



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2024

Dated: December 12, 2024

INTRODUCTION AND FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") presents management's view of the financial position and performance of TerraVest Industries Inc. ("TerraVest" or the "Company") for the year ended September 30, 2024 and should be read in conjunction with TerraVest's audited consolidated financial statements for the years ended September 30, 2024 and 2023. The financial information in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"). All amounts are stated in thousands of Canadian dollars, except share and per share amounts or unless otherwise stated. This discussion is prepared as at December 12, 2024 and has been prepared with all available information up to and including the date of this report. This document should be read in full including the definitions of non-IFRS measures such as Adjusted earnings before interests, income taxes, depreciation and amortization ("Adjusted EBITDA"), Cash Available for Distribution, Dividend Payout Ratio, Maintenance Capital Expenditures and Working Capital which are found in the following section of this MD&A.

This MD&A sets out management's assessment of TerraVest's future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation. These forward-looking statements often contain words such as "anticipates", "does not anticipate", "believes", "estimates", "forecasts", "intends", "expects", "does not expect", "could", "may", "will", "should", "plans" or similar terms or variations of these words and contain estimates or assumptions about the outcome of future events. These forward-looking statements are provided in the interest of providing readers with information regarding TerraVest. Readers are cautioned that management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements which are subject to risks, uncertainties, and other factors that could result in the outcome of these events being materially different from those anticipated in this MD&A. These factors and assumptions include, but are not limited to: levels of business activity in TerraVest's segments, political conditions and events, competitive pressures, changes in government policy or regulations, commodity pricing, and general economic conditions. TerraVest's actual results may differ materially from those expressed in, or implied by these forward-looking statements. The forward-looking information contained in the MD&A is expressly qualified by the cautionary statement. TerraVest does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances, unanticipated events or circumstances, or should its estimates or assumptions change, after the date hereof, except as expressly required by law. Additional information relating to TerraVest and the risks to which its business is subject is contained in its Annual Information Form ("AIF"), which is available on SEDAR+ at www.sedarplus.ca.

NON-IFRS FINANCIAL MEASURES

The Company uses measures (and ratios) that are not in accordance with IFRS to provide investors with supplemental metrics to assess and measure its operating performance and financial position from one period to the next. These metrics are presented as a complement to enhance the understanding of TerraVest's operating results but not in substitution of IFRS results.

Adjusted EBITDA, Cash Available for Distribution, Dividend Payout Ratio, Maintenance Capital Expenditures and Working Capital are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. TerraVest's definitions may differ from those of other issuers and therefore may not be comparable to similarly titled measures used by other issuers.

Adjusted EBITDA: is defined as net income adjusted for income tax expense, financing costs, depreciation, amortization, change in fair value of derivative financial instruments, change in fair value of investment in equity instruments and investment in a limited partnership, gains or losses on foreign exchange, gains or losses on disposal of other property, plant and equipment and property, plant and equipment for rental, gains or losses on disposal of intangible assets, gains or losses on lease modification, gains or losses on remeasurement of equity interest, gain on bargain purchase, gains or losses on sale of business, non-recurring acquisition-related costs, impairment charges and other non-recurring and/or non-operations related items that do not reflect the current ongoing operations of TerraVest. Management believes this is a useful metric in evaluating the ongoing operating performance of TerraVest. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of TerraVest's performance.

Cash Available for Distribution: is defined as cash flow from operating activities adjusted for changes in non-cash operating working capital, maintenance capital expenditures and repayment of lease liabilities. Management believes that cash available for distribution, as a liquidity measure, is a useful metric that provides an indication of the cash available from ongoing operations that can be distributed to shareholders as a dividend. Readers are cautioned that Cash Available for Distribution should not be construed as an alternative to cash flow from operating activities determined in accordance with IFRS as an indicator of TerraVest's liquidity and cash flows.

Dividend Payout Ratio: is defined as dividends paid in cash during the period divided by Cash Available for Distribution for the period. Management believes that Dividend Payout Ratio is a useful metric as it provides an indication of TerraVest's ability to sustain its current dividend policy. There is no directly comparable IFRS measure for Dividend Payout Ratio.

Maintenance Capital Expenditures: is defined as capital expenditures made to sustain the operations of TerraVest's operating businesses and to maintain the productive capacity of the businesses over an economic cycle, whether or not they yield significant cost or production efficiencies. Management believes that Maintenance Capital Expenditures should be funded by cash flow from existing operating activities and, therefore, deducted in determining Cash Available for Distribution. There is no directly comparable IFRS measure for Maintenance Capital Expenditures.

Working Capital: is calculated by subtracting current liabilities from current assets. Management uses Working Capital as a measure for assessing overall liquidity. There is no directly comparable IFRS measure for Working Capital.

BUSINESS OVERVIEW

TerraVest is a diversified industrial company that manufactures and sells goods and services to various end-markets including: agriculture, mining, energy production and distribution, chemical, utilities, transportation and construction, among others. TerraVest is focused on acquiring and operating market-leading businesses that will benefit from TerraVest's financial and operational support. These opportunities generally center on manufactured products and services that complement TerraVest's existing operations and provide integration benefits.

TerraVest is comprised of four operating segments as follows: Home Heating and Cooling Products and Containment Equipment ("HVAC and Containment Equipment"), Compressed Gas Storage and Distribution Equipment ("Compressed Gas Equipment"), Energy Processing Equipment ("Processing Equipment") and Service.

HVAC and Containment Equipment

TerraVest's HVAC and Containment Equipment segment is a provider of products and services to a variety of industries across Canada and the United States. The HVAC and Containment Equipment segment manufactures and distributes products including commercial and residential refined fuel tanks, furnaces, boilers, air conditioning equipment and controls as well as chemical storage tanks, wastewater treatment systems, grease removal systems and other custom built steel storage products. This segment sells its products through various distribution networks and direct to end users. The end users of the products are fuel distributors, commercial, residential and industrial consumers, municipalities and government agencies.

Compressed Gas Equipment

TerraVest's Compressed Gas Equipment segment is a provider of products and services to a variety of industries across Canada and the United States. The Compressed Gas Equipment segment manufactures engineered products for the storage, distribution and dispensing of compressed gases, crude oil, refined fuel, dry bulk and other liquids. Compressed gases include liquid propane gas ("LPG"), natural gas liquids ("NGL's"), liquified natural gas ("LNG"), anhydrous ammonia ("NH3"), carbon dioxide ("CO2") and various other gases. The products include bulk storage vessels, transport trailers, delivery units, dispensers, commercial and residential storage tanks and other custom vessels. This segment also services the various products it manufactures. This segment's products and services are primarily sold to petroleum and gas distributors, fertilizer distributors, farmers, midstream energy companies and transportation companies and are used by industrial, commercial and residential consumers.

Processing Equipment

TerraVest's Processing Equipment segment is a fabricator of equipment for various end-markets including upstream and midstream oil and gas production, renewable natural gas ("biogas") production, water treatment and mining. The Processing Equipment segment manufactures and sells a wide array of equipment such as: wellhead processing equipment and tanks, desanding equipment, biogas production equipment, water treatment equipment and various other custom process equipment. This segment's products and services are primarily sold to oil and gas producers, midstream companies, utilities, municipalities and engineering companies.

Service

TerraVest's Service segment provides a wide range of services to the energy sector in Western Canada including water management, environmental solutions, heating, rentals and well servicing. TerraVest's Service segment is well recognized for its technological innovation and its industry-leading service product offering. This segment services many of the largest energy producers in Canada.

FOURTH QUARTER AND YEAR END REVIEW AND OUTLOOK

Business Performance

Management believes that there are certain non-IFRS financial measures that can be used to assist shareholders in analyzing the performance of TerraVest. The table below highlights certain financial results and reconciles net income to Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	230,654	173,931	911,816	678,350
Net Income	13,825	15,527	73,244	49,633
<i>Add (subtract):</i>				
Income tax expense	4,814	6,567	23,488	17,635
Financing costs	5,525	4,342	25,138	15,880
Depreciation and amortization	21,271	10,754	69,347	39,895
Change in fair value of derivative financial instruments	253	774	631	(1,576)
Change in fair value of investment in equity instruments	(641)	(90)	(615)	(22)
Change in fair value of investment in a limited partnership	1,067	(108)	1,425	(1,070)
(Gain) loss on foreign exchange	2,125	(2,001)	453	1,265
(Gain) loss on disposal of other property, plant and equipment	(505)	518	(2,958)	(2,361)
(Gain) loss on disposal of property, plant and equipment for rental	(377)	(408)	(1,199)	(1,013)
(Gain) loss on lease modification	-	-	-	19
(Gain) loss on sale of business	-	-	(444)	-
Acquisition-related cost	190	17	1,089	196
Other non-recurring expenses ⁱ⁾	-	-	-	3,084
Adjusted EBITDA	47,547	35,892	189,599	121,565

ⁱ⁾ Settlement of the working capital adjustment with the prior owner of ECR International Inc. ("ECR").

Sales for the fourth quarter and year ended September 30, 2024 were \$230,654 and \$911,816 versus \$173,931 and \$678,350 for the prior comparable periods. This represents increases of 33% and 34% respectively. However, TerraVest acquired all of the issued and outstanding shares of Advance Engineered Products Ltd. (“AEPL”) in April 2024, all the operating assets of the subsidiaries of Highland Tank Holdings LLC (“HT”) in November 2023 and all of the issued and outstanding shares of LV Energy Services Ltd. and its sister company (together referred as “LV”) effective in October 2023, all of which did not contribute to the prior comparable periods. Excluding AEPL, HT and LV, sales for the fourth quarter and year ended September 30, 2024 were \$172,537 and \$703,142 versus \$173,931 and \$678,350 for the prior comparable periods. The variation is negligible quarter over quarter, and represents an increase of 4% for the year for TerraVest’s base portfolio (excluding AEPL, HT and LV). This is a result of higher demand in the Service segment, as well as for compressed gas distribution equipment and for residential and commercial petroleum tanks; partially offset by lower sales for furnaces and boilers, and oil and gas processing equipment compared to prior periods.

Net income for the fourth quarter and year ended September 30, 2024 were \$13,825 and \$73,244 versus \$15,527 and \$49,633 for the prior comparable periods. This represents a decrease of 11% and an increase of 48% respectively. The addition of HT, LV and AEPL positively contributed to net income for the fourth quarter and year ended September 30, 2024. The decrease in net income for the fourth quarter ended September 30, 2024 is primarily due to additional depreciation and amortization expense as a result of recent business acquisitions while the increase in net income for the year ended September 30, 2024 is explained by increased sales in some of TerraVest’s base portfolio of businesses, partially offset by acquisition-related costs and increased financing costs due to higher debt levels to finance business acquisitions and increased interest rates versus the prior period. Net income for the fourth quarter and year ended September 30, 2024 were also impacted by additional interest on lease liabilities as a result of additional lease liabilities compared to the prior periods and higher income tax expense. TerraVest also incurred additional expenses in the development of a new product line. Other variances are also highlighted in the table above.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were \$47,547 and \$189,599 versus \$35,892 and \$121,565 for the prior comparable periods. This represents increases of 32% and 56% respectively, which is the result of the reasons explained above.

The table below reconciles cash flow from operating activities to Cash Available for Distribution for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Cash Flow from Operating Activities	29,456	19,776	156,478	79,242
<i>Add (subtract):</i>				
Change in non-cash operating working capital items	6,659	12,096	(17,644)	17,402
Maintenance capital expenditures	(7,034)	(5,985)	(26,137)	(14,869)
Repayment of lease liabilities	(2,816)	(1,563)	(8,336)	(5,828)
Cash Available for Distribution	26,265	24,324	104,361	75,947
Dividends Paid	2,925	2,239	10,604	8,485
Dividend Payout Ratio	11%	9%	10%	11%

Cash flow from operating activities for the fourth quarter and year ended September 30, 2024 were \$29,456 and \$156,478 versus \$19,776 and \$79,242 for the prior comparable periods. This represents increases of 49% and 97% respectively. The increases in cash flow from operating activities are largely attributable to the increases in Adjusted EBITDA and the reduction of inventory levels for TerraVest’s base portfolio businesses compared to the prior periods as the supply chain has greatly improved. The increases in cash flow from operating activities were partially offset by additional interest and income taxes paid.

Maintenance Capital Expenditures were \$7,034 for the fourth quarter ended September 30, 2024 versus \$5,985 for the prior comparable period representing an increase of 18%, which is primarily explained by the timing of such capital expenditures, the growth of TerraVest's portfolio of businesses, as well as the Company's decision to consolidate two manufacturing plants into a single facility earlier this fiscal year. During the fourth quarter ended September 30, 2024, TerraVest's total purchase of PP&E paid was \$17,988 of which \$10,954 is considered growth capital. The growth capital incurred during the fourth quarter was mainly used to add to the Company's rental fleet, invest in a new manufacturing product line and add additional equipment and four rigs in its Service segment.

Cash Available for Distribution for the fourth quarter and year ended September 30, 2024 increased by 8% and 37% respectively versus the prior comparable periods. These increases are a result of reasons explained above and elsewhere in this MD&A.

The Dividend Payout Ratio for the fourth quarter and year ended September 30, 2024 were 11% and 10% versus 9% and 11% for the prior comparable periods.

Outlook

TerraVest's businesses continue to perform well. Recent acquisitions have made a meaningful contribution and we expect this to continue into the next fiscal year. Opportunities to enhance performance through synergies between recent acquisitions and the base portfolio of businesses continue to exist and are a focus for management.

The Company continues to make targeted investments to improve its manufacturing efficiency and expand its product lines, particularly in end-markets where it has a meaningful presence. With the new credit facility obtained in October 2023 and the more recent equity offering, TerraVest is very well-positioned to pursue its acquisition strategy.

Business Combinations

On April 1, 2024, a subsidiary of TerraVest entered into an agreement to acquire all the issued and outstanding shares of AEPL. AEPL is a leading Canadian manufacturer and service provider in the tank trailer industry in Canada.

On November 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire all the operating assets of the subsidiaries of HT. HT is a leading manufacturer of fuel and chemical storage tanks, wastewater storage and treatment tanks, LPG vessels and other custom built steel storage products in North America.

On October 1, 2023, TerraVest's partially owned subsidiary, Green Energy Services Inc. ("GES"), entered into a share purchase agreement to acquire all the issued and outstanding shares of LV. LV provides water management and other related services in the Western Canadian energy industry. As contemplated in the initial acquisition of LV, the sister company of LV was sold during the second quarter ended March 31, 2024.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	230,654	173,931	911,816	678,350
Cost of sales	164,861	127,766	648,450	512,391
Gross profit	65,793	46,165	263,366	165,959
Administration expenses	31,846	15,909	113,365	66,856
Selling expenses	7,820	5,150	30,820	20,724
Financing costs	5,525	4,342	25,138	15,880
Share of an associate and joint ventures net (income) loss	41	(15)	18	(11)
Other (gains) losses	1,922	(1,315)	(2,707)	(4,758)
	47,154	24,071	166,634	98,691
Earnings before income taxes	18,639	22,094	96,732	67,268
Income tax expense	4,814	6,567	23,488	17,635
Net Income	13,825	15,527	73,244	49,633
Allocated to non-controlling interests	1,914	2,226	9,673	7,560
Net income attributable to common shareholders	11,911	13,301	63,571	42,073
Weighted average shares outstanding – Basic	19,501,433	17,912,499	18,630,378	17,877,555
Weighted average shares outstanding – Diluted	20,189,879	18,248,456	19,324,764	18,122,265
Net income per share – Basic	\$0.61	\$0.74	\$3.41	\$2.35
Net income per share – Diluted	\$0.59	\$0.73	\$3.29	\$2.32

Sales for the fourth quarter and year ended September 30, 2024 increased by 33% and 34% respectively versus the prior comparable periods. The reasons have been explained previously in this MD&A.

Gross profit for the fourth quarter and year ended September 30, 2024 increased by 43% and 59% respectively versus the prior comparable periods. This is primarily explained by the contribution of HT, LV and AEPL, a more favorable product mix and tighter cost control in the HVAC and Containment Equipment segment, partially offset by reduced activity levels in some of TerraVest's base portfolio businesses.

Administration expenses for the fourth quarter and year ended September 30, 2024 increased by 100% and 70% respectively versus the prior comparable periods. The increases in administration expenses are mainly due to the addition of HT, LV and AEPL, additional amortization of intangible assets expense following recent acquisitions and the increase in activity level in certain of TerraVest's subsidiaries which resulted in additional administrative expenses. TerraVest also incurred business acquisition expenses as well as relocation fees related to the retirement of one of its manufacturing plants to consolidate its activities into one of its existing facilities. In addition, in the second quarter of fiscal 2023, TerraVest recognized a non-recurring expense of \$3,084 following the settlement of the working capital adjustment with the prior owner of ECR International Inc. which partially offset the increase for the year versus the prior comparable period.

Selling expenses for the fourth quarter and year ended September 30, 2024 increased by 52% and 49% respectively versus the prior comparable periods. The increases in selling expenses are explained by the addition of HT, LV and AEPL and by increased salary and commission expenses to support sales growth in certain product lines.

Financing costs for the fourth quarter and year ended September 30, 2024 increased by 27% and 58% respectively versus the prior comparable periods. The increase for the year is primarily explained by additional interest expenses as a result of increased debt balances following recent business acquisitions and higher interest rates on floating rate debt versus the prior comparable year. However, quarter over quarter, the debt level and the interest rate on floating rate debt is lower resulting in reduced interest expense for the fourth quarter. In addition, TerraVest incurred more interest on lease liabilities as a result of additional lease liabilities compared to the prior periods.

Other (gains) losses variance for the fourth quarter and year ended September 30, 2024 are a result of a gain on disposal of PP&E, an unfavorable change in fair value of derivative financial instruments (favorable for the quarter) and an unfavorable change in fair value of investment in a limited partnership. In the fourth quarter ended September 30, 2024, TerraVest also incurred loss on foreign exchange versus a gain in the prior comparable period and a lesser loss on foreign exchange for the year versus fiscal 2023. In addition, TerraVest realized a gain on the sale of LV's sister company.

Income tax expense variance for the fourth quarter and year ended September 30, 2024 is the result of the variation in taxable earnings and the timing of income tax expense adjustments.

As a result of the above, net income attributable to common shareholders for the fourth quarter and year ended September 30, 2024 decreased by 10% and increased by 51% respectively versus the prior comparable periods.

Segmented Results

a) HVAC and Containment Equipment

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	81,864	45,178	329,584	180,254
Net Income	9,273	6,430	51,813	21,662
<i>Add (subtract):</i>				
Financing costs	675	108	2,433	450
Depreciation and amortization	7,597	2,596	29,399	9,131
(Gain) loss on foreign exchange	278	(182)	212	419
(Gain) loss on disposal of other property, plant and equipment	(36)	63	(2,625)	75
Adjusted EBITDA	17,787	9,015	81,232	31,737

Sales for the fourth quarter and year ended September 30, 2024 were \$81,864 and \$329,584 versus \$45,178 and \$180,254 for the prior comparable periods. This represents increases of 81% and 83% respectively. Excluding HT, sales for the fourth quarter and year ended September 30, 2024 were \$39,346 and \$171,145 versus \$45,178 and \$180,254 for the prior comparable periods. This represents decreases of 13% and 5% respectively. Overall, for TerraVest's base portfolio businesses, sales for residential and commercial petroleum tanks have increased compared to the prior comparable periods while sales for furnaces and boilers have decreased resulting in an overall decrease in sales for the periods.

Net income for the fourth quarter and year ended September 30, 2024 were \$9,273 and \$51,813 versus \$6,430 and \$21,662 for the prior comparable periods. This represents increases of 44% and 139% respectively. The increases in net income are primarily a result of the addition of HT, a more favorable product mix, a gain on disposal of a building in the second quarter of fiscal 2024 and the benefit of cost reductions as one of this segment's businesses consolidated its operations into a single manufacturing facility, partially offset by its related relocation costs

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were \$17,787 and \$81,232 versus \$9,015 and \$31,737 for the prior comparable periods. This represents increases of 97% and 156% respectively, which is a result of the reasons explained above and also highlighted in the table above.

b) Compressed Gas Equipment

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	77,204	51,415	269,556	211,254
Net Income	6,885	6,811	26,546	23,618
<i>Add (subtract):</i>				
Financing costs	939	98	1,534	338
Depreciation and amortization	7,184	3,152	16,473	12,618
(Gain) loss on foreign exchange	22	5	51	(57)
(Gain) loss on disposal of other property, plant and equipment	(4)	1	9	(171)
(Gain) loss on disposal of property, plant and equipment for rental	(349)	(408)	(1,120)	(1,013)
Adjusted EBITDA	14,677	9,659	43,493	35,333

Sales for the fourth quarter and year ended September 30, 2024 were \$77,204 and \$269,556 versus \$51,415 and \$211,254 for the prior comparable periods. This represents increases of 50% and 28% respectively. Excluding AEPL, sales for the fourth quarter and year ended September 30, 2024 were \$62,118 and \$233,581 versus \$51,415 and \$211,254 for the prior comparable periods. This represents increases of 21% and 11% respectively for TerraVest base portfolio (excluding AEPL). The increases in sales were largely driven by increased demand for bulk storage and transportation equipment and were partially offset by weaker demand for domestic tanks.

Net income for the fourth quarter and year ended September 30, 2024 were \$6,885 and \$26,546 versus \$6,811 and \$23,618 for the prior comparable periods. This represents increases of 1% and 12% respectively. The increases in net income are the result of the addition of AEPL and increased sales for TerraVest base portfolio businesses, partly offset by decreased profitability due to lower activity level for residential compressed gas tanks as well as additional expenses incurred to develop a new product line.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were \$14,677 and \$43,493 versus \$9,659 and \$35,333 for the prior comparable periods. This represents increases of 52% and 23% respectively, which is a result of the reasons explained above and highlighted in the table above.

c) Processing Equipment

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	25,473	32,946	110,103	128,046
Net Income	1,307	3,226	6,757	10,391
<i>Add (subtract):</i>				
Financing costs	157	97	421	414
Depreciation and amortization	1,123	1,289	4,852	5,257
(Gain) loss on foreign exchange	44	(62)	8	(175)
(Gain) loss on disposal of other property, plant and equipment	-	(11)	418	344
Adjusted EBITDA	2,631	4,539	12,456	16,231

Sales for the fourth quarter and year ended September 30, 2024 were \$25,473 and \$110,103 versus \$32,946 and \$128,046 for the prior comparable periods. This represents decreases of 23% and 14% respectively, which is the result of lower demand for energy processing equipment in Western Canada and the timing of completion related to biogas projects.

Net income for the fourth quarter and year ended September 30, 2024 were \$1,307 and \$6,757 versus \$3,226 and \$10,391 for the prior comparable periods. This represents decreases of 59% and 35% respectively, which are mainly explained by the decrease in sales and reduced activity level, partially offset by non-recurring costs incurred in the first quarter of fiscal 2023 related to the shut-down of one of its manufacturing plants.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were \$2,631 and \$12,456 versus \$4,539 and \$16,231 for the prior comparable periods. This represents decreases of 42% and 23% respectively, which is a result of the reasons explained above and highlighted in the table above.

d) Service

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	Sept. 30, 2023	Sept. 30, 2024	Sept. 30, 2023
	\$	\$	\$	\$
Sales	46,211	44,540	203,450	159,446
Net Income	8,622	9,443	40,467	33,342
<i>Add (subtract):</i>				
Financing costs	153	100	515	286
Depreciation and amortization	5,354	3,704	18,572	12,859
(Gain) loss on foreign exchange	4	(4)	13	5
(Gain) loss on disposal of other property, plant and equipment	(354)	464	(648)	(2,765)
(Gain) loss on lease modification	-	-	-	19
(Gain) loss on sale of business	-	-	(444)	-
Adjusted EBITDA	13,779	13,707	58,475	43,746

Sales for the fourth quarter and year ended September 30, 2024 were \$46,211 and \$203,450 versus \$44,540 and \$159,446 for the prior comparable periods. This represents increases of 4% and 28% respectively. Excluding LV, sales for the fourth quarter and year ended September 30, 2024 were \$45,698 and \$189,190 versus \$44,540 and \$159,446 for the prior comparable periods. This represents increases of 3% and 19% respectively for TerraVest's base portfolio (excluding LV). The increases in sales for TerraVest's base portfolio in the Service segment are explained by continued strong demand from its customers both for the fluid management solutions and for its rigs which resulted in increased utilization. In addition, the acquisition of LV in one of TerraVest's subsidiaries contributed to the growth of this segment as it increased the Company's overall capacity to handle such demand.

Net income for the fourth quarter and year ended September 30, 2024 were \$8,622 and \$40,467 versus \$9,443 and \$33,342 for the prior comparable periods. This represents a decrease of 9% and an increase of 21% respectively. The variations in net income are the result of increased sales and activity levels of this segment, interest revenue on cash balance available and the addition of LV, partially offset (completely offset for the fourth quarter) by additional depreciation expense resulting from the acquisition of PP&E, additional administrative expense to support the growth and a lower gain on disposal of other PP&E (higher for the fourth quarter) versus the prior comparable periods. This segment also realized a gain upon the sale of LV's sister company in the second quarter of fiscal 2024.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were \$13,779 and \$58,475 versus \$13,707 and \$43,746 for the prior comparable periods. This represents increases of 1% and 34% respectively and is the result of the reasons explained above and highlighted in the table above.

Quarterly Results

	For the quarters ended							
	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	230,654	238,129	214,943	228,090	173,931	150,363	176,858	177,198
Adjusted EBITDA	47,547	49,062	43,934	49,056	35,892	23,213	32,222	30,238
Net income attributable to common shareholders	11,911	11,922	22,361	17,377	13,301	7,970	8,891	11,911
Net income per share								
– Basic	0.61	0.63	1.23	0.96	0.74	0.45	0.50	0.67
– Diluted	0.59	0.61	1.19	0.94	0.73	0.44	0.49	0.66

TerraVest's operating segments are seasonal in nature. The strongest quarters for TerraVest are its first and last quarters. The Processing Equipment and Service segments generally experience higher sales in the first and second quarters as majority of the drilling in Western Canada occurs during this period. The HVAC and Containment Equipment and Compressed Gas Equipment segments generally experience higher sales during the first and last quarters as demand for residential, commercial and industrial heating products increases heading into the winter months. The third quarter is typically the weakest across all segments. TerraVest takes advantage of this seasonality to build inventory levels during non-peak demand periods, thereby allowing TerraVest to more readily meet increased levels of demand during its regular peak demand periods.

CASH FLOW

The following table provides summary information with respect to consolidated cash flows from operating, investing and financing activities:

	Years ended	
	Sept. 30, 2024	Sept. 30, 2023
	\$	\$
Cash flow from operating activities	156,478	79,242
Cash flow used in investing activities	(175,376)	(40,184)
Cash flow from (used in) financing activities	22,665	(23,383)
Net inflows for the year	3,767	15,675
Cash and bank overdrafts, beginning of year	24,585	9,034
Impact of foreign exchange on cash and bank overdrafts	23	(124)
Cash and bank overdrafts, end of year	28,375	24,585

Cash Flow from Operating Activities

TerraVest generated \$156,478 of cash flow from operating activities during the year ended September 30, 2024 compared to \$79,242 for the prior comparable period. The increase is attributable to increased Adjusted EBITDA and more cash generated from the change in working capital items, mainly accounts receivable and inventories, compared to the prior period, partially offset by additional interest and income taxes paid.

Cash Flow used in Investing Activities

Cash flow used in investing activities during the year ended September 30, 2024 was \$175,376 compared to \$40,184 for the prior comparable period. The increased use of cash is primarily a result of cash paid to acquire HT, LV and AEPL and increased purchases of PP&E, partially reduced by greater proceeds from disposal of PP&E and proceeds from the sale of one of its businesses.

Cash Flow from (used in) Financing Activities

Cash flow from (used in) financing activities during the year ended September 30, 2024 was \$22,665 versus (\$23,383) for the prior comparable period. The increase in cash flow from financing activities is attributable to net proceeds from the issuance of common shares during the third quarter of fiscal 2024, partially offset by the reduction of debt balance. In addition, TerraVest used cash to settle stock options, net of exercise proceeds.

DIVIDENDS

During the fourth quarter ended September 30, 2024, TerraVest declared a dividend of \$0.15 per common share payable on October 10, 2024 to shareholders of record on September 30, 2024.

Subsequent to the end of year, TerraVest declared a dividend of \$0.175 per common share payable on January 10, 2025 to shareholders of record on December 31, 2024. This represents a 17% increase over the prior quarterly dividend.

TerraVest expects to declare and pay a dividend on a quarterly basis. The dividend policy may be changed from time to time in the sole discretion of the Board of Directors. Accordingly, there can be no assurance as to the amount or timing of any dividend in the future. In assessing whether to pay a dividend and in determining the amount of the dividend, the Board of Directors will consider TerraVest's financial condition and its then current business needs and other factors the Board of Directors may consider appropriate in the circumstances.

LIQUIDITY AND CAPITAL RESOURCES

TerraVest's objective in managing its capital resources is to ensure that there are adequate capital resources to support the operations of its various business segments and permit opportunistic acquisitions in order to maximize the return to shareholders. Management continually assesses TerraVest's capital needs to meet its objectives.

TerraVest's principal sources of liquidity are cash on hand, secured credit facilities and cash flow generated by its operations throughout the year. As at September 30, 2024, TerraVest's cash position, net of bank overdrafts, was \$28,375 compared to \$24,585 as at September 30, 2023. As at September 30, 2024, TerraVest's consolidated working capital, excluding short-term revolving credit facilities, was \$229,667 compared to \$201,480 as at September 30, 2023. TerraVest expects to be able to fund all working capital requirements, contractual obligations, capital expenditures and dividends from a combination of cash on hand, operating cash flows and existing credit facilities.

Revolving Operating Loans

TerraVest and its subsidiaries have access to revolving operating loans. Two of the revolving operating loans are based on margin requirements. The revolving operating loans are subject to certain financial covenants which are based on the results of the individual subsidiaries in which the credit facilities are held. The availability of the revolving operating loans at any given time may have an impact on TerraVest's liquidity and available capital resources and its ability to fund its operating and future growth plans. As at September 30, 2024, the maximum amount available was \$342,197, of which \$118,365 was drawn. TerraVest was in compliance with all of its financial and non-financial covenants.

For further information on the financial and non-financial covenants, please Note 15 of TerraVest's audited consolidated financial statements for the year ended September 30, 2024.

Revolving Term Loans

Certain subsidiaries of TerraVest operating in the Processing Equipment and Service segments have access to revolving term loans totaling \$42,000 that can be used to refinance existing debt and to purchase PP&E. As at September 30, 2024, \$19,950 was drawn. TerraVest was in compliance with all of its financial and non-financial covenants.

For further information on the financial and non-financial covenants, please refer to Note 15 of TerraVest's audited consolidated financial statements for the year ended September 30, 2024.

Share Capital

TerraVest's common shares are listed on the Toronto Stock Exchange under the symbol "TVK". Changes in the common shares issued and outstanding were as follows:

	As at September 30, 2024		As at September 30, 2023	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	17,912,499	150,092	17,886,018	150,467
Issued on bought deal offering, net of transaction costs	1,300,000	93,039	-	-
Issued on business combination, net of transaction costs	201,403	6,916	-	-
Issued on exercise of stock options	87,531	597	81,181	85
Repurchased and cancelled	-	-	(54,700)	(460)
Balance, end of year	19,501,433	250,644	17,912,499	150,092

On May 15, 2024, TerraVest issued 1,300,000 common shares under a bought deal offering at a price of \$74.25 per common share for gross proceeds of \$96,525. Transaction costs of \$4,577 were incurred to complete the offering and were accounted for, net of income tax, as a reduction of the carrying value of the shares issued. Net proceeds were used to repay the long-term debt. In addition, during the year ended September 30, 2024, TerraVest issued 201,403 common shares on a business combination. The transaction was recognized at the acquisition date fair value price of \$34.44 per common share based on the Toronto Stock Exchange trading price. Transaction costs of \$20 were incurred to issue the shares and were accounted for as a reduction of the carrying value of the shares issued.

During the year ended September 30, 2024, TerraVest did not repurchase any common shares under its common shares normal course issuer bid ("NCIB") (54,700 during the year ended September 30, 2023 for total consideration of \$1,312). The common shares NCIB expired on March 16, 2024 and was not renewed.

Capital Structure

The capital structure of TerraVest consists of its revolving credit facilities, long-term debt and shareholders' equity attributable to common shareholders. The following table outlines TerraVest's capital structure:

	As at Sept. 30, 2024	As at Sept. 30, 2023
	\$	\$
Bank overdrafts	-	173
Drawn on current revolving credit facilities	-	29,255
Available on current revolving credit facilities, net of amount drawn	10,000	20,477
Drawn on long-term revolving operating loans	118,365	118,152
Available on long-term revolving operating loans, net of amount drawn	213,832	11,848
Long-term debt (current and non-current)	70,493	88,041
Shareholders' equity attributable to common shareholders	367,651	217,076
	780,341	485,022

Other than the financial covenants and restrictive non-financial covenants contained in the loan agreements, TerraVest is not subject to any externally imposed capital restrictions.

The Board of Directors does not establish quantitative return on capital criteria for management. TerraVest intends to maintain a flexible capital structure that is consistent with its stated objectives and adjust it in the light of changes in economic conditions and the risk characteristics of the underlying instruments. In order to maintain or adjust its capital structure, TerraVest may, from time to time, acquire shares for cancellation in connection with a substantial issuer bid (“SIB”) or an NCIB, issue new shares, raise capital through various debt instruments or refinance current debt through instruments with different characteristics.

SHARE BASED PAYMENTS

TerraVest has a stock option plan for which options are granted to key management personnel to purchase common shares of TerraVest. The stock option plan is a “rolling” plan whereby the amount of common shares that may be reserved for issuance shall be up to 10% of the issued common shares outstanding from time to time. An aggregate of 1,950,143 common shares can be issued under the stock option plan, of which 967,143 were available for grant as at September 30, 2024. Total expense arising from the share-based payment transactions recognized during the year ended September 30, 2024 as compensation expense was \$514 (\$1,140 for the year ended September 30, 2023).

The stock options outstanding and the weighted average exercise prices as at September 30, 2024 were as follows:

Grant Date	Expiry Date	Exercise price	Opening balance	Settled or exercised	Closing balance	Vested and exercisable	Unvested
Mar. 9, 2017	Mar. 9, 2024	\$9.10	100,000	(100,000)	-	-	-
Jan. 20, 2020	Jan. 20, 2027	\$13.12	100,000	-	100,000	100,000	-
Feb. 18, 2022	Feb. 18, 2032	\$24.49	583,000	(66,667)	516,333	322,000	194,333
Feb. 18, 2022	Feb. 18, 2032	\$26.99	100,000	(33,333)	66,667	-	66,667
Feb. 18, 2022	Feb. 18, 2032	\$29.49	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	\$31.99	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	\$34.49	100,000	-	100,000	-	100,000
			1,183,000	(200,000)	983,000	422,000	561,000
Weighted average exercise price			\$24.34	\$17.21	\$25.79	\$21.80	

During the year ended September 30, 2024, no stock options were granted or forfeited. In April 2024, 100,000 stock options were exercised by way of cashless exercise. The related withholding tax obligation was recorded in share premium. The net settlement of this transaction resulted in TerraVest issuing 47,531 common shares. The weighted average share price on the date of exercise was \$72.15 per common shares. In March 2024, 40,000 stock options were exercised for total cash proceeds of \$364 and 60,000 stock options were settled for a cash consideration of \$2,813. The total value of the cash consideration represented the intrinsic value of the 60,000 stock options at the settlement date and was recorded in share premium. The weighted average share price on the date of exercise was \$55.99 per common shares. The weighted average share prices used were based on the average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the exercise and settlement date of the stock options.

FINANCIAL INSTRUMENTS RISK

TerraVest is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. An analysis of these risks as at September 30, 2024 is provided below.

Market Risk

TerraVest is exposed to market risk, through its use of financial instruments, specifically to foreign currency risk and interest rate risk.

Foreign Currency Risk

Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. TerraVest is subject to foreign currency risk for:

- sales and operating expenses denominated in foreign currencies made by Canadian entities; and
- financial instruments denominated in foreign currency in Canadian entities.

TerraVest does not have a policy to hedge its foreign currency risk and manages its exposure to foreign currency risk by periodically entering into forward exchange contracts. Based on the net U.S. dollar exposure as at September 30, 2024, a one cent increase in the Canadian/U.S. dollar exchange rate would have had an unfavorable impact of \$36 on net income (\$94 for the year ended September 30, 2023). A one cent decrease in the Canadian/U.S. dollar exchange rate would have had an impact of a similar magnitude but in opposite directions on net income.

Interest Rate Risk

TerraVest does not have a policy to hedge its interest rate risk and is exposed to interest rate risk arising from fluctuations in interest rates on revolving credit facilities and long-term debt at variable interest rates. TerraVest had interest rate swap agreements to cover the impact of future fluctuations in interest rates under which TerraVest receives interest on the notional amount at the 1-month CORRA rate in exchange for payment at fixed rate, plus 150 to 300 basis points based on a prescribed ratio.

For the year ended September 30, 2024, a 1% increase in the interest rate would have had an unfavorable impact of \$955 on net income (\$1,166 for the year ended September 30, 2023), calculated using the average outstanding balances during the year on revolving credit facilities and long-term debt at variable interest rates. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in opposite directions on net income.

Credit Risk

Credit risk is the risk that a counterparty will fail to perform its obligations to TerraVest. TerraVest's credit risk comes mainly from accounts receivable and is mitigated through credit policies that limit transactions according to counterparties' creditworthiness, which is assessed by considering counterparties' financial position, past experience and other factors. In addition, a large majority of TerraVest's clients are well-established companies with a history of prompt payment. Accounts receivable amounts are presented on the consolidated statements of financial position net of the allowance for expected credit losses. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The expected loss rates are based on the payment profile for sales based on historical credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with TerraVest on alternative payment arrangement, amongst other, may be considered indicators of no reasonable expectation of recovery. The credit risk on cash is considered negligible since cash is held in reputable financial institutions with high quality external credit ratings. TerraVest's maximum exposure to credit risk is \$154,740 as at September 30, 2024 (\$147,862 as at September 30, 2023).

As at September 30, 2024, 90% (91% as at September 30, 2023) of TerraVest's accounts receivable were less than 90 days past invoice date.

Liquidity Risk

TerraVest's objective is to maintain cash and cash availability to meet its liquidity requirements. TerraVest monitors its cash and trade receivable balances as well as cash flows generated from operations to meet its financial obligations. TerraVest also has access to various authorized revolving credit facilities to manage its liquidity need. For a more detailed discussion on liquidity risk, refer to the section entitled "Liquidity and Capital Resources" in this MD&A.

SIGNIFICANT ACCOUNTING POLICIES

TerraVest prepares its financial statements in accordance with IFRS. TerraVest's accounting policies under IFRS are disclosed in Note 2 of TerraVest's audited consolidated financial statements for the year ended September 30, 2024.

CRITICAL ACCOUNTING ESTIMATES

For information regarding the use of estimates and judgments, please refer to Note 3 of TerraVest's audited consolidated financial statements for the year ended September 30, 2024.

CONTROLS AND PROCEDURES

As at September 30, 2024, TerraVest's Chief Executive Officer and Chief Financial Officer have certified that the disclosure controls and procedures, and that the internal controls over financial reporting are effective and that during the period covered by this report, TerraVest did not make any changes in internal controls over financial reporting that significantly affected or are reasonably likely to significantly affect TerraVest's internal controls over financial reporting.

Exception

TerraVest acquired LV in October 2023, HT in November 2023 and AEPL in April 2024. Management has not yet completed its assessment of the design or operating effectiveness of LV, HT and AEPL disclosure controls and procedures and internal controls over financial reporting.

The following table provides significant financial information of HT and AEPL as at and for the year ended September 30, 2024:

	AEPL	HT
	\$	\$
Total assets	60,310	148,771
Total liabilities	29,737	61,171
Sales	35,975	158,439
Net income	940	15,879

RELATED PARTY TRANSACTIONS

For detailed information on related party identity, relationship and transactions, please refer to Note 28 of TerraVest's audited consolidated financial statements for the year ended September 30, 2024.

RISK FACTORS

For a detailed discussion of the risk factors related to the businesses and to the structure of TerraVest, please refer to the AIF of TerraVest under the heading "Risk Factors", which is incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information relating to TerraVest, including the AIF of TerraVest, is available on SEDAR+ at www.sedarplus.ca.