the U.S. TL operating segment recorded in the second quarter.

## Gain on sale of property

For the quarter ended December 31, 2018, the gain on sale of property, which is accounted for in gain or loss on sale of land and buildings and in gain or loss on sale of assets held for sale in the consolidated statements of income, was \$1.8 million, compared to a loss of \$0.7 million in Q4 2017. Three properties were disposed of in Q4 2018 for a total consideration of \$4.1 million.

For the year ended December 31, 2018, the gain on sale of property was \$16.1 million, compared to a gain of \$77.7 million in 2017. Fifteen properties were disposed of in 2018 for a total consideration of \$31.2 million. In Q3 2017, notably, four properties were sold in a sale-and-leaseback transaction for a consideration of \$135.7 million.

## Gain on sale of intangible assets

In the quarter ended December 31, 2018, the Company transferred several customer relationships located in a low density region in the Package and Courier segment for a consideration of \$3.0 million, generating a gain on sale of intangible assets of \$1.2 million.

## Operating income

For the quarter ended December 31, 2018, TFI International's operating income significantly increased, rising \$37.2 million to \$103.3 million compared to \$66.1 million in the same quarter in 2017. The operating margin as a percentage of revenue before fuel surcharge increased 2.7 percentage points from 6.2% in Q4 2017 to 8.9% in Q4 2018. All reportable segments but Logistics and Last Mile, due to an impairment, reported margin increases. Notably, the TL segment reported a margin increase of 5.2 percentage points primarily as a result of better performance at U.S. TL operations.

Management's consistent focus on the quality of revenue in conjunction with rigorous cost control benefited the Company, resulting in a significant improvement in the Company's adjusted operating ratio<sup>1</sup>, a non-IFRS measure, which reached 90.3% this quarter compared to 93.8% for Q4 2017.

For the year ended December 31, 2018, TFI International's operating income sharply increased by \$252.1 million, or 141%, to \$430.5 million compared to \$178.4 million in 2017, driven by operating improvements and the \$143.0 million of impairment to intangible assets recorded in 2017, partially offset by lower gain on sale of property of \$61.5 million recorded in 2018 compared to 2017.

## Finance income and costs

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Finance costs (income)				
Interest expense on long-term debt	13,159	13,102	54,609	56,758
Interest income and accretion on promissory note	(747)	(725)	(2,807)	(2,638)
Net change in fair value of contingent considerations and accretion expense	(12,686)	(955)	(12,189)	(523)
Net foreign exchange (gain) loss	1,611	(10)	630	2,491
Net change in fair value of foreign exchange derivatives	(12)	(126)	(311)	(1,247)
Net change in fair value of interest rate derivatives	-	193	(46)	(365)
Others	(1,365)	2,018	8,420	6,599
<b>Net finance costs (income)</b>	<b>(40)</b>	<b>13,497</b>	<b>48,306</b>	<b>61,075</b>

## Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended December 31, 2018 was comparable to the same quarter last year. For the year ended December 31, 2018, it decreased by \$2.1 million mainly due to lower borrowings.

## Change in fair value of contingent considerations and accretion expense

The 2018 gain is mostly attributable to a write off of a contingent consideration liability relating to a prior year business acquisition. See more detail in the section "Impairment of intangible assets" above.

<sup>1</sup> Refer to the section "Non-IFRS financial measures".

### **Net foreign exchange gain or loss and net investment hedge**

The Company designates as a hedge a portion of its U.S. dollar denominated debt held against its net investments in U.S. operations. This accounting treatment allows the Company to offset the designated portion of foreign exchange gain (or loss) of its debt against the foreign exchange loss (or gain) of its net investments in U.S. operations and present them in other comprehensive income. Net foreign exchange gains or losses recorded in income or loss are attributable to the U.S. dollar portion of the Company's credit facility not designated as a hedge and to other financial assets and liabilities denominated in foreign currencies. For the three-month period and year ended December 31, 2018, losses of \$18.4 million and \$30.8 million, respectively, of foreign exchange variations (losses of \$16.0 million and \$26.7 million net of tax, respectively) were recorded to other comprehensive income as net investment hedge.

### **Net change in fair value of derivatives and cash flow hedge**

The fair values of the Company's derivative financial instruments, which are used to mitigate foreign exchange and interest rate risks, are subject to market price fluctuations in foreign exchange and interest rates.

For the three-month period and year ended December 31, 2018, foreign exchange derivatives saw their fair values increase by \$12,000 and \$0.3 million, respectively, while in the same quarter last year and in 2017, their fair values increased by \$0.1 million and \$1.2 million, respectively.

The Company designates, as a hedge of the variable interest rate instruments, the interest rate derivatives. Therefore the effective portion of changes in fair value of the derivatives is recognized in other comprehensive income. For the three-month period and year ended December 31, 2018, losses of \$7.1 million and \$3.9 million on change in fair value of interest rate derivatives, respectively, were mostly designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge (\$5.2 million and \$2.8 million net of tax, respectively). For the three-month period and year ended December 31, 2017, of the \$2.2 million and \$5.7 million gains on change in fair value of interest rate derivatives, respectively, \$2.3 million and \$5.4 million, respectively (\$1.7 million and \$3.9 million net of tax, respectively), were designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

### **Others**

The other financial expenses mainly comprise bank charges and the net change in fair value of the Company's deferred share unit liability. For the three-month period ended December 31, 2018, lower other financial expenses are mainly attributable to the \$3.4 million decrease in the Company's deferred share unit liability's fair value, while for the year ended December 31, 2018, the fair value of the deferred share units liability increased \$0.9 million as a result of the Company's share price fluctuation.

### **Income tax expense**

For the quarter ended December 31, 2018, the effective tax rate was 25.8%. The income tax expense of \$26.6 million reflects a \$1.0 million favourable variance versus an anticipated income tax expense of \$27.6 million based on the Company's statutory tax rate of 26.7%. The favourable variance is mainly due to positive differences between the statutory rate and the effective rates in other jurisdictions of \$3.6 million.

For the year ended December 31, 2018, the effective tax rate was 23.6%. The income tax expense of \$90.2 million reflects an \$11.9 million favourable variance versus an anticipated income tax expense of \$102.1 million based on the Company's statutory tax rate of 26.7%. The favourable variance is mainly due to positive differences between the statutory rate and the effective rates in other jurisdictions of \$13.1 million.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("U.S. tax reform"). The U.S. tax reform reduced the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. As a result of U.S. tax reform, the Company's net deferred income tax liability decreased by \$76.1 million. As a result, an income tax recovery of \$76.1 million was recorded in Q4 2017.

**Net income and adjusted net income**

<i>(unaudited)</i> <i>(in thousands of dollars, except per share data)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
<b>Net income</b>	<b>76,728</b>	120,192	<b>291,994</b>	157,988
Amortization of intangible assets related to business acquisitions, net of tax	<b>10,992</b>	10,122	<b>44,033</b>	38,346
Net change in fair value of contingent considerations and accretion expense, net of tax	<b>(9,292)</b>	(700)	<b>(8,928)</b>	(383)
Net change in fair value of derivatives, net of tax	<b>(9)</b>	49	<b>(262)</b>	(1,182)
Net foreign exchange (gain) loss, net of tax	<b>1,180</b>	(7)	<b>461</b>	1,826
Impairment of intangible assets, net of tax	<b>9,129</b>	-	<b>9,129</b>	138,438
(Gain) loss on sale of land and buildings and assets held for sale, net of tax	<b>(1,551)</b>	424	<b>(13,900)</b>	(66,710)
Gain on sale of intangible assets, net of tax	<b>(915)</b>	-	<b>(915)</b>	-
U.S. tax reform	-	(76,135)	-	(76,135)
<b>Adjusted net income<sup>1</sup></b>	<b>86,262</b>	53,945	<b>321,612</b>	192,188
<b>Adjusted EPS – basic<sup>1</sup></b>	<b>0.99</b>	0.60	<b>3.66</b>	2.12
<b>Adjusted EPS – diluted<sup>1</sup></b>	<b>0.96</b>	0.59	<b>3.54</b>	2.07

For the quarter ended December 31, 2018, TFI International's net income was \$76.7 million compared to \$120.2 million in Q4 2017. The decrease of \$43.5 million is mainly attributable to the income tax recovery recorded in Q4 2017 as a result of U.S. tax reform for \$76.1 million offset by stronger operating income in Q4 2018 compared to the same quarter last year. The Company's adjusted net income<sup>1</sup>, a non-IFRS measure, which excludes items listed in the above table, was \$86.3 million this quarter compared to \$53.9 million in Q4 2017, up a significant 60% or \$32.4 million. Fully diluted adjusted EPS increased by 63% to \$0.96.

For the year ended December 31, 2018, net income was \$292.0 million compared to \$158.0 million in 2017. The increase of \$134.0 million is mainly attributable to stronger operating income and to the impairment of intangible assets of \$138.4 million, net of tax, recorded in 2017, offset by lower gain on sale of property of \$52.8 million, net of tax, recorded in 2018 compared to 2017 and to the income tax recovery of \$76.1 million recorded in Q4 2017 as a result of U.S. tax reform. The Company's adjusted net income was \$321.6 million in 2018 compared to \$192.2 million in 2017, up 67% or \$129.4 million. Fully diluted adjusted EPS increased by 71% to \$3.54.

<sup>1</sup> Refer to the section "Non-IFRS financial measures".

## SEGMENTED RESULTS

To facilitate the comparison of business level activity and operating costs between periods, the Company compares the revenue before fuel surcharge ("revenue") and reallocates the fuel surcharge revenue to materials and services expenses within operating expenses. Note that "Total revenue" is not affected by this reallocation.

## Selected segmented financial information

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Package and Courier	Less- Than- Truckload	Truckload	Logistics and Last Mile	Corporate	Eliminations	Total
<b>Q4 2018</b>							
Revenue before fuel surcharge <sup>1</sup>	177,323	231,994	528,164	235,590	-	(10,792)	1,162,279
% of total revenue <sup>2</sup>	15%	20%	46%	19%			100%
Adjusted EBITDA	36,521	32,209	99,376	21,555	(9,007)	-	180,654
Adjusted EBITDA margin <sup>3</sup>	20.6%	13.9%	18.8%	9.1%			15.5%
Operating income (loss)	34,409	23,461	52,282	2,851	(9,720)	-	103,283
Operating margin <sup>3</sup>	19.4%	10.1%	9.9%	1.2%			8.9%
Net capital expenditures <sup>4, 5</sup>	8,342	5,197	55,469	365	558		69,931
<b>Q4 2017*</b>							
Revenue before fuel surcharge <sup>1</sup>	162,041	204,136	480,951	234,975	-	(12,424)	1,069,679
% of total revenue <sup>2</sup>	15%	20%	45%	20%			100%
Adjusted EBITDA	31,194	22,262	68,695	20,509	(11,643)	-	131,017
Adjusted EBITDA margin <sup>3</sup>	19.3%	10.9%	14.3%	8.7%			12.2%
Operating income (loss)	28,144	13,221	22,813	14,098	(12,200)	-	66,076
Operating margin <sup>3</sup>	17.4%	6.5%	4.7%	6.0%			6.2%
Net capital expenditures <sup>4, 6</sup>	(14,569)	3,694	24,510	(17)	98		13,716
<b>YTD 2018</b>							
Revenue before fuel surcharge <sup>1</sup>	633,046	902,320	2,064,588	953,727	-	(45,484)	4,508,197
% of total revenue <sup>2</sup>	14%	21%	46%	19%			100%
Adjusted EBITDA	125,197	117,006	380,707	91,348	(27,975)	-	686,283
Adjusted EBITDA margin <sup>3</sup>	19.8%	13.0%	18.4%	9.6%			15.2%
Operating income (loss)	113,214	85,132	207,723	54,492	(30,037)	-	430,524
Operating margin <sup>3</sup>	17.9%	9.4%	10.1%	5.7%			9.5%
Total assets less intangible assets	151,579	380,715	1,418,743	135,374	62,054		2,148,465
Net capital expenditures <sup>4, 5</sup>	17,770	14,593	169,059	2,118	256		203,796
<b>YTD 2017*</b>							
Revenue before fuel surcharge <sup>1</sup>	611,359	877,489	1,974,098	965,526	-	(49,487)	4,378,985
% of total revenue <sup>2</sup>	14%	20%	45%	21%			100%
Adjusted EBITDA	107,982	85,659	275,506	79,001	(33,667)	-	514,481
Adjusted EBITDA margin <sup>3</sup>	17.7%	9.8%	14.0%	8.2%			11.7%
Operating income (loss)	102,281	122,181	(51,705)	41,579	(35,915)	-	178,421
Operating margin <sup>3</sup>	16.7%	13.9%	-2.6%	4.3%			4.1%
Total assets less intangible assets	136,653	321,140	1,243,722	130,325	63,514		1,895,354
Net capital expenditures <sup>4, 6</sup>	(8,147)	(139,769)	142,060	1,199	771		(3,886)

(\*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

When the Company changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for the comparative period is recasted to conform to the new structure. Effective January 1, 2018, the composition of reportable segments was modified to better reflect the nature of the Company's operations. In particular, the Same-Day / Last Mile delivery operating companies, which were previously included in the Package and Courier operating segment, and the Logistics operating companies became part of a new segment

<sup>1</sup> Includes intersegment revenue.

<sup>2</sup> Segment revenue including fuel and intersegment revenue to consolidated revenue including fuel and intersegment revenue.

<sup>3</sup> As a percentage of revenue before fuel surcharge.

<sup>4</sup> Additions to property and equipment, net of proceeds from sale of property and equipment and assets held for sale.

<sup>5</sup> YTD 2018 net capital expenditures include proceeds from the sale of property for consideration of \$6.1 million in the LTL segment (\$1.6 million in Q4), of \$24.3 million in the TL segment (\$2.5 million in Q4) and of \$0.8 million in the corporate segment (nil in Q4).

<sup>6</sup> YTD 2017 net capital expenditures include proceeds from the sale of property for consideration of \$19.5 million in the Package and Courier segment (\$19.5 million in Q4), of \$148.9 million in the LTL segment (\$0.5 million in Q4) and of \$8.0 million in the TL segment (\$0.5 million in Q4).

named Logistics and Last Mile. Also, two Logistics operations, TLS Trailer Leasing Services and Centre Mécanique Henri-Bourassa, moved respectively into the LTL and the TL segments to which they primarily render services. Comparative figures have been restated.

## Package and Courier

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	204,428		182,010		728,556		681,406	
Fuel surcharge	(27,105)		(19,969)		(95,510)		(70,047)	
<b>Revenue</b>	<b>177,323</b>	<b>100.0%</b>	162,041	100.0%	<b>633,046</b>	<b>100.0%</b>	611,359	100.0%
Materials and services expenses (net of fuel surcharge)	76,509	43.1%	70,609	43.6%	266,301	42.1%	262,720	43.0%
Personnel expenses	50,083	28.2%	46,747	28.8%	186,281	29.4%	186,349	30.5%
Other operating expenses	14,235	8.0%	13,541	8.4%	55,359	8.7%	54,519	8.9%
Depreciation of property and equipment	3,055	1.7%	3,337	2.1%	11,870	1.9%	13,811	2.3%
Amortization of intangible assets	306	0.2%	395	0.2%	1,362	0.2%	1,728	0.3%
Gain on sale of rolling stock and equipment	(25)	-0.0%	(50)	-0.0%	(92)	-0.0%	(211)	-0.0%
Gain on sale of land and buildings and assets held for sale	-	-	(682)	-0.4%	-	-	(9,838)	-1.6%
Gain on sale of intangible assets	(1,249)	-0.7%	-	-	(1,249)	-0.2%	-	-
<b>Operating income</b>	<b>34,409</b>	<b>19.4%</b>	28,144	17.4%	<b>113,214</b>	<b>17.9%</b>	102,281	16.7%
<b>Adjusted EBITDA</b>	<b>36,521</b>	<b>20.6%</b>	31,194	19.3%	<b>125,197</b>	<b>19.8%</b>	107,982	17.7%

(\*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

### Revenue

For the quarter ended December 31, 2018, revenue increased by \$15.3 million, or 9%, from \$162.0 million in 2017 to \$177.3 million in 2018. This increase is attributable to an 11% increase in revenue per pound (excluding fuel surcharge) partially offset by a 1% decrease in tonnage. The decrease in tonnage was the result of a 7% decrease in weight per shipments offset by a 6% increase in number of shipments. Those two variations are directly related to the Canada Post strike that took place in the first two months of the fourth quarter of 2018.

For the year ended December 31, 2018, revenue increased by \$21.6 million, or 4%, from \$611.4 million to \$633.0 million.

### Operating expenses

For the quarter ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased \$5.9 million or 8% mostly due to an increase in sub-contractor and external labor costs required to handle the additional volume brought by the Canada Post strike and its aftermath. Personnel expenses also increased \$3.3 million or 7% to handle additional volume but as a percentage of revenue, it decreased 0.6 percentage points year over year, from 28.8% in 2017 to 28.2% in 2018. Other operating expense as a percentage of revenue also decreased from 8.4% in 2017 to 8.0% in 2018.

For the year ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased \$3.6 million or 1% due to increased external labor costs, mostly to handle the additional volume in the last months of the year. Personnel expenses as a percentage of revenue decreased from 30.5% in 2017 to 29.4% in 2018. This reduction is mostly due to a \$3.2 million decrease in employee termination costs year over year and the gains resulting from this restructuring. Other operating expenses as a percentage of revenue slightly decreased from 8.9% in 2017 to 8.7% in 2018. Depreciation of property and equipment decreased \$1.9 million year over year due to full amortization of conveyors and other sorting equipment.

### Gain on sale of intangible assets

In the quarter ended December 31, 2018, the Company transferred several customer relationships located in a low density region for a consideration of \$3.0 million, generating a gain of \$1.2 million.

### Operating income

Operating income for the fourth quarter ended December 31, 2018 increased by 22% or \$6.3 million compared to the fourth quarter of 2017. The increase is attributable to increased volume, improvement in cost management and route optimization. For the quarter ended December 31, 2018, the operating margin improved 2.0 percentage points, from 17.4% in 2017 to 19.4% in 2018.

For the year ended December 31, 2018, operating income increased \$10.9 million to \$113.2 million. The operating margin improved 1.2 percentage points, from 16.7% in 2017 to 17.9% in 2018.

**Less-Than-Truckload**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	272,212		234,696		1,057,396		994,777	
Fuel surcharge	(40,218)		(30,560)		(155,076)		(117,288)	
<b>Revenue</b>	<b>231,994</b>	<b>100.0%</b>	204,136	100.0%	<b>902,320</b>	<b>100.0%</b>	877,489	100.0%
Materials and services expenses (net of fuel surcharge)	120,153	51.8%	109,384	53.6%	478,169	53.0%	490,313	55.9%
Personnel expenses	59,272	25.5%	52,127	25.5%	227,502	25.2%	225,745	25.7%
Other operating expenses	20,770	9.0%	20,853	10.2%	80,505	8.9%	76,260	8.7%
Depreciation of property and equipment	6,252	2.7%	5,208	2.6%	23,656	2.6%	21,663	2.5%
Amortization of intangible assets	2,750	1.2%	2,478	1.2%	10,792	1.2%	9,691	1.1%
Gain on sale of rolling stock and equipment	(410)	-0.2%	(490)	-0.2%	(862)	-0.1%	(488)	-0.1%
(Gain) loss on sale of land and buildings and assets held for sale	(254)	-0.1%	1,355	0.7%	(2,574)	-0.3%	(67,876)	-7.7%
<b>Operating income</b>	<b>23,461</b>	<b>10.1%</b>	13,221	6.5%	<b>85,132</b>	<b>9.4%</b>	122,181	13.9%
<b>Adjusted EBITDA</b>	<b>32,209</b>	<b>13.9%</b>	22,262	10.9%	<b>117,006</b>	<b>13.0%</b>	85,659	9.8%

(\*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

<b>Operational data</b> <i>(unaudited)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	2017	Variance	%	2018	2017	Variance	%
Adjusted operating ratio	90.0%	92.9%			90.9%	93.8%		
Revenue per hundredweight (including fuel)	\$16.18	\$13.11	\$3.07	23.4%	\$14.90	\$13.27	\$1.63	12.3%
Revenue per hundredweight (excluding fuel)	\$13.79	\$11.40	\$2.39	21.0%	\$12.71	\$11.70	\$1.01	8.6%
Revenue per shipment (including fuel)	\$324.84	\$254.55	\$70.29	27.6%	\$305.69	\$254.87	\$50.82	19.9%
Tonnage (in thousands of tons)	841	895	(54)	-6.0%	3,548	3,747	(199)	-5.3%
Shipments (in thousands)	838	922	(84)	-9.1%	3,459	3,903	(444)	-11.4%
Average weight per shipment (in lbs)	2,007	1,941	66	3.4%	2,051	1,920	131	6.8%
Average length of haul (in miles)	831	839	(8)	-1.0%	828	788	40	5.1%
Vehicle count, average	1,020	838	182	21.7%	992	898	94	10.5%
Revenue per week per vehicle (incl. fuel, in thousands of dollars)	\$20.53	\$21.54	(\$1.01)	-4.7%	\$20.50	\$21.30	(\$0.80)	-3.8%

On April 3, 2018, the Company acquired Normandin. Normandin provides LTL & TL freight shipments to and from U.S. and Canadian destinations and its results are included in the LTL segment.

**Revenue**

For the quarter ended December 31, 2018, revenue was \$232.0 million, an increase of \$27.9 million, or 14% when compared to the same period in 2017. This increase is mainly due to the Normandin acquisition. Excluding the Normandin acquisition, revenue increased by 3% or \$5.7 million mainly due to a 32% increase in revenue per hundredweight (excluding fuel) partially offset by a 21% decrease in tonnage. The decrease in tonnage before acquisition was the result of a 12% decrease in shipments combined with a 10% decrease in weight per shipment. That volume decrease was mostly due to the termination of unprofitable domestic Canadian shipments in our over-the-road and intermodal operations. For the quarter ended December 31, 2018, the LTL segment improved its yield as reflected by the 23.4% increase in revenue per hundredweight that went from \$13.11 in Q4 2017 to \$16.18 in Q4 2018.

For the year ended December 31, 2018, revenue increased \$24.8 million or 3% to \$902.3 million. Excluding acquisitions, revenue decreased 5% or \$45.5 million.

**Operating expenses**

For the quarter ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased \$10.8 million, or 10%, mostly due to an increase in sub-contractor cost and rolling stock maintenance and repair cost. Personnel expenses as a percentage of revenue remained stable at 25.5% as an increase in operation salaries was totally offset by a reduction in administration salaries. Other operating expenses decreased \$0.1 million in the fourth quarter of 2018. Depreciation of property and equipment as a percentage of revenue increased from 2.6% in the fourth quarter of 2017 to 2.7% in the fourth quarter of 2018, attributable to the Normandin acquisition. The increase in amortization of intangible assets was also related to the Normandin acquisition.

For the year ended December 31, 2018, material and service expenses, net of fuel surcharge, decreased \$12.1 million, or 2%, due to a reduction in subcontractor costs partially offset by an increase in rolling stock maintenance and repair costs. Personnel expenses as a percentage of revenue decreased from 25.7% in 2017 to 25.2% in 2018, mostly due to administrative salary reductions. Other operating expenses as a percentage of revenue increased from 8.7% in 2017 to 8.9% in 2018, all attributable to real estate costs. This increase in real estate costs was mostly caused by additional rent that the LTL segment incurred following a sale-and-leaseback transaction of 3 properties that occurred in October of 2017 and higher building repair and maintenance expenses. Depreciation of property and equipment as a percentage of revenue slightly increased from 2.5% in 2017 to 2.6% in 2018 and amortization of intangible assets also increased by 0.1 percentage points. Both increases are related to the Normandin acquisition.

**Gain on sale of land and buildings and assets held for sale**

For the quarter ended December 31, 2018, a \$0.1 million loss on sale of assets held for sale was recorded in the LTL segment following the sale of one property for a consideration of \$0.4 million and a gain of \$0.3 million on sale of land and buildings was recorded following the sale of another property.

For the year ended December 31, 2018, a \$2.3 million gain on sale of assets held for sale was recorded following the sale of four properties for a total consideration of \$4.9 million.

**Operating income**

Operating income for the fourth quarter ended December 31, 2018 increased \$10.2 million, or 77% when compared to the same period in 2017. Although volume decreased year-over-year, operating income was favorably impacted in 2018 by tight asset management, cost optimisation, a focus on more profitable freight, and continued improvements in route density as well as the Normandin acquisition. The fourth quarter of 2018 adjusted operating ratio was 90.0%, a 2.9 percentage points improvement when compared to 92.9% in the same period in 2017.

For the year ended December 31, 2018, operating income decreased \$37.0 million to \$85.1 million, primarily due to a gain of \$67.9 million in 2017 on sale of land and buildings and assets held for sale. The adjusted operating ratio improved 2.9 percentage points, from 93.8% in 2017 to 90.9% in 2018.

**Truckload**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	610,161		546,251		2,388,865		2,218,207	
Fuel surcharge	(81,997)		(65,300)		(324,277)		(244,109)	
<b>Revenue</b>	<b>528,164</b>	<b>100.0%</b>	<b>480,951</b>	<b>100.0%</b>	<b>2,064,588</b>	<b>100.0%</b>	<b>1,974,098</b>	<b>100.0%</b>
Materials and services expenses (net of fuel surcharge)	236,226	44.7%	241,647	50.2%	956,913	46.3%	998,863	50.6%
Personnel expenses	177,024	33.5%	152,108	31.6%	665,143	32.2%	634,726	32.2%
Other operating expenses	19,738	3.7%	17,322	3.6%	71,621	3.5%	66,878	3.4%
Depreciation of property and equipment	41,926	7.9%	38,589	8.0%	158,708	7.7%	168,846	8.6%
Amortization of intangible assets	6,728	1.3%	7,275	1.5%	27,464	1.3%	28,674	1.5%
Impairment of intangible assets	-	-	-	-	-	-	129,770	6.6%
(Gain) loss on sale of rolling stock and equipment	(4,200)	-0.8%	1,179	0.2%	(9,796)	-0.5%	(1,875)	-0.1%
(Gain) loss on sale of land and buildings and assets held for sale	(1,560)	-0.3%	18	0.0%	(13,188)	-0.6%	(79)	-0.0%
<b>Operating income</b>	<b>52,282</b>	<b>9.9%</b>	<b>22,813</b>	<b>4.7%</b>	<b>207,723</b>	<b>10.1%</b>	<b>(51,705)</b>	<b>-2.6%</b>
<b>Adjusted EBITDA</b>	<b>99,376</b>	<b>18.8%</b>	<b>68,695</b>	<b>14.3%</b>	<b>380,707</b>	<b>18.4%</b>	<b>275,506</b>	<b>14.0%</b>

(\*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

<i>(unaudited)</i> <i>(all Canadian dollars unless otherwise specified)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	2017	Variance	%	2018	2017	Variance	%
<b>U.S. based Conventional TL</b>								
Revenue (in thousands of U.S. dollars)	168,451	164,500	3,951	2.4%	678,983	681,832	(2,849)	-0.4%
Adjusted operating ratio	93.3%	100.0%			94.6%	102.9%		
Total mileage (in thousands)	90,658	99,340	(8,682)	-8.7%	381,195	423,232	(42,037)	-9.9%
Tractor count, average	3,053	3,115	(62)	-2.0%	3,083	3,462	(379)	-10.9%
Trailer count, average	11,180	11,360	(180)	-1.6%	11,199	11,331	(132)	-1.2%
Tractor age	2.0	2.4	(0.4)	-16.7%	2.0	2.4	(0.4)	-16.7%
Trailer age	6.8	6.4	0.4	6.2%	6.8	6.4	0.4	6.2%
Number of owner operators, average	408	548	(140)	-25.5%	457	618	(161)	-26.0%
<b>Canadian based Conventional TL</b>								
Revenue (in thousands of dollars)	79,017	74,398	4,619	6.2%	313,305	303,613	9,692	3.2%
Adjusted operating ratio	85.9%	92.0%			87.0%	92.4%		
Total mileage (in thousands)	26,019	27,427	(1,408)	-5.1%	106,167	118,852	(12,685)	-10.7%
Tractor count, average	708	731	(23)	-3.1%	712	758	(46)	-6.1%
Trailer count, average	3,043	3,072	(29)	-0.9%	3,088	3,125	(37)	-1.2%
Tractor age	2.7	2.9	(0.2)	-6.9%	2.7	2.9	(0.2)	-6.9%
Trailer age	5.5	5.2	0.3	5.8%	5.5	5.2	0.3	5.8%
Number of owner operators, average	363	370	(7)	-1.9%	367	420	(53)	-12.6%

Operational data (unaudited) (all Canadian dollars unless otherwise specified)	Fourth quarters ended December 31				Years ended December 31			
	2018	2017	Variance	%	2018	2017	Variance	%
<b>Specialized TL</b>								
Revenue (in thousands of dollars)	227,438	198,098	29,340	14.8%	877,463	788,186	89,277	11.3%
Adjusted operating ratio	89.2%	91.5%			87.9%	89.8%		
Tractor count, average	1,546	1,346	200	14.9%	1,450	1,321	129	9.8%
Trailer count, average	4,693	4,663	30	0.6%	4,653	4,599	55	1.2%
Tractor age	3.5	3.5	0.0	0.0%	3.5	3.5	0.0	0.0%
Trailer age	9.7	10.7	(1.0)	-9.3%	9.7	10.7	(1.0)	-9.3%
Number of owner operators, average	1,102	1,242	(140)	-11.3%	1,085	1,192	(107)	-9.0%

On May 1, 2018, TFI International completed the acquisition of Brasseur. Based in Québec, Brasseur specializes in liquid bulk transportation across Canada and the U.S.

On July 1, 2018, TFI International completed the acquisition of Timeline. Based in Saskatchewan, Timeline provides specialized long distance truckload transportation services across North America, primarily serving the oil and gas, forestry products, and manufactured products industries.

On October 1, 2018, TFI International acquired GBT. Based in Ontario, GBT has been in business for more than 60 years and specializes in the tank truck transportation of liquid and dry bulk commodities.

On November 1, 2018, TFI International acquired Double-D. Based in Ontario, Double-D has been in business since 1991 and specializes in transporting over-sized and over-dimensional freight between Canada and the U.S.

On November 21, 2018, TFI International acquired SAF. Based in Québec, SAF was founded in 1994 and offers specialized transportation and storage services.

On December 1, 2018, TFI International acquired Beaumont. Based in Québec, Beaumont was founded in 1987 and specializes in the bulk transport of a variety of products ranging from fertilizer to hydro sulfate.

On December 4, 2018, TFI International acquired certain assets of Hughson. Based in Alberta, Hughson offers transportation solutions to the oil and gas, forestry and lumber, agriculture, mining, construction, and food processing industries.

On December 14, 2018, TFI International acquired certain assets of Cole. Based in Ontario, Cole provides a complete integrated supply chain management system specializing in handling and transportation for the steel, aluminum and automotive industries.

## Revenue

For the quarter ended December 31, 2018, TL revenue increased by \$47.2 million or 10%, from \$481.0 million in Q4 2017 to \$528.2 million. Business acquisitions contributed \$25.8 million to the TL segment and \$12.1 million of the increase is due to favourable currency fluctuations, implying \$9.3 million or 2% organic growth within the TL segment mainly due to improved pricing. In fact, while revenue increased compared to the same quarter last year, mileage decreased which indicates a strong improvement in revenue per mile along with better management of the existing trucking network. Average revenue per total mile for conventional TL operations increased 4% in the U.S. and 12% in Canada compared to Q4 2017.

As part of its asset-light strategy, the TL segment increased its brokerage revenue by 15%, or \$9.2 million, to \$69.5 million compared to the same quarter last year.

For the year ended December 31, 2018, TL revenue increased by \$90.5 million or 5% from \$1,974.1 million in 2017 to \$2,064.6 million. This increase is due to recent business acquisitions which contributed \$63.8 million while unfavourable currency fluctuations reduced revenue by \$2.8 million. This resulted in organic growth of \$29.5 million or 2% explained mainly by higher revenue per mile. On the brokerage side, revenue increased by 23% or \$52.2 million while margins were steady.

## Operating expenses

For the quarter ended December 31, 2018, operating expenses, net of fuel surcharge, increased by \$17.7 million or 4% from \$458.1 million in Q4 2017 to \$475.9 million in Q4 2018. The TL segment continues to improve its cost structure and increase the productivity of its assets. The decline in miles positively impacted equipment operation costs. Personnel expenses increased by 1.9 percentage points of revenue mainly attributable to adjustments to driver compensation to improve retention and attract new drivers. Driver pay and retention remain challenging throughout the trucking industry and the Company is focused on cost effective methods of recruiting and retaining drivers. Although cost and efficiency improvements were seen this quarter, the Company continues to focus on being cost-conscious and its priority remains to improve the efficiency and profitability of its existing fleet and network of independent contractors.

For the year ended December 31, 2018, TL operating expenses, net of fuel surcharge, decreased by \$168.9 million or 8% which is attributable primarily to the \$129.8 million goodwill impairment in the U.S. TL operating segment recorded in the second quarter of last year and to reduced miles.

### Impairment of intangible assets

In 2017, impairment of intangible assets of \$129.8 million was related to a goodwill impairment in the U.S. TL operating segment recorded in the second quarter.

### Gain on sale of land and buildings and assets held for sale

For the quarter ended December 31, 2018, the Company disposed of a property for a total consideration of \$2.5 million, creating a gain of \$1.6 million.

For the year ended December 31, 2018, the Company disposed of nine properties generating \$13.2 million in gains while adding \$24.3 million of cash inflows.

### Operating income

The Company's operating income in the TL segment for the quarter ended December 31, 2018 reached \$52.3 million from \$22.8 million in the prior year period, which represents an increase of 129%, mainly due to higher revenue per mile, lower costs, more miles per tractor, and a more efficient truckload freight network. Initiatives aimed at equipment cost reductions have continued to yield positive results including lower repairs and maintenance costs due to a newer fleet. Operating margin increased to 9.9% compared to 4.7% in 2017. Individually, each TL operating segment was able to significantly improve its adjusted operating ratio.

For the year ended December 31, 2018, the TL segment increased its operating income by \$259.4 million from an operating loss of \$51.7 million in 2017 to operating income of \$207.7 million as a result of better performance, a \$13.2 million gain on sale of property and a \$129.8 million goodwill impairment recorded in the second quarter of 2017.

### Logistics and Last Mile

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	246,990		243,694		1,000,186		996,633	
Fuel surcharge	(11,400)		(8,719)		(46,459)		(31,107)	
<b>Revenue</b>	<b>235,590</b>	<b>100.0%</b>	234,975	100.0%	<b>953,727</b>	<b>100.0%</b>	965,526	100.0%
Materials and services expenses (net of fuel surcharge)	165,484	70.2%	161,947	68.9%	661,796	69.4%	678,815	70.3%
Personnel expenses	31,549	13.4%	34,734	14.8%	134,000	14.1%	141,548	14.7%
Other operating expenses	17,034	7.2%	17,856	7.6%	66,736	7.0%	66,398	6.9%
Depreciation of property and equipment	774	0.3%	853	0.4%	2,969	0.3%	3,873	0.4%
Amortization of intangible assets	5,348	2.3%	5,555	2.4%	21,298	2.2%	20,223	2.1%
Impairment of intangible assets	12,559	5.3%	-	-	12,559	1.3%	13,211	1.4%
(Gain) loss on sale of rolling stock and equipment	(32)	-0.0%	(71)	-0.0%	(153)	-0.0%	(236)	-0.0%
(Gain) loss on sale of land and buildings and assets held for sale	23	0.0%	3	0.0%	30	0.0%	115	0.0%
<b>Operating income</b>	<b>2,851</b>	<b>1.2%</b>	14,098	6.0%	<b>54,492</b>	<b>5.7%</b>	41,579	4.3%
<b>Adjusted EBITDA</b>	<b>21,555</b>	<b>9.1%</b>	20,509	8.7%	<b>91,348</b>	<b>9.6%</b>	79,001	8.2%

(\*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

### Revenue

For the quarter ended December 31, 2018, revenue for the Logistics and Last Mile segment remained relatively constant at \$235.6 million relative to \$235.0 million the prior year period. Excluding business acquisitions, revenue decreased by 1%, or \$3.0 million, mainly attributable to lower volumes, non-recurring business in the prior year period of \$9.0 million and a positive foreign exchange impact of \$6.0 million. Approximately 60% of the new Logistics and Last Mile segment's revenues in the quarter were generated from operations in the U.S. and Mexico and approximately 40% were generated from operations in Canada.

For the year ended December 31, 2018, revenue decreased by 1% or \$11.8 million year-over-year, from \$965.5 million to \$953.7 million. Excluding business acquisitions, revenue decreased by 5%, or \$47.7 million.

### Operating expenses

For the quarter ended December 31, 2018, operating expenses increased by \$11.9 million to \$232.7 million compared to \$220.9 million in the fourth quarter of 2017. The increase is mostly attributable to the impairment of intangible assets of \$12.6 million. Materials and services expenses, net of fuel surcharge, representing 70.2% of revenue, increased by \$3.5 million while personnel expenses decreased by \$3.2 million, resulting in an overall improvement of 0.1 percentage points of revenue.

For the year ended December 31, 2018, operating expenses decreased by 3% or \$24.7 million compared to 2017, from \$923.9 million to \$899.2 million. This decrease was mostly attributable to lower materials and services expenses, net of fuel surcharge, both in absolute terms and as a percentage of revenue.

### **Impairment of intangible assets**

In the quarter ended December 31, 2018, the Company recorded an impairment charge of \$12.6 million on a customer relationship intangible asset related to a 2017 business acquisition in the Logistics and Last Mile segment. The difficulties to retain and recruit qualified subcontractors and the inability to successfully increase the revenue impacted the current and expected future cash flow from that company. Accordingly, the contingent consideration recorded in the original purchase price allocation of that business acquisition was completely reversed as management determined that required minimum earning levels in future periods would not be reached. The resulting \$13.0 million gain was presented as a change in fair value of contingent considerations in finance income and costs.

In 2017, impairment of intangible assets of \$13.2 million was related to an impairment of the Dynamex trade name recorded in the first quarter.

### **Operating income**

Operating income in the Logistics and Last Mile segment for the quarter ended December 31, 2018 decreased \$11.2 million compared to the fourth quarter of 2017, from \$14.1 million to \$2.9 million as a result of the impairment. Excluding the \$12.6 million impairment, operating income increased 9% to \$15.4 million with the operating margin increasing 0.5 percentage points to 6.5%, as a result of higher quality of revenue and cost efficiency measures.

For the year ended December 31, 2018, operating income increased 31% or \$12.9 million compared to 2017, from \$41.6 million to \$54.5 million. The Logistics and Last Mile segment's operating margin increased 1.4 percentage points to reach 5.7%.

## LIQUIDITY AND CAPITAL RESOURCES

### **Sources and uses of cash**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
<b>Sources of cash:</b>				
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601
Proceeds from sale of property and equipment	25,461	20,833	81,051	88,773
Proceeds from sale of assets held for sale	2,782	19,140	29,226	174,779
Net variance in cash and bank indebtedness	-	-	3,237	13,046
Net proceeds from long-term debt	79,514	-	21,727	-
Others	3,029	3,055	19,874	14,148
<b>Total sources</b>	<b>284,634</b>	<b>159,176</b>	<b>698,618</b>	<b>663,347</b>
<b>Uses of cash:</b>				
Purchases of property and equipment	113,004	66,142	314,300	259,140
Business combinations, net of cash acquired	81,375	30,021	156,487	118,288
Net variance in cash and bank indebtedness	258	7,857	-	-
Net repayment of long-term debt	-	1,147	-	74,648
Dividends paid	18,475	17,086	74,096	69,016
Repurchase of own shares	61,891	30,580	139,622	81,565
Net cash used in discontinued operations	-	-	-	52,424
Others	9,631	6,343	14,113	8,266
<b>Total usage</b>	<b>284,634</b>	<b>159,176</b>	<b>698,618</b>	<b>663,347</b>

### **Cash flow from operating activities from continuing operations**

For the year ended December 31, 2018, net cash from operating activities from continuing operations significantly increased by 46% from \$372.6 million in 2017 to \$543.5 million. This \$170.9 million increase is mainly attributable to higher cash flow from operating activities from continuing operations before net change in non-cash operating working capital of \$146.6 million. The net change in non-cash operating working capital was positive \$12.6 million in 2018, compared to negative \$11.6 million in 2017.

### **Cash flow from operating activities from discontinued operations**

For the year ended December 31, 2017, discontinued operations had negative cash flow of \$52.4 million mainly attributable to the balance of income tax due on the gain on the sale of the Waste group, realized in February 2016, which was paid in January 2017.

## Cash flow used in investing activities

### Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods and years ended December 31, 2018 and 2017.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Additions to property and equipment:				
Purchases as stated on cash flow statements	113,004	66,142	314,300	259,140
Non-cash adjustments	(14,830)	(12,453)	(227)	526
	<b>98,174</b>	<b>53,689</b>	<b>314,073</b>	<b>259,666</b>
Additions by category:				
Land and buildings	3,625	2,249	15,412	8,126
Rolling stock	91,520	48,716	284,459	238,812
Equipment	3,029	2,724	14,202	12,728
	<b>98,174</b>	<b>53,689</b>	<b>314,073</b>	<b>259,666</b>

The Company invests in new equipment to maintain its quality of service while minimizing maintenance costs. Its capital expenditures reflect the level of reinvestment required to keep its equipment in good order and to maintain a strategic allocation of its capital resources.

In the second half of 2018, rolling stock additions exceeded those of the prior year. This increase is largely due to that fact that since June of this year, we have been replacing leased tractors in Canada with purchased tractors.

In the normal course of activities, the Company constantly renews its rolling stock equipment generating regular proceeds and gain or loss on disposition. The following table indicates the proceeds and gains or losses from sale of property and equipment and assets held for sale by category for the three-month periods and years ended December 31, 2018 and 2017.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Proceeds by category:				
Land and buildings	4,121	20,520	31,153	176,359
Rolling stock	24,095	19,409	79,049	87,107
Equipment	27	44	75	86
	<b>28,243</b>	<b>39,973</b>	<b>110,277</b>	<b>263,552</b>
Gains (losses) by category:				
Land and buildings	1,791	(694)	16,144	77,678
Rolling stock	4,707	(564)	11,007	2,851
Equipment	(40)	(4)	(104)	(85)
	<b>6,458</b>	<b>(1,262)</b>	<b>27,047</b>	<b>80,444</b>

For the year ended December 31, 2018, the Company disposed of 15 properties for total consideration of \$31.2 million (\$176.4 million in 2017), generating a gain of \$16.1 million (\$77.7 million in 2017).

### Business acquisitions

For the year ended December 31, 2018, cash used in business acquisitions totalled \$156.5 million (\$118.3 million in 2017) to acquire nine businesses. Refer to the section of this report entitled "2018 business acquisitions" and further information can be found in note 5 of the December 31, 2018 audited consolidated financial statements.

### Free cash flow from continuing operations

<i>(unaudited)</i> <i>(in thousands of dollars, except per share data)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601
Additions to property and equipment	(98,174)	(53,689)	(314,073)	(259,666)
Proceeds from sale of property and equipment	25,461	20,833	81,051	88,773
Proceeds from sale of assets held for sale	2,782	19,140	29,226	174,779
<b>Free cash flow from continuing operations<sup>1</sup></b>	<b>103,917</b>	<b>102,432</b>	<b>339,707</b>	<b>376,487</b>

<sup>1</sup> Refer to the section "Non-IFRS financial measures".

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment in order to provide stability and competitiveness to its operations, to ensure sufficient liquidity to pursue its growth strategy, and to undertake selective business acquisitions within a sound capital structure and a solid financial position.

For the year ended December 31, 2018, TFI International generated free cash flow from continuing operations of \$339.7 million, compared to \$376.5 million in 2017, which represents a year-over-year decrease of \$36.8 million. This decrease is mainly due to lower proceeds from the sale of assets held for sale of \$145.6 million and to higher additions to property and equipment of \$54.4 million offset by higher net cash from operating activities from continuing operations of \$170.9 million.

Based on the December 31, 2018 closing share price of \$35.30, the free cash flow from continuing operations generated by the Company in the last twelve months (\$339.7 million) represented a yield of 10.9%.

### Financial position

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
Total assets	4,049,960	3,727,628	4,026,879
Long-term debt	1,584,423	1,498,396	1,584,815
Shareholders' equity	1,576,854	1,415,124	1,458,650
Debt-to-equity ratio <sup>1</sup>	1.00	1.06	1.09
Debt-to-capitalization ratio <sup>2</sup>	0.50	0.51	0.52

Compared to December 31, 2017, the Company's total assets increased mainly as a result of business acquisitions and to U.S. denominated assets converting at a higher rate. The debt-to-equity ratio and the debt-to-capitalization ratio were similar to those of December 31, 2017. The Company's current financial position reflects an appropriate debt level to further pursue its acquisition strategy. Strict cash flow management and cash flow generated from operations have allowed the Company to pursue debt reductions as appropriate.

As at December 31, 2018, the Company's working capital (current assets less current liabilities) was \$52.8 million compared to \$116.7 million as at December 31, 2017. The decrease is mainly attributable to a \$75.0 million term loan due within 12 months that is now presented in current liabilities.

### Contractual obligations

The following table indicates the Company's contractual obligations with their respective maturity dates at December 31, 2018, excluding future interest payments.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – June 2022	743,698	-	-	743,698	-
Unsecured term loan – June 2020 & 2021	500,000	-	500,000	-	-
Unsecured debentures – December 2020	125,000	-	125,000	-	-
Unsecured term loan – August 2019	75,000	75,000	-	-	-
Finance lease liabilities	9,164	5,489	2,474	1,201	-
Conditional sales contracts	136,141	41,919	57,772	35,566	884
Operating leases and other commitments (see commitments)	557,086	178,510	167,071	86,395	125,110
<b>Total contractual obligations</b>	<b>2,146,089</b>	<b>300,918</b>	<b>852,317</b>	<b>866,860</b>	<b>125,994</b>

As at December 31, 2018, the Company had \$39.4 million of outstanding letters of credit (\$40.1 million on December 31, 2017).

On May 9, 2018, the Company extended its existing revolving credit facility, by one year, to June 2022.

On May 9, 2018, the Company extended the maturity of its \$500 million term loan by one year for each tranche. This term loan is within the confines of the credit facility for the specific purpose of acquiring CFI. It remains at a total of \$500 million, with \$200 million now due in June 2020 and \$300 million due in June 2021. Early repayment in part or whole is permitted, and would permanently reduce the amount borrowed. The terms and conditions of the facility are the same as the credit facility and it is subject to the same covenants.

<sup>1</sup> Long-term debt divided by shareholders' equity.

<sup>2</sup> Long-term debt divided by the sum of shareholders' equity and long-term debt.

The following table indicates the Company's financial covenants to be maintained under its credit facility. These covenants are measured on a consolidated rolling twelve-month basis:

Covenants	Requirements	As at December 31, 2018
<b>Funded debt-to-EBITDA ratio</b> [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income tax, depreciation and amortization ("EBITDA"), including last twelve months adjusted EBITDA from business acquisitions]	< 3.50	2.27
<b>EBITDAR-to-interest and rent ratio</b> [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from business acquisitions) to interest and net rent expenses]	> 1.75	4.26

### Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at December 31, 2018.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Operating leases – rolling stock	81,847	35,212	37,537	8,213	885
Operating leases – real estate & others	424,264	92,323	129,534	78,182	124,225
Other commitments	50,975	50,975	-	-	-
<b>Total off-balance sheet obligations</b>	<b>557,086</b>	<b>178,510</b>	<b>167,071</b>	<b>86,395</b>	<b>125,110</b>

Long-term real estate leases, totalling \$424.3 million, include nine significant real estate commitments for an aggregate value of \$207.6 million, which expire between 2024 and 2035. A total of 268 properties constitute the remaining real estate operating leases.

### Dividends and outstanding share data

#### Dividends

The Company declared \$20.7 million in dividends, or 24 cents per common share, in the fourth quarter of 2018. For the year ended December 31, 2018, dividends declared were \$76.1 million, or 87 cents per common share. On October 22, 2018, the Board of Directors of TFI approved a \$0.24 quarterly dividend, a 14% increase over its previous quarterly dividend of \$0.21 per share.

On February 27, 2019, the Board of Directors declared a quarterly dividend of \$0.24 per outstanding common share of the Company's capital for an expected aggregate payment of \$20.4 million which will be paid on April 15, 2019 to shareholders of record at the close of business on March 29, 2019.

#### NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 2, 2018 and will expire on October 1, 2019, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. The Board of TFI International believes that, at appropriate times, repurchasing its shares through the NCIB represents a good use of TFI International's financial resources, as such action can protect and enhance shareholder value when opportunities or volatility arise.

For the year ended December 31, 2018, the Company repurchased 3,755,002 common shares (as compared to 2,810,126 in 2017) at a price ranging from approximately \$32 to \$44 per share for a total purchase price of \$139.6 million (as compared to \$81.6 million in 2017).

#### Outstanding shares, stock options and restricted share units

A total of 86,397,588 common shares were outstanding as at December 31, 2018 (December 31, 2017 – 89,123,588). Between December 31, 2018 and February 27, 2019, the Company repurchased 1,500,000 common shares at a price ranging from approximately \$34 to \$40 per share for a total purchase price of \$56.7 million.

As at December 31, 2018, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 5,031,161 (December 31, 2017 – 5,493,286) of which 3,863,610 were exercisable (December 31, 2017 – 4,169,819). On February 20, 2018, the Board of Directors approved the grant of 617,735 stock options under the Company's stock option plan. Each stock option entitles the holder to purchase one common share of the Company at an exercise price based on the closing price of the volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

As at December 31, 2018, the number of restricted share units ("RSUs") granted under the Company's equity incentive plan to its senior employees was 147,081 (December 31, 2017 – 206,396). On February 20, 2018, the Board of Directors approved the grant of 95,243 RSUs under the Company's equity incentive plan. The RSUs will vest in December of the second year following the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

## Legal proceedings

The Company is involved in litigation arising from the ordinary course of business primarily involving claims for bodily injury and property damage. It is not feasible to predict or determine the outcome of these or similar proceedings. However, the Company believes the ultimate recovery or liability, if any, resulting from such litigation individually or in total would not materially adversely affect the Company's financial condition or performance and, if necessary, has been provided for in the financial statements.

## Subsequent events

On February 1, 2019, the unsecured term loan was amended to increase the balance from \$500 million to \$575 million. On February 11, 2019, the funds were used to reimburse the unsecured term loan of \$75 million that was expected to mature in August 2019.

On February 19, 2019, the Company completed the acquisition of Toronto Tank Lines ("TTL"). Based in Hamilton, Ontario, TTL specializes in the transportation and storage of food grade liquids, industrial chemicals, specialty oils and waxes throughout Canada, the United States and Mexico.

On February 25, 2019, the Company acquired Schilli Corporation ("Schilli"). Based in St. Louis, Missouri, Schilli specializes in the transportation of dry and liquid bulk and offers dedicated fleet solutions and other value-add services throughout Midwest, Southeast and Gulf Coast regions of the United States.

The Company paid \$98.9 million for the two business acquisitions, subject to customary closing adjustments.

## OUTLOOK

North American economic growth continues and economic conditions remain supportive for the transportation and logistics industry. Unemployment is near multi-decade lows, and consumer confidence and business optimism are currently solid, having benefitted in 2018 from U.S. tax law changes. Given this backdrop, the Company sees the potential for additional upward pressure on freight volumes and shipping rates.

Potential risks in this environment include, among other things, the possibility of more pronounced driver shortages and accompanying upward pressure on wages, along with increasing fuel, insurance, interest rate and other costs. In addition, while the U.S., Canada and Mexico continue to negotiate over revising or replacing NAFTA, a continually evolving international trade environment, including between the U.S. and China, could result in higher tariffs that could slow North American business expansion.

While continually monitoring the economic outlook, internally TFI International seeks to generate strong free cash flow by executing on the fundamentals of the business regardless of the economic cycle. This approach includes focusing on profitable business, improving efficiency, rationalizing assets, and tightly controlling costs. In addition, the Company plans to capture M&A-related operating synergies and continue its disciplined pursuit of acquisition candidates in the fragmented North American transportation and logistics market.

In Package and Courier, TFI's priorities include the deployment of cutting-edge technology, optimizing the business mix and asset utilization, and driving efficiencies and additional savings through the consolidation of routes and terminals, administration and IT platforms.

In LTL, TFI remains disciplined in adapting supply to demand, as overcapacity continues to affect the industry. The Company expects to continue to emphasize major cities, cross-border, and high-density regions to enhance value, is focused on further cost rationalization, especially for its domestic Canadian business, is deploying customer-facing technology, and leveraging its capabilities in asset-light intermodal activities that it believes will generate higher returns.

In TL, TFI is cost-conscious and focused on improving the efficiency and profitability of its existing modern fleet and its network of independent contractors. The Company has long established partner carrier relationships to benefit customer service. Within TL, management is focused on extracting costs from both its U.S. and Specialized TL operations. Further, the expected implementation of an electronic logging device (ELD) requirement in Canada may have a similar effect on the Canadian truckload environment as it had in the United States.

In Logistics and Last Mile, the Company believes both online and conventional retailers increasingly view last mile delivery solutions as strategic to their business, and e-commerce continues to increase as a share of overall retail sales. TFI expects to continue to capitalize on the growing importance of e-commerce through its extensive logistics experience and last mile infrastructure.

TFI International aims to distinguish itself by providing innovative, value-added solutions to its growing North American customer base. The Company is embracing an asset-light business model, and deploying capital toward initiatives that it believes provide strong returns and solid cash flow. In the short term, having achieved targeted leverage ratios, TFI expects to use its cash flow primarily for opportunistic share repurchases, dividends, and business acquisitions.

TFI International believes it is uniquely positioned to benefit from the current dynamics in the North American freight environment, including the continued strength across the Canadian and U.S. transportation markets. Management believes that adherence to its operating principles, with the same discipline and rigour that have made the Company a North American leader in the transportation and logistics industry, will continue to grow shareholder value.

## SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

<i>(unaudited) - (in millions of dollars, except per share data)</i>								
	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Total revenue*	1,321.4	1,287.6	1,317.7	1,196.5	1,192.9	1,176.6	1,263.8	1,204.1
Adjusted EBITDA <sup>1</sup>	180.7	190.0	186.7	129.0	131.0	128.2	145.7	109.5
Operating income (loss)**	103.3	128.2	123.6	75.4	66.1	130.6	(47.2)	28.9
Net income (loss)	76.7	86.7	80.4	48.2	120.2	98.8	(75.0)	14.1
EPS – basic	0.88	0.99	0.92	0.54	1.34	1.10	(0.82)	0.15
EPS – diluted	0.85	0.96	0.89	0.53	1.31	1.07	(0.82)	0.15
Adjusted net income <sup>1</sup>	86.3	95.0	89.9	50.4	53.9	48.9	56.4	32.9
Adjusted EPS - diluted <sup>1</sup>	0.96	1.05	0.99	0.55	0.59	0.53	0.61	0.35

(\*) 2017 quarters have been recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

(\*\*) All of the quarters have been reclassified to conform to the current period presentation of line items included within the subtotal of operating income.

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. Higher 2018 operating income was also driven by strong execution across the organization, increased quality of revenue, cost efficiencies and improvement in the Company's U.S. TL operating segment. In Q4 2017, higher net income, as well as higher basic and diluted EPS, is mainly due to an income tax gain of \$76.1 million as a result of U.S. tax reform. In Q3 2017, higher operating income, net income, as well as higher basic and diluted EPS, is mainly due to gain on sale of property of \$70.1 million, or \$59.7 million after-tax. In Q2 2017, the Company recorded an operating loss, net loss and negative basic and diluted EPS principally due to a goodwill impairment in its U.S. TL operating segment of \$129.8 million (no tax impact on this impairment).

## NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS, including the following measures:

**Operating expenses:** Operating expenses, as defined in the audited consolidated financial statements.

**Operating income (loss):** Net income or loss before finance income and costs and income tax expense (recovery), as stated in the audited consolidated financial statements.

This MD&A includes references to certain non-IFRS financial measures as described below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The terms and definitions of IFRS and non-IFRS measures used in this MD&A and a reconciliation of each non-IFRS measure to the most directly comparable IFRS measure are provided below or in the MD&A.

**Adjusted net income:** Net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value of contingent considerations and accretion expense and derivatives, net foreign exchange gain or loss, impairment of intangible assets, and gain or loss on sale of land and buildings, assets held for sale and intangible assets, net of tax, and impact from the U.S. tax reform. In presenting an adjusted net income and adjusted EPS, the Company's intent is to help provide an understanding of what would have been the net income and earnings per share in a context of significant business combinations and excluding specific impacts and to reflect earnings from a strictly operating perspective. The amortization of intangible assets related to business acquisitions comprises amortization expense of customer relationships, trademarks and non-compete agreements accounted for in business combinations and the income tax effects related to this amortization. Management also believes, in excluding amortization of intangible assets related to business acquisitions, it provides more information on the amortization of intangible asset expense portion, net of tax, that will not have to be replaced to preserve the Company's ability to generate similar future cash flows. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring. In 2018, the Company added an adjustment to exclude the net change in fair value of contingent consideration and recasted the comparative measures to conform to the current year presentation. See reconciliation on page 8.

**Adjusted earnings per share (adjusted "EPS") - basic:** Adjusted net income divided by the weighted average number of common shares.

**Adjusted EPS - diluted:** Adjusted net income divided by the weighted average number of diluted common shares.

<sup>1</sup> Refer to the section "Non-IFRS financial measures".

**Adjusted EBITDA:** Net income or loss before finance income and costs, income tax expense (recovery), depreciation, amortization, impairment of intangible assets, and gain or loss on sale of land and buildings, assets held for sale and intangible assets. **Segmented adjusted EBITDA** refers to operating income (loss) before depreciation, amortization, impairment of intangible assets, and gain or loss on sale of land and buildings, assets held for sale and intangible assets. Management believes adjusted EBITDA to be a useful supplemental measure. Adjusted EBITDA is provided to assist in determining the ability of the Company to assess its performance.

**Consolidated adjusted EBITDA reconciliation:**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended		Years ended	
	December 31		December 31	
	2018	2017	2018	2017
<b>Net income</b>	<b>76,728</b>	120,192	<b>291,994</b>	157,988
Net finance costs (income)	<b>(40)</b>	13,497	<b>48,306</b>	61,075
Income tax expense (recovery)	<b>26,595</b>	(67,613)	<b>90,224</b>	(40,642)
Depreciation of property and equipment	<b>52,392</b>	48,298	<b>198,492</b>	209,557
Amortization of intangible assets	<b>15,460</b>	15,949	<b>62,101</b>	61,200
Impairment of intangible assets	<b>12,559</b>	-	<b>12,559</b>	142,981
Gain on sale of land and buildings	<b>(312)</b>	(394)	<b>(524)</b>	(232)
(Gain) loss on sale of assets held for sale	<b>(1,479)</b>	1,088	<b>(15,620)</b>	(77,446)
Gain on sale of intangible assets	<b>(1,249)</b>	-	<b>(1,249)</b>	-
<b>Adjusted EBITDA</b>	<b>180,654</b>	131,017	<b>686,283</b>	514,481

**Segmented adjusted EBITDA reconciliation:**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended		Years ended	
	December 31		December 31	
	2018	2017	2018	2017
<b>Package and Courier</b>				
Operating income	<b>34,409</b>	28,144	<b>113,214</b>	102,281
Depreciation of property and equipment	<b>3,055</b>	3,337	<b>11,870</b>	13,811
Amortization of intangible assets	<b>306</b>	395	<b>1,362</b>	1,728
Gain on sale of land and buildings	-	(682)	-	(682)
Gain on sale of assets held for sale	-	-	-	(9,156)
Gain on sale of intangible assets	<b>(1,249)</b>	-	<b>(1,249)</b>	-
Adjusted EBITDA	<b>36,521</b>	31,194	<b>125,197</b>	107,982
<b>Less-Than-Truckload</b>				
Operating income	<b>23,461</b>	13,221	<b>85,132</b>	122,181
Depreciation of property and equipment	<b>6,252</b>	5,208	<b>23,656</b>	21,663
Amortization of intangible assets	<b>2,750</b>	2,478	<b>10,792</b>	9,691
(Gain) loss on sale of land and buildings	<b>(336)</b>	267	<b>(275)</b>	242
(Gain) loss on sale of assets held for sale	<b>82</b>	1,088	<b>(2,299)</b>	(68,118)
Adjusted EBITDA	<b>32,209</b>	22,262	<b>117,006</b>	85,659
<b>Truckload</b>				
Operating income (loss)	<b>52,282</b>	22,813	<b>207,723</b>	(51,705)
Depreciation of property and equipment	<b>41,926</b>	38,589	<b>158,708</b>	168,846
Amortization of intangible assets	<b>6,728</b>	7,275	<b>27,464</b>	28,674
Impairment of intangible assets	-	-	-	129,770
(Gain) loss on sale of land and buildings	<b>1</b>	18	<b>(279)</b>	93
Gain on sale of assets held for sale	<b>(1,561)</b>	-	<b>(12,909)</b>	(172)
Adjusted EBITDA	<b>99,376</b>	68,695	<b>380,707</b>	275,506
<b>Logistics and Last Mile</b>				
Operating income	<b>2,851</b>	14,098	<b>54,492</b>	41,579
Depreciation of property and equipment	<b>774</b>	853	<b>2,969</b>	3,873
Amortization of intangible assets	<b>5,348</b>	5,555	<b>21,298</b>	20,223
Impairment of intangible assets	<b>12,559</b>	-	<b>12,559</b>	13,211
Loss on sale of land and buildings	<b>23</b>	3	<b>30</b>	115
Adjusted EBITDA	<b>21,555</b>	20,509	<b>91,348</b>	79,001

## Management's Discussion and Analysis

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
<b>Corporate</b>				
Operating loss	(9,720)	(12,200)	(30,037)	(35,915)
Depreciation of property and equipment	385	311	1,289	1,364
Amortization of intangible assets	328	246	1,185	884
Gain on sale of assets held for sale	-	-	(412)	-
Adjusted EBITDA	(9,007)	(11,643)	(27,975)	(33,667)

**Adjusted EBITDA margin** is calculated as adjusted EBITDA as a percentage of revenue before fuel surcharge.

**Debt-to-adjusted EBITDA ratio** is calculated by dividing the total long-term debt by the adjusted EBITDA.

**Free cash flow from continuing operations:** Net cash from operating activities from continuing operations less additions to property and equipment plus proceeds from sale of property and equipment and assets held for sale. Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements. See reconciliation on page 16.

**Operating margin** is calculated as operating income (loss) as a percentage of revenue before fuel surcharge.

**Adjusted operating ratio:** Operating expenses before impairment of intangible assets and gain or loss on sale of land and buildings, assets held for sale and intangible assets ("**Adjusted operating expenses**"), net of fuel surcharge revenue, divided by revenue before fuel surcharge. Although the adjusted operating ratio is not a recognized financial measure defined by IFRS, it is a widely recognized measure in the transportation industry, which the Company believes it provides a comparable benchmark for evaluating the Company's performance. Also, to facilitate the comparison of business level activity and operating costs between periods, the Company compares the revenue before fuel surcharge ("revenue") and reallocates the fuel surcharge revenue to materials and services expenses within operating expenses.

### Consolidated adjusted operating ratio reconciliation:

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
Operating expenses	1,218,162	1,126,802	4,692,684	4,658,993
Impairment of intangible assets	(12,559)	-	(12,559)	(142,981)
Gain on sale of land and buildings	312	394	524	232
Gain (loss) on sale of assets held for sale	1,479	(1,088)	15,620	77,446
Gain on sale of intangible assets	1,249	-	1,249	-
Adjusted operating expenses	1,208,643	1,126,108	4,697,518	4,593,690
Fuel surcharge revenue	(159,166)	(123,199)	(615,011)	(458,429)
Adjusted operating expenses, net of fuel surcharge revenue	1,049,477	1,002,909	4,082,507	4,135,261
Revenue before fuel surcharge	1,162,279	1,069,679	4,508,197	4,378,985
Adjusted operating ratio	90.3%	93.8%	90.6%	94.4%

(\* ) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements)

### Less-Than-Truckload and Truckload reportable segment adjusted operating ratio reconciliation and Truckload operating segments reconciliations:

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
<b>Less-Than-Truckload</b>				
Total revenue	272,212	234,696	1,057,396	994,777
Total operating expenses	248,751	221,475	972,264	872,596
Operating income	23,461	13,221	85,132	122,181
Operating expenses	248,751	221,475	972,264	872,596
Gain (loss) on sale of land and buildings and assets held for sale	254	(1,355)	2,574	67,876
Adjusted operating expenses	249,005	220,120	974,838	940,472
Fuel surcharge revenue	(40,218)	(30,560)	(155,076)	(117,288)
Adjusted operating expenses, net of fuel surcharge revenue	208,787	189,560	819,762	823,184
Revenue before fuel surcharge	231,994	204,136	902,320	877,489
Adjusted operating ratio	90.0%	92.9%	90.9%	93.8%

## Management's Discussion and Analysis

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
<b>Truckload</b>				
Total revenue	610,161	546,251	2,388,865	2,218,207
Total operating expenses	557,879	523,438	2,181,142	2,269,912
Operating income (loss)	52,282	22,813	207,723	(51,705)
Operating expenses	557,879	523,438	2,181,142	2,269,912
Impairment of intangible assets	-	-	-	(129,770)
Gain (loss) on sale of land and buildings and assets held for sale	1,560	(18)	13,188	79
Adjusted operating expenses	559,439	523,420	2,194,330	2,140,221
Fuel surcharge revenue	(81,997)	(65,300)	(324,277)	(244,109)
Adjusted operating expenses, net of fuel surcharge	477,442	458,120	1,870,053	1,896,112
Revenue before fuel surcharge	528,164	480,951	2,064,588	1,974,098
Adjusted operating ratio	90.4%	95.3%	90.6%	96.0%
<b>Truckload - Revenue before fuel surcharge</b>				
U.S. based Conventional TL	223,128	209,174	880,631	885,978
Canadian based Conventional TL	79,017	74,398	313,305	303,613
Specialized TL	227,438	198,098	877,463	788,186
Eliminations	(1,419)	(719)	(6,811)	(3,679)
	528,164	480,951	2,064,588	1,974,098
<b>Truckload - Fuel surcharge revenue</b>				
U.S. based Conventional TL	43,034	36,674	170,673	135,058
Canadian based Conventional TL	12,257	10,098	49,693	39,767
Specialized TL	26,815	18,728	104,464	69,631
Eliminations	(109)	(200)	(553)	(347)
	81,997	65,300	324,277	244,109
<b>Truckload - Operating income (loss)</b>				
U.S. based Conventional TL	15,012	(15)	47,820	(155,471)
Canadian based Conventional TL	11,172	6,049	47,793	23,243
Specialized TL	26,098	16,779	112,110	80,523
	52,282	22,813	207,723	(51,705)
<b>U.S. based Conventional TL</b>				
Operating expenses**	251,150	245,863	1,003,484	1,176,507
Impairment of intangible assets	-	-	-	(129,770)
Gain (loss) on sale of land and buildings and assets held for sale	-	(119)	-	(214)
Adjusted operating expenses	251,150	245,744	1,003,484	1,046,523
Fuel surcharge revenue	(43,034)	(36,674)	(170,673)	(135,058)
Adjusted operating expenses, net of fuel surcharge revenue	208,116	209,070	832,811	911,465
Revenue before fuel surcharge	223,128	209,174	880,631	885,978
Adjusted operating ratio	93.3%	100.0%	94.6%	102.9%
<b>Canadian based Conventional TL</b>				
Operating expenses**	80,102	78,447	315,205	320,137
Gain (loss) on sale of land and buildings and assets held for sale	-	101	7,023	101
Adjusted operating expenses	80,102	78,548	322,228	320,238
Fuel surcharge revenue	(12,257)	(10,098)	(49,693)	(39,767)
Adjusted operating expenses, net of fuel surcharge revenue	67,845	68,450	272,535	280,471
Revenue before fuel surcharge	79,017	74,398	313,305	303,613
Adjusted operating ratio	85.9%	92.0%	87.0%	92.4%
<b>Specialized TL</b>				
Operating expenses**	228,155	200,047	869,817	777,294
Gain (loss) on sale of land and buildings and assets held for sale	1,560	-	6,165	192
Adjusted operating expenses	229,715	200,047	875,982	777,486
Fuel surcharge revenue	(26,815)	(18,728)	(104,464)	(69,631)
Adjusted operating expenses, net of fuel surcharge revenue	202,900	181,319	771,518	707,855
Revenue before fuel surcharge	227,438	198,098	877,463	788,186
Adjusted operating ratio	89.2%	91.5%	87.9%	89.8%

(\*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements) (\*\*) Operating expenses excluding intra TL eliminations

## RISKS AND UNCERTAINTIES

The Company's future results may be affected by a number of factors over some of which the Company has little or no control. The following discussion of risk factors contains forward-looking statements. The following issues, uncertainties and risks, among others, should be considered in evaluating the Company's business and growth outlook.

**Competition.** The Company operates in a highly-competitive and fragmented industry, and numerous competitive factors could impair the Company's ability to maintain or improve its profitability and could have a material adverse effect on the Company's results of operations. In addition, the Company faces growing competition from other transporters in Canada, the United States and Mexico. These factors, including the following, could impair the Company's ability to maintain or improve its profitability and could have a material adverse effect on the Company's results of operations:

- the Company competes with many other transportation companies of varying sizes, including Canadian, U.S. and Mexican transportation companies;
- the Company's competitors may periodically reduce their freight rates to gain business, which may limit the Company's ability to maintain or increase freight rates or maintain growth in the Company's business;
- some of the Company's customers are other transportation companies or companies that also operate their own private trucking fleets, and they may decide to transport more of their own freight or bundle transportation with other services;
- some of the Company's customers may reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers or by engaging dedicated providers, and in some instances the Company may not be selected;
- many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of the Company's business to competitors;
- the market for qualified drivers is highly competitive, particularly in the Company's growing U.S. operations, and the Company's inability to attract and retain drivers could reduce its equipment utilization and cause the Company to increase compensation, both of which would adversely affect the Company's profitability;
- economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with the Company;
- some of the Company's smaller competitors may not yet be fully compliant with recently-enacted regulations, such as regulations requiring the use of electronic logging devices in the United States, which may allow such competitors to take advantage of additional driver productivity;
- advances in technology, such as advanced safety systems, automated package sorting, handling and delivery, vehicle platooning, alternative fuel vehicles and digitization of freight services, may require the Company to increase investments in order to remain competitive, and the Company's customers may not be willing to accept higher freight rates to cover the cost of these investments;
- the Company's competitors may have better safety records than the Company or a perception of better safety records, which could impair the Company's ability to compete;
- some high-volume package shippers, such as Amazon.com, are developing and implementing in-house delivery capabilities and utilizing independent contractors for deliveries, which could in turn reduce the Company's revenues and market share;
- competition from freight brokerage companies may materially adversely affect the Company's customer relationships and freight rates; and
- higher fuel prices and, in turn, higher fuel surcharges to the Company's customers may cause some of the Company's customers to consider freight transportation alternatives, including rail transportation.

**Regulation.** The Company operates in a highly-regulated industry, and changes in existing regulations or violations of existing or future regulations could have a material adverse effect on the Company's operations and profitability. In Canada, carriers must obtain licenses issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from U.S. and Mexican regulatory authorities is also required for the transportation of goods in the United States, in Mexico and between Canada, the United States and Mexico. Any change in or violation of existing or future regulations could have an adverse impact on the scope of the Company's activities. Future laws and regulations may be more stringent, require changes in the Company's operating practices, influence the demand for transportation services or require the Company to incur significant additional costs. Higher costs incurred by the Company, or by the Company's suppliers who pass the costs onto the Company through higher supplies and materials pricing, could adversely affect the Company's results of operations.

The Company is increasing its operations in the United States, where the transportation industry is subject to regulation from various federal, state and local agencies, including the Department of Transportation ("DOT") (in part through the Federal Motor Carrier Safety Administration ("FMCSA")), the Environmental Protection Agency and the Department of Homeland Security. Drivers must comply with safety and fitness regulations, including those relating to drug and alcohol testing, driver safety performance and hours of service, and matters such as

equipment weight and dimensions, exhaust emissions and fuel efficiency are also subject to government regulation. The Company also may become subject to new or more restrictive regulations relating to fuel efficiency, exhaust emissions, hours of service, drug and alcohol testing, ergonomics, on-board reporting of operations, collective bargaining, security at ports, speed limitations, driver training and other matters affecting safety or operating methods.

In the United States, under the FMCSA's Compliance, Safety, Accountability ("CSA") program, fleets are evaluated and ranked against their peers based on certain safety-related standards. As a result, the Company's fleet could be ranked poorly as compared to peer carriers. The Company recruits first-time drivers to be part of its fleet, and these drivers may have a higher likelihood of creating adverse safety events under CSA. The occurrence of future deficiencies could affect driver recruitment in the United States by causing high-quality drivers to seek employment with other carriers or limit the pool of available drivers or could cause the Company's customers to direct their business away from the Company and to carriers with higher fleet safety rankings, either of which would materially adversely affect the Company's business, financial condition and results of operations. In addition, future deficiencies could increase the Company's insurance expenses. Additionally, competition for drivers with favourable safety backgrounds may increase, which could necessitate increases in driver-related compensation costs. Further, the Company may incur greater than expected expenses in its attempts to improve unfavourable scores.

Based on the ratings of the Company's U.S. subsidiaries in a number of the seven CSA safety-related categories, the Company may be prioritized for roadside inspection, which could have an adverse effect on the Company's business, financial condition and results of operations.

In December 2015, the U.S. Congress passed a new highway funding bill called *Fixing America's Surface Transportation Act* (the "**FAST Act**"), which calls for significant CSA reform. The FAST Act directs the FMCSA to conduct studies of the scoring system used to generate CSA rankings to determine if it is effective in identifying high-risk carriers and predicting future crash risk. This study was conducted and delivered to the FMCSA in June 2017 with several recommendations to make the CSA program more fair, accurate and reliable. In June 2018, the FMCSA provided a report to the U.S. Congress outlining the changes it may make to the CSA program in response to the study. Such changes include the testing and possible adoption of a revised risk modeling theory, potential collection and dissemination of additional carrier data and revised measures for intervention thresholds. The adoption of such changes is contingent on the results of the new modeling theory and additional public feedback. Thus, it is unclear if, when and to what extent such changes to the CSA program will occur. However, any changes that increase the likelihood of the Company receiving unfavourable scores could materially adversely affect the Company's results of operations and profitability.

In December 2016, the FMCSA issued a final rule establishing a national clearinghouse for drug and alcohol testing results and requiring motor

carriers and medical review officers to provide records of violations by commercial drivers of FMCSA drug and alcohol testing requirements. Motor carriers in the United States will be required to query the clearinghouse to ensure drivers and driver applicants do not have violations of federal drug and alcohol testing regulations that prohibit them from operating commercial motor vehicles. The compliance date for this rule is early 2020. In addition, other rules have been recently proposed or made final by the FMCSA, including (i) a rule requiring the use of speed-limiting devices on heavy-duty tractors to restrict maximum speeds, which was proposed in 2016 and (ii) a rule setting out minimum driver training standards for new drivers applying for commercial driver's licenses for the first time and to experienced drivers upgrading their licenses or seeking a hazardous materials endorsement, which was made final in December 2016 with a compliance date in February 2020. In July 2017, the DOT announced that it would no longer pursue a speed limiter rule, but left open the possibility that it could resume such a pursuit in the future. The effect of these rules, to the extent they become effective, could result in a decrease in fleet production and/or driver availability, either of which could materially adversely affect the Company's business, financial condition and results of operations.

The Company currently has a satisfactory DOT rating for each of its U.S. operations, which is the highest available rating under the current safety rating scale. If the Company were to receive a conditional or unsatisfactory DOT safety rating, it could materially adversely affect the Company's business, financial condition and results of operations as customer contracts may require a satisfactory DOT safety rating, and a conditional or unsatisfactory rating could materially adversely affect or restrict the Company's operations.

The FMCSA has proposed regulations that would modify the existing rating system and the safety labels assigned to motor carriers evaluated by the DOT. Under regulations that were proposed in 2016, the methodology for determining a carrier's DOT safety rating would be expanded to include the on-road safety performance of the carrier's drivers and equipment, as well as results obtained from investigations. Exceeding certain thresholds based on such performance or results would cause a carrier to receive an unfit safety rating. The proposed regulations were withdrawn in March 2017, but the FMCSA noted that a similar process may be initiated in the future. If similar regulations were enacted and the Company were to receive an unfit or other negative safety rating, the Company's business would be materially adversely affected in the same manner as if it received a conditional or unsatisfactory safety rating under the current regulations. In addition, poor safety performance could lead to increased risk of liability, increased insurance, maintenance and equipment costs and potential loss of customers, which could materially adversely affect the Company's business, financial condition and results of operations.

The U.S. National Highway Traffic Safety Administration, the Environmental Protection Agency and certain U.S. states, including California, have adopted regulations that are aimed at reducing tractor emissions and/or increasing fuel economy of the equipment the Company uses. Certain of these regulations are currently effective, with stricter emission and fuel economy standards becoming effective over

the next several years. Other regulations have been proposed in the United States that would similarly increase these standards. The effects of these regulations have been and may continue to be increases in new tractor and trailer prices, additional parts and maintenance costs, impaired productivity and uncertainty as to the reliability of the newly-designed diesel engines and the residual values of the Company's equipment. Such effects could materially adversely affect the Company's business, financial condition and results of operations. Furthermore, any future regulations that impose restrictions, caps, taxes or other controls on emissions of greenhouse gases could adversely affect the Company's operations and financial results.

In March 2014, the U.S. Ninth Circuit Court of Appeals held that the application of California state wage and hour laws to interstate truck drivers is not pre-empted by U.S. federal law. The case was appealed to the U.S. Supreme Court, which denied *certiorari* in May 2015, and accordingly, the Ninth Circuit Court of Appeals decision stands. Current and future U.S. state and local wage and hour laws, including laws related to employee meal breaks and rest periods, may vary significantly from U.S. federal law. As a result, the Company, along with other companies in the industry, is subject to an uneven patchwork of wage and hour laws throughout the United States. There is proposed federal legislation to solidify the pre-emption of state and local wage and hour laws applied to interstate truck drivers; however, passage of such legislation is uncertain. If U.S. federal legislation is not passed, the Company will either need to continue complying with the most restrictive state and local laws across its entire fleet in the United States, or revise its management systems to comply with varying state and local laws. Either solution could result in increased compliance and labour costs, driver turnover and decreased efficiency.

Changes in existing regulations and implementation of new regulations, such as those related to trailer size limits, emissions and fuel economy, hours of service, mandating electronic logging devices and drug and alcohol testing in Canada, the United States and Mexico, could increase capacity in the industry or improve the position of certain competitors, either of which could negatively impact pricing and volumes or require additional investments by the Company. The short-term and long-term impacts of changes in legislation or regulations are difficult to predict and could materially adversely affect the Company's results of operations.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and laws. Although the Company is committed to compliance with laws and safety, there is no assurance that it will be in full compliance with them at all times. Consequently, at some future time, the Company could be required to incur significant costs to maintain or improve its compliance record.

**International Operations.** A growing portion of the Company's revenue is derived from operations in the United States and transportation to and from Mexico. The Company's international operations are subject to a variety of risks, including fluctuations in foreign currencies, changes in the economic strength or greater volatility in the economies of foreign countries in which the Company does business, difficulties in enforcing

contractual rights and intellectual property rights, compliance burdens associated with export and import laws, and social, political and economic instability. The Company's international operations could be adversely affected by restrictions on travel. Additional risks associated with the Company's international operations include restrictive trade policies, imposition of duties, changes to trade agreements and other treaties, taxes or government royalties by foreign governments, adverse changes in the regulatory environments, including in tax laws and regulations, of the foreign countries in which the Company does business, compliance with anti-corruption and anti-bribery laws, restrictions on the withdrawal of foreign investments, the ability to identify and retain qualified local managers and the challenge of managing a culturally and geographically diverse operation. The Company cannot guarantee compliance with all applicable laws, and violations could result in substantial fines, sanctions, civil or criminal penalties, competitive or reputational harm, litigation or regulatory action and other consequences that might adversely affect the Company's results of operations.

Recent activity by the Trump Administration has led to the imposition of tariffs on certain imported steel and aluminum. The implementation of these tariffs, as well as the imposition of additional tariffs or quotas or changes to certain trade agreements could, among other things, increase the costs of the materials used by the Company's suppliers to produce new revenue equipment or increase the price of fuel. Such cost increases for the Company's revenue equipment suppliers would likely be passed on to the Company, and to the extent fuel prices increase, the Company may not be able to fully recover such increases through rate increases or the Company's fuel surcharge program, either of which could have a material adverse effect on the Company's business.

In December 2017, the United States enacted comprehensive tax legislation, commonly referred to as the *2017 Tax Cuts and Jobs Act*. The new law requires complex computations not previously required by U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the new law and the accounting for such provisions require preparation and analysis of information not previously required or regularly produced. In addition, the U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how the Company will apply the law and impact the Company's results of operations in future periods. The timing and scope of such regulations and interpretative guidance are uncertain. In addition, there is a risk that states within the United States or foreign jurisdictions may amend their tax laws in response to these tax reforms, which could have a material adverse effect on the Company's results.

In addition, if the Company is unable to maintain its Free and Secure Trade ("FAST") and U.S. Customs Trade Partnership Against Terrorism ("C-TPAT") certification statuses, it may have significant border delays, which could cause its cross-border operations to be less efficient than those of competitor truckload carriers that obtain or continue to maintain FAST and C-TPAT certifications.

**Operating Environment and Seasonality.** The Company is exposed to the following factors, among others, affecting its operating environment:

- the Company's future insurance and claims expense, including the cost of its liability insurance premiums and the number and dollar amount of claims, may exceed historical levels, which would require the Company to incur additional costs and could reduce the Company's earnings;
- a decline in the demand for used revenue equipment could result in decreased equipment sales, lower resale values and lower gains (or recording losses) on sales of assets;
- tractor and trailer vendors may reduce their manufacturing output in response to lower demand for their products in economic downturns or shortages of component parts, which may materially adversely affect the Company's ability to purchase a quantity of new revenue equipment that is sufficient to sustain its desired growth rate; and
- increased prices for new revenue equipment, design changes of new engines, reduced equipment efficiency resulting from new engines designed to reduce emissions, or decreased availability of new revenue equipment.

The Company's tractor productivity decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments after the winter holiday season. Revenue may also be adversely affected by inclement weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather creating higher accident frequency, increased claims and higher equipment repair expenditures. The Company also may suffer from weather-related or other unforeseen events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes and explosions. These events may disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, damage or destroy the Company's assets or adversely affect the business or financial condition of the Company's customers, any of which could materially adversely affect the Company's results of operations or make the Company's results of operations more volatile.

**General Economic, Credit, and Business Conditions.** The Company's business is subject to general economic, credit, business and regulatory factors that are largely beyond the Company's control, and which could have a material adverse effect on the Company's operating results.

The Company's industry is subject to cyclical pressures, and the Company's business is dependent on a number of factors that may have a material adverse effect on its results of operations, many of which are beyond the Company's control. The Company believes that some of the most significant of these factors include (i) excess tractor and trailer capacity in the transportation industry in comparison with shipping demand; (ii) declines in the resale value of used equipment; (iii) strikes, work stoppages or work slowdowns at the Company's facilities or at

customer, port, border crossing or other shipping-related facilities; and (iv) increases in interest rates, fuel taxes, tolls and license and registration fees.

The Company is also affected by (i) recessionary economic cycles, which tend to be characterized by weak demand and downward pressure on rates; (ii) changes in customers' inventory levels and in the availability of funding for their working capital; (iii) changes in the way in which the Company's customers choose to source or utilize the Company's services; and (iv) downturns in customers' business cycles, such as retail and manufacturing, where the Company has significant customer concentration. Economic conditions may adversely affect customers and their demand for and ability to pay for the Company's services. Customers encountering adverse economic conditions represent a greater potential for loss and the Company may be required to increase its allowance for doubtful accounts.

Economic conditions that decrease shipping demand and increase the supply of available tractors and trailers can exert downward pressure on rates and equipment utilization, thereby decreasing asset productivity. The risks associated with these factors are heightened when the economy is weakened. Some of the principal risks during such times include:

- the Company may experience a reduction in overall freight levels, which may impair the Company's asset utilization;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between the Company's capacity and assets and customers' freight demand;
- the Company may be forced to accept more loads from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue generating miles to obtain loads;
- the Company may increase the size of its fleet during periods of high freight demand during which its competitors also increase their capacity, and the Company may experience losses in greater amounts than such competitors during subsequent cycles of softened freight demand if the Company is required to dispose of assets at a loss to match reduced freight demand;
- customers may solicit bids for freight from multiple trucking companies or select competitors that offer lower rates in an attempt to lower their costs, and the Company may be forced to lower its rates or lose freight; and
- lack of access to current sources of credit or lack of lender access to capital, leading to an inability to secure credit financing on satisfactory terms, or at all.

The Company is subject to cost increases that are outside the Company's control that could materially reduce the Company's profitability if it is unable to increase its rates sufficiently. Such cost increases include, but are not limited to, increases in fuel and energy prices, driver and office employee wages, purchased transportation costs, taxes, interest rates, tolls, license and registration fees, insurance premiums and claims, revenue equipment and related maintenance,

and tires and other components. Strikes or other work stoppages at the Company's service centres or at customer, port, border or other shipping locations, deterioration of Canada, the U.S. and Mexico transportation infrastructure and reduced investment in such infrastructure, or actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state or heightened security requirements could lead to wear, tear and damage to the Company's equipment, driver dissatisfaction, reduced economic demand, reduced availability of credit, increased prices for fuel or temporary closing of the shipping locations or borders between Canada, the United States and Mexico. Further, the Company may not be able to appropriately adjust its costs and staffing levels to meet changing market demands. In periods of rapid change, it is more difficult to match the Company's staffing level to its business needs.

The Company's operations, with the exception of its brokerage operations, are capital intensive and asset heavy. If anticipated demand differs materially from actual usage, the Company may have too many or too few assets. During periods of decreased customer demand, the Company's asset utilization may suffer, and it may be forced to sell equipment on the open market or turn in equipment under certain equipment leases in order to right size its fleet. This could cause the Company to incur losses on such sales or require payments in connection with equipment the Company turns in, particularly during times of a softer used equipment market, either of which could have a material adverse effect on the Company's profitability.

Although the Company's business volume is not highly concentrated, its customers' financial failures or loss of customer business may materially adversely affect the Company. If the Company were unable to generate sufficient cash from operations, it would need to seek alternative sources of capital, including financing, to meet its capital requirements. In the event that the Company were unable to generate sufficient cash from operations or obtain financing on favourable terms in the future, it may have to limit its fleet size, enter into less favourable financing arrangements or operate its revenue equipment for longer periods, any of which could have a materially adverse effect on its profitability.

**Interest Rate Fluctuations.** Changes in interest rates may result in fluctuations in the Company's future cash flows related to variable-rate financial liabilities. Future cash flows related to variable-rate financial liabilities could be impacted by changes in benchmark rates such as Bankers' Acceptance or London Interbank Offered Rate (Libor). In addition, the Company is exposed to gains and losses arising from changes in interest rates through its derivative financial instruments carried at fair value.

**Currency Fluctuations.** Significant fluctuations in relative currency values against the Canadian dollar could have a significant impact on the Company's future profitability. The Company's financial results are reported in Canadian dollars and a growing portion of the Company's revenue and operating costs are realized in currencies other than the Canadian dollar, primarily the U.S. dollar. The exchange rates between these currencies and the Canadian dollar have fluctuated in recent years and will likely continue to do so in the future. It is not possible to mitigate

all exposure to fluctuations in foreign currency exchange rates. The results of operations are therefore affected by movements of these currencies against the Canadian dollar.

**Price and Availability of Fuel.** Fuel is one of the Company's largest operating expenses. Diesel fuel prices fluctuate greatly due to factors beyond the Company's control, such as political events, commodity futures trading, currency fluctuations, natural man-made disasters, terrorist activities and armed conflicts any of which may lead to an increase in the cost of fuel. Fuel prices are also affected by the rising demand for fuel in developing countries and could be materially adversely affected by the use of crude oil and oil reserves for purposes other than fuel production and by diminished drilling activity. Such events may lead not only to increases in fuel prices, but also to fuel shortages and disruptions in the fuel supply chain. Because the Company's operations are dependent upon diesel fuel, significant diesel fuel cost increases, shortages or supply disruptions could have a material adverse effect on the Company's business, financial condition and results of operations.

While the Company has fuel surcharge programs in place with a majority of the Company's customers, which historically have helped the Company offset the majority of the negative impact of rising fuel prices, the Company also incurs fuel costs that cannot be recovered even with respect to customers with which the Company maintains fuel surcharge programs, such as those associated with non-revenue generating miles or time when the Company's engines are idling. Moreover, the terms of each customer's fuel surcharge program vary from one division to another, and the recoverability for fuel price increases varies as well. In addition, because the Company's fuel surcharge recovery lags behind changes in fuel prices, the Company's fuel surcharge recovery may not capture the increased costs the Company pays for fuel, especially when prices are rising. This could lead to fluctuations in the Company's levels of reimbursement, such as has occurred in the past. There can be no assurance that such fuel surcharges can be maintained indefinitely or that they will be fully effective.

**Insurance.** The Company's operations are subject to risks inherent in the transportation sector, including personal injury, property damage, workers' compensation and employment and other issues. The Company's future insurance and claims expenses may exceed historical levels, which could reduce the Company's earnings. The Company subscribes for insurance in amounts it considers appropriate in the circumstances and having regard to industry norms. Like many in the industry, the Company self-insures a significant portion of the claims exposure related to cargo loss, bodily injury, workers' compensation and property damages. Due to the Company's significant self-insured amounts, the Company has exposure to fluctuations in the number or severity of claims and the risk of being required to accrue or pay additional amounts if the Company's estimates are revised or claims ultimately prove to be in excess of the amounts originally assessed. Further, the Company's self-insured retention levels could change and result in more volatility than in recent years.

The Company holds a fully-fronted policy of \$10 million limit per occurrence for automobile bodily injury, property damage and commercial general liability for its Canadian Insurance Program (subject to certain exceptions) and a deductible of \$2 million for certain U.S. subsidiaries on their primary \$10 million limit policies for automobile bodily injury, property damage and commercial general liability. The Company retains deductibles of up to \$1 million per occurrence for workers' compensation claims, said deductibles making the Company's insurance and claims expense higher or more volatile than if it maintained lower retentions. The Company's liability coverage has a total limit of \$100 million per occurrence.

Although the Company believes its aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that the amount of one or more claims could exceed the Company's aggregate coverage limits or that the Company will choose not to obtain insurance in respect of such claims. If any claim were to exceed the Company's coverage, the Company would bear the excess, in addition to the Company's other self-insured amounts. The Company's results of operations and financial condition could be materially and adversely affected if (i) cost per claim, premiums or the number of claims significantly exceeds the Company's coverage limits or retention amounts; (ii) the Company experiences a claim in excess of its coverage limits; (iii) the Company's insurance carriers fail to pay on the Company's insurance claims; or (iv) the Company experiences a claim for which coverage is not provided, either because the Company chose not to obtain insurance as a result of high premiums or because the claim is not covered by insurance which the Company has in place.

The Company accrues the costs of the uninsured portion of pending claims based on estimates derived from the Company's evaluation of the nature and severity of individual claims and an estimate of future claims development based upon historical claims development trends. Actual settlement of the Company's retained claim liabilities could differ from its estimates due to a number of uncertainties, including evaluation of severity, legal costs and claims that have been incurred but not reported. Due to the Company's high retained amounts, it has significant exposure to fluctuations in the number and severity of claims. If the Company were required to accrue or pay additional amounts because its estimates are revised or the claims ultimately prove to be more severe than originally assessed, its financial condition and results of operations may be materially adversely affected.

**Employee Relations.** The Company's unionized employees are all Canadian employees, and the Company does not currently have union contracts in place with respect to any of the Company's U.S. operations. Although the Company believes that its relations with its employees are satisfactory, no assurance can be given that the Company will be able to successfully extend or renegotiate the Company's current collective agreements as they expire from time to time or that employees in the United States will not attempt to unionize. If the Company fails to extend or renegotiate the Company's collective agreements, if disputes with the Company's unions arise, or if the Company's unionized or non-unionized workers engage in a strike or other work stoppage or interruption, the Company could experience a significant disruption of,

or inefficiencies in, its operations or incur higher labour costs, which could have a material adverse effect on the Company's business, results of operations, financial condition and liquidity.

At the date hereof, the collective agreements between the Company and the vast majority of its unionized employees have been renewed. The renewed collective agreements have a variety of expiration dates, ranging from December 31, 2018 to June 30, 2023. The Company cannot predict the effect which any new collective agreements or the failure to enter into such agreements upon the expiry of the current agreements may have on its operations.

**Drivers.** Increases in driver compensation or difficulties attracting and retaining qualified drivers could have a material adverse effect on the Company's profitability and the ability to maintain or grow the Company's fleet.

Like many in the transportation sector, the Company experiences substantial difficulty in attracting and retaining sufficient numbers of qualified drivers. The truckload (TL) industry periodically experiences a shortage of qualified drivers. The Company believes the shortage of qualified drivers and intense competition for drivers from other transportation companies will create difficulties in maintaining or increasing the number of drivers and may negatively impact the Company's ability to engage a sufficient number of drivers, and the Company's inability to do so may negatively impact its operations. Further, the compensation the Company offers its drivers and independent contractor expenses are subject to market conditions, and the Company may find it necessary to increase driver and independent contractor compensation in future periods.

In addition, the Company and many other trucking companies suffer from a high turnover rate of drivers in the U.S. TL market. This high turnover rate requires the Company to continually recruit a substantial number of new drivers in order to operate existing revenue equipment. Driver shortages are exacerbated during periods of economic expansion, in which alternative employment opportunities, including in the construction and manufacturing industries, which may offer better compensation and/or more time at home, are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment, or the scarcity or growth of loans for students who seek financial aid for driving school. The lack of adequate tractor parking along some U.S. highways and congestion caused by inadequate highway funding may make it more difficult for drivers to comply with hours of service regulations and cause added stress for drivers, further reducing the pool of eligible drivers. The Company's use of team-driven tractors for expedited shipments requires two drivers per tractor, which further increases the number of drivers the Company must recruit and retain in comparison to operations that require one driver per tractor. The Company also employs driver hiring standards, which could further reduce the pool of available drivers from which the Company would hire. If the Company is unable to continue to attract and retain a sufficient number of drivers, the Company could be forced to, among other things, adjust the

Company's compensation packages, increase the number of the Company's tractors without drivers or operate with fewer trucks and face difficulty meeting shipper demands, any of which could adversely affect the Company's growth and profitability.

**Independent Contractors.** The Company's contracts with U.S. independent contractors are governed by U.S. federal leasing regulations, which impose specific requirements on the Company and the independent contractors. If more stringent U.S. federal leasing regulations are adopted, U.S. independent contractors could be deterred from becoming independent contractor drivers, which could materially adversely affect the Company's goal of maintaining its current fleet levels of independent contractors.

The Company provides financing to certain qualified Canadian independent contractors and financial guarantees to a small number of U.S. independent contractors. If the Company were unable to provide such financing or guarantees in the future, due to liquidity constraints or other restrictions, it may experience a decrease in the number of independent contractors it is able to engage. Further, if independent contractors the Company engages default under or otherwise terminate the financing arrangements and the Company is unable to find replacement independent contractors or seat the tractors with its drivers, the Company may incur losses on amounts owed to it with respect to such tractors.

Pursuant to the Company's fuel surcharge program with independent contractors, the Company pays independent contractors with which it contracts a fuel surcharge that increases with the increase in fuel prices. A significant increase or rapid fluctuation in fuel prices could cause the Company's costs under this program to be higher than the revenue the Company receives under its customer fuel surcharge programs.

U.S. tax and other regulatory authorities, as well as U.S. independent contractors themselves, have increasingly asserted that U.S. independent contractor drivers in the trucking industry are employees rather than independent contractors, and the Company's classification of independent contractors has been the subject of audits by such authorities from time to time. U.S. federal legislation has been introduced in the past that would make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements for those that engage independent contractor drivers and to increase the penalties for companies who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, U.S. federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, to extend the U.S. *Fair Labor Standards Act* to independent contractors and to impose notice requirements based on employment or independent contractor status and fines for failure to comply. Some U.S. states have put initiatives in place to increase their revenue from items such as unemployment, workers' compensation and income taxes, and a reclassification of independent contractors as employees would help states with this initiative. Further,

U.S. class actions and other lawsuits have been filed against certain members of the Company's industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers' compensation and health care coverage. In addition, companies that use lease purchase independent contractor programs, such as the Company, have been more susceptible to reclassification lawsuits, and several recent decisions have been made in favour of those seeking to classify independent contractor truck drivers as employees. U.S. taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If the independent contractors with whom the Company contracts are determined to be employees, the Company would incur additional exposure under U.S. federal and state tax, workers' compensation, unemployment benefits, labour, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings, and the Company's business, financial condition and results of operations could be materially adversely affected.

**Acquisitions and Integration Risks.** Historically, acquisitions have been a part of the Company's growth strategy. The Company may not be able to successfully integrate acquisitions into the Company's business, or may incur significant unexpected costs in doing so. Further, the process of integrating acquired businesses may be disruptive to the Company's existing business and may cause an interruption or reduction of the Company's business as a result of the following factors, among others:

- loss of drivers, key employees, customers or contracts;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies among the combined companies and the need to implement company-wide financial, accounting, information technology and other systems;
- failure to maintain or improve the safety or quality of services that have historically been provided;
- inability to retain, integrate, hire or recruit qualified employees;
- unanticipated environmental or other liabilities;
- failure to coordinate geographically dispersed organizations; and
- the diversion of management's attention from the Company's day-to-day business as a result of the need to manage any disruptions and difficulties and the need to add management resources to do so.

Anticipated cost savings, synergies, revenue enhancements or other benefits from any acquisitions that the Company undertakes may not materialize in the expected timeframe or at all. The Company's estimated cost savings, synergies, revenue enhancements and other benefits from acquisitions are subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks. There can be no assurance that such assumptions will turn out to be correct and, as a result, the amount of cost savings, synergies, revenue enhancements and other benefits the Company actually realizes and/or

the timing of such realization may differ significantly (and may be significantly lower) from the ones the Company estimated, and the Company may incur significant costs in reaching the estimated cost savings, synergies, revenue enhancements or other benefits.

Many of the Company's recent acquisitions have involved the purchase of stock of existing companies. These acquisitions, as well as acquisitions of substantially all of the assets of a company, may expose the Company to liability for actions taken by an acquired business and its management before the Company's acquisition. The due diligence the Company conducts in connection with an acquisition and any contractual guarantees or indemnities that the Company receives from the sellers of acquired companies may not be sufficient to protect the Company from, or compensate the Company for, actual liabilities. The representations made by the sellers expire at varying periods after the closing. A material liability associated with an acquisition, especially where there is no right to indemnification, could adversely affect the Company's results of operations, financial condition and liquidity.

The Company intends to continue to review acquisition and investment opportunities in order to acquire companies and assets that meet the Company's investment criteria. Depending on the number of acquisitions and investments and funding requirements, the Company may need to raise substantial additional capital and increase the Company's indebtedness. Instability or disruptions in the capital markets, including credit markets, or the deterioration of the Company's financial condition due to internal or external factors, could restrict or prohibit access to the capital markets and could also increase the Company's cost of capital. To the extent the Company raises additional capital through the sale of equity, equity-linked or convertible debt securities, the issuance of such securities could result in dilution to the Company's existing shareholders. If the Company raises additional funds through the issuance of debt securities, the terms of such debt could impose additional restrictions and costs on the Company's operations. Additional capital, if required, may not be available on acceptable terms or at all. If the Company is unable to obtain additional capital at a reasonable cost, the Company may be required to forego potential acquisitions, which could impair the execution of the Company's growth strategy.

In addition, the Company faces competition for acquisition opportunities. This external competition may hinder the Company's ability to identify and/or consummate future acquisitions successfully. There is also a risk of impairment of acquired goodwill and intangible assets. This risk of impairment to goodwill and intangible assets exists because the assumptions used in the initial valuation, such as interest rates or forecasted cash flows, may change when testing for impairment is required.

There is no assurance that the Company will be successful in identifying, negotiating, consummating or integrating any future acquisitions. If the Company does not make any future acquisitions, the Company's growth rate could be materially and adversely affected. Any future acquisitions the Company does undertake could involve the dilutive issuance of equity securities or the incurring of additional indebtedness.

**Environmental Matters.** The Company uses storage tanks at certain of its Canadian and U.S. transportation terminals. Canadian and U.S. laws and regulations generally impose potential liability on the present and former owners or occupants or custodians of properties on which contamination has occurred. Although the Company is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on it, certain facilities have been in operation for many years and over such time, the Company or the prior owners, operators or custodians of the properties may have generated and disposed of wastes which are or may be considered hazardous. Liability may be imposed without regard to whether the Company knew of, or was responsible for, the presence or disposal of them. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect the Company's ability to sell or rent that property. There can be no assurance that the Company will not be required at some future date to incur significant costs to comply with environmental laws, or that the Company's operations, business or assets will not be material affected by current or future environmental laws.

The Company's transportation operations and its properties are subject to extensive and frequently-changing federal, provincial, state, municipal and local environmental laws, regulations and requirements in Canada, the United States and Mexico relating to, among other things, air emissions, the management of contaminants, including hazardous substances and other materials (including the generation, handling, storage, transportation and disposal thereof), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management and control of real estate.

Environmental laws may authorize, among other things, federal, provincial, state and local environmental regulatory agencies to issue orders, bring administrative or judicial actions for violations of environmental laws and regulations or to revoke or deny the renewal of a permit. Potential penalties for such violations may include, among other things, civil and criminal monetary penalties, imprisonment, permit suspension or revocation and injunctive relief. These agencies may also, among other things, revoke or deny renewal of the Company's operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations and impose environmental assessment, removal of contamination, follow-up or control procedures.

**Environmental Contamination.** The Company may have liability for environmental contamination associated with its current or formerly-owned or leased facilities as well as third-party facilities. If the Company incurs liability under applicable federal, state, provincial or local environmental-contamination laws and regulations and if it cannot identify other parties which it can compel to contribute to its expenses and who are financially able to do so, it could have a material adverse effect on the Company's financial condition and results of operations.

The Company could be subject to orders and other legal actions and procedures brought by governmental or private parties in connection with environmental contamination, emissions or discharges. Although the Company has instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if the Company is involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances the Company transports, if soil or groundwater contamination is found at the Company's facilities or results from the Company's operations, or if the Company is found to be in violation of applicable laws or regulations, the Company could be subject to cleanup costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on the Company's business and operating results.

**Key Personnel.** The future success of the Company will be based in large part on the quality of the Company's management and key personnel. The loss of key personnel could have a negative effect on the Company. There can be no assurance that the Company will be able to retain its current key personnel or, in the event of their departure, to develop or attract new personnel of equal quality.

**Dependence on Third Parties.** Certain portions of the Company's business are dependent upon the services of third-party capacity providers, including other transportation companies. For that portion of the Company's business, the Company does not own or control the transportation assets that deliver the customers' freight, and the Company does not employ the people directly involved in delivering the freight. This reliance could cause delays in reporting certain events, including recognizing revenue and claims. These third-party providers seek other freight opportunities and may require increased compensation in times of improved freight demand or tight trucking capacity. The Company's inability to secure the services of these third parties could significantly limit the Company's ability to serve its customers on competitive terms. Additionally, if the Company is unable to secure sufficient equipment or other transportation services to meet the Company's commitments to its customers or provide the Company's services on competitive terms, the Company's operating results could be materially and adversely affected. The Company's ability to secure sufficient equipment or other transportation services is affected by many risks beyond the Company's control, including equipment shortages in the transportation industry, particularly among contracted carriers, interruptions in service due to labour disputes, changes in regulations impacting transportation and changes in transportation rates.

**Loan Default.** The Company's current credit facilities and financing agreements contain certain restrictions and other covenants relating to, among other things, funded debt, distributions, liens, investments, acquisitions and dispositions outside the ordinary course of business and affiliate transactions. If the Company fails to comply with any of its financing arrangement covenants, restrictions and requirements, the Company could be in default under the relevant agreement, which could cause cross-defaults under other financing arrangements. In the event of any such default, if the Company failed to obtain replacement financing or amendments to or waivers under the applicable financing

arrangement, the Company may be unable to pay dividends to its shareholders, its lenders could cease making further advances, declare the Company's debt to be immediately due and payable, fail to renew letters of credit, impose significant restrictions and requirements on the Company's operations, institute foreclosure procedures against their collateral, or impose significant fees and transaction costs. If debt acceleration occurs, economic conditions may make it difficult or expensive to refinance the accelerated debt or the Company may have to issue equity securities, which would dilute share ownership. Even if new financing is made available to the Company, credit may not be available to the Company on acceptable terms. A default under the Company's financing arrangements could result in a materially adverse effect on its liquidity, financial condition and results of operations. As at the date hereof, the Company is in compliance with all of its debt covenants and obligations.

**Credit Facilities.** The Company's credit facilities and financing agreements mature on various dates. The Company has significant ongoing capital requirements that could affect the Company's profitability if the Company is unable to generate sufficient cash from operations and/or obtain financing on favourable terms. The Company's indebtedness may increase from time to time in the future for various reasons, including fluctuations in results of operations, capital expenditures and potential acquisitions. There can be no assurance that such credit facilities or financing agreements will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favourable terms to the Company. The Company's ability to pay dividends to shareholders and ability to purchase new revenue equipment may be adversely affected if the Company is not able to renew its credit facilities or arrange refinancing, or if such renewal or refinancing, as the case may be, occurs on terms materially less favourable to the Company than at present. If the Company is unable to generate sufficient cash flow from operations and obtain financing on terms favourable to the Company in the future, the Company may have to limit the Company's fleet size, enter into less favourable financing arrangements or operate the Company's revenue equipment for longer periods, any of which may have a material adverse effect on the Company's operations.

**Customer and Credit Risks.** The Company provides services to clients primarily in Canada, the United States and Mexico. The concentration of credit risk to which the Company is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. Furthermore, no client accounted for more than 5% of the Company's total accounts receivable for the period ended December 31, 2018. Generally, the Company does not have long-term contracts with its major customers. Accordingly, in response to economic conditions, supply and demand factors in the industry, the Company's performance, the Company's customers' internal initiatives or other factors, the Company's customers may reduce or eliminate their use of the Company's services, or may threaten to do so to gain pricing and other concessions from the Company.

Economic conditions and capital markets may adversely affect the Company's customers and their ability to remain solvent. The

customers' financial difficulties can negatively impact the Company's results of operations and financial condition, especially if those customers were to delay or default in payment to the Company. For certain customers, the Company has entered into multi-year contracts, and the rates the Company charges may not remain advantageous.

**Availability of Capital.** If the economic and/or the credit markets weaken, or the Company is unable to enter into acceptable financing arrangements to acquire revenue equipment, make investments and fund working capital on terms favourable to it, the Company's business, financial results and results of operations could be materially and adversely affected. The Company may need to incur additional indebtedness, reduce dividends or sell additional shares in order to accommodate these items. A decline in the credit or equity markets and any increase in volatility could make it more difficult for the Company to obtain financing and may lead to an adverse impact on the Company's profitability and operations.

**Information Systems.** The Company depends heavily on the proper functioning, availability and security of the Company's information and communication systems, including financial reporting and operating systems, in operating the Company's business. The Company's operating system is critical to understanding customer demands, accepting and planning loads, dispatching equipment and drivers and billing and collecting for the Company's services. The Company's financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help the Company manage its business effectively.

The Company's operations and those of its technology and communications service providers are vulnerable to interruption by natural and man-made disasters and other events beyond the Company's control, including cybersecurity breaches and threats, such as hackers, malware and viruses, fire, earthquake, power loss, telecommunications failure, terrorist attacks and Internet failures. If any of the Company's critical information systems fail, are breached or become otherwise unavailable, the Company's ability to manage its fleet efficiently, to respond to customers' requests effectively, to maintain billing and other records reliably, to maintain the confidentiality of the Company's data and to bill for services and prepare financial statements accurately or in a timely manner would be challenged. Any significant system failure, upgrade complication, cybersecurity breach or other system disruption could interrupt or delay the Company's operations, damage its reputation, cause the Company to lose customers, cause the Company to incur costs to repair its systems, pay fines or in respect of litigation or impact the Company's ability to manage its operations and report its financial performance, any of which could have a material adverse effect on the Company's business.

**Litigation.** The Company's business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. The outcome of litigation is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by the

Company's insurance, and there can be no assurance that the Company's coverage limits will be adequate to cover all amounts in dispute. In the United States, where the Company has growing operations, many trucking companies have been subject to class-action lawsuits alleging violations of various federal and state wage laws regarding, among other things, employee classification, employee meal breaks, rest periods, overtime eligibility, and failure to pay for all hours worked. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants. The Company may at some future date be subject to such a class-action lawsuit. To the extent the Company experiences claims that are uninsured, exceed the Company's coverage limits, involve significant aggregate use of the Company's self-insured retention amounts or cause increases in future premiums, the resulting expenses could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

**Internal Control.** Effective internal controls over financial reporting are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Inferior internal controls could cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of its shares.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of goodwill and intangible assets and the measurement of identified assets and liabilities acquired in business combinations. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

## CHANGES IN ACCOUNTING POLICIES

### Adopted during the period

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2018 and have been applied in preparing the audited consolidated financial statements:

- IFRS 15, Revenue from Contracts with Customers  
Classification and Measurement of Share-based Payment  
Transactions: Amendments to IFRS 2
- IFRIC 22, Foreign Currency Transactions and Advance  
Consideration

Annual Improvements to IFRS Standards (2014-2016 cycle)

Except modifications from the adoption of IFRS 15 as reported in note 3, these new standards did not have a material impact on the Company's audited consolidated financial statements.

### To be adopted in future periods

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2018, and have not been applied in preparing the audited consolidated financial statements:

- IFRS 16, Leases
- IFRIC 23, Uncertainty over Income Tax Treatments  
Plan Amendment, Curtailment or Settlement (Amendments to  
IAS 19)
- Annual Improvements to IFRS Standards (2015-2017 cycle)  
Prepayment Features with Negative Compensation  
(Amendments to IFRS 9)
- Definition of a business (Amendments to IFRS 3)

Further information can be found in note 3 of the December 31, 2018 audited consolidated financial statements.

## CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Company has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Chief Financial Officer ("CFO") that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company; and

- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

### Disclosure controls and procedures ("DC&P")

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have designed DC&P, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at December 31, 2018, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Company's DC&P were appropriately designed and were operating effectively as at December 31, 2018.

### Internal controls over financial reporting ("ICFR")

The CEO and CFO have also designed ICFR, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at December 31, 2018, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's ICFR. Based on this evaluation, the CEO and the CFO concluded that the ICFR were appropriately designed and were operating effectively as at December 31, 2018, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

### Changes in internal controls over financial reporting

No changes were made to the Company's ICFR during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.