



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fourth quarter and year ended
December 31, 2020

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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, 2020 with the corresponding three-month period and year ended December 31, 2019 and it reviews the Company's financial position as of December 31, 2020. It also includes a discussion of the Company's affairs up to February 18, 2021, 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, 2020.

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. The presentation currency of the Company was changed from Canadian dollars to United States dollars (U.S. dollars) effective December 31, 2020, as such all amounts are in U.S. dollars, and the term "dollar", as well as the symbol "\$", designate U.S. 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 18, 2021. 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. 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, or through the EDGAR system at www.sec.gov/edgar.shtml.

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", "might", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "to its knowledge", "could", "design", "forecast", "goal", "hope", "intend", "likely", "predict", "project", "seek", "should", "target", "will", "would" or "continue" 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, credit market liquidity, and the Company's ability to identify, negotiate, consummate and successfully integrate business acquisitions.

The foregoing list should not be construed as exhaustive, and the Company disclaims any subsequent obligation 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 U.S. dollars, except per share data)</i>	Three months ended December 31			Years ended December 31		
	2020	2019*	2018*	2020	2019*	2018*
Revenue before fuel surcharge	1,048,147	883,717	880,947	3,484,303	3,477,576	3,480,214
Fuel surcharge	73,859	105,315	120,711	296,831	425,969	474,543
Total revenue	1,122,006	989,032	1,001,658	3,781,134	3,903,545	3,954,757
Adjusted EBITDA ¹	193,538	163,397	137,279	699,589	649,021	529,163
Operating income from continuing operations	117,122	92,784	78,824	416,567	382,868	332,020
Net income	86,328	56,680	58,450	275,675	233,677	224,820
Net income from continuing operations	86,328	57,955	58,450	275,675	244,225	224,820
Adjusted net income ¹	93,357	60,085	65,656	299,763	253,583	247,548
Net cash from continuing operating activities	164,928	133,262	131,743	610,862	500,496	414,993
Free cash flow from continuing operations ¹	134,715	78,053	78,821	544,644	347,698	259,054
Total assets	3,849,364	3,508,820	2,968,744	3,849,364	3,508,820	2,968,744
Total long-term debt and lease liabilities	1,228,530	1,698,898	1,161,430	1,228,530	1,698,898	1,161,430
Per share data						
EPS – diluted	0.91	0.68	0.65	3.03	2.74	2.48
EPS from continuing operations – diluted	0.91	0.70	0.65	3.03	2.86	2.48
Adjusted EPS – diluted ¹	0.98	0.72	0.73	3.30	2.97	2.73
Dividends	0.23	0.20	0.18	0.80	0.74	0.67
As a percentage of revenue before fuel surcharge						
Adjusted EBITDA margin ¹	18.5%	18.5%	15.5%	20.1%	18.7%	15.2%
Depreciation of property and equipment	4.2%	5.1%	4.5%	4.9%	4.9%	4.4%
Depreciation of right-of-use assets	2.1%	2.2%	—	2.3%	2.2%	—
Amortization of intangible assets	1.3%	1.4%	1.3%	1.4%	1.4%	1.4%
Operating margin from continuing operations ¹	11.2%	10.5%	8.9%	12.0%	11.0%	9.5%
Adjusted operating ratio ¹	89.1%	90.2%	90.3%	88.5%	89.8%	90.6%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Q4 Highlights

- Change of presentation currency to U.S. dollars effective on December 31, 2020.
- Fourth quarter operating income from continuing operations of \$117.1 million increased 26% from the same quarter last year on continued strengthening transportation demand following the COVID-19 trough, cost reductions enacted in response to the pandemic, strong execution across the organization, an asset-light approach, and cost efficiencies.
- Operating margin from continuing operations¹, a non-IFRS measure, increased to 11.2%, up 70 basis points relative to Q4 2019.
- Net income from continuing operations of \$86.3 million increased 49% compared to \$58.0 million in Q4 2019.
- Diluted earnings per share (diluted "EPS") from continuing operations of \$0.91 increased from \$0.70 in Q4 2019.
- Adjusted net income¹, a non-IFRS measure, of \$93.4 million increased from \$60.1 million in Q4 2019.
- Adjusted diluted EPS¹, a non-IFRS measure, of \$0.98 increased from \$0.72 in Q4 2019.
- Net cash from continuing operating activities of \$164.9 million increased from \$133.3 million in Q4 2019.
- Free cash flow from continuing operations¹, a non-IFRS measure, of \$134.7 million increased from \$78.1 million in Q4 2019.
- The Company's reportable segments performed as follows:
 - Package and Courier operating income increased 30% to \$29.4 million;
 - Less-Than-Truckload operating income increased 27% to \$24.5 million;
 - Truckload operating income increased 15% to \$53.6 million; and
 - Logistics operating income increased 86% to \$26.5 million.
- On December 15, 2020, the Board of Directors of TFI declared a quarterly dividend of \$0.23 (CAD \$0.29), a 14% increase over the \$0.20 (CAD \$0.26) dividend in Q4 2019.
- During the quarter, TFI International acquired the dry bulk business of Grammer Logistics, selected assets of Desrosiers Transport, FreightLine Carrier Systems, Excel Transportation, and DLS Worldwide (renamed "TForce Worldwide"). Subsequent to quarter end, TFI agreed to acquire UPS Freight from United Parcel Service, Inc. (NYSE: UPS) with the transaction expected to close during Q2 2021, and acquired Fleetway Transport Inc.
- Subsequent to the quarter, TFI International completed its previously announced issuance and sale of an aggregate principal amount of \$500 million of senior notes.

¹ Refer to the section "Non-IFRS financial measures".

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.

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 generally the weakest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Human resources

As at December 31, 2020 the Company had 16,753 employees in TFI International's various business segments across North America. This compares to 17,150 employees as at December 31, 2019. The year-over-year decrease of 397 is attributable to business acquisitions that added 1,329 employees offset by rationalizations affecting 1,726 employees mainly in the Less-Than-Truckload ("LTL") and Truckload segments. The Company believes that it has a relatively low turnover rate among its employees in Canada, and a normal turnover rate in the U.S. comparable to other U.S. carriers, and that its employee relations are very good.

Equipment

The Company believes it has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at December 31, 2020, the Company had 7,867 tractors, 25,520 trailers and 9,901 independent contractors. This compares to 7,772 tractors, 25,505 trailers and 9,826 independent contractors as at December 31, 2019.

Facilities

TFI International's head office is in Montréal, Québec and its executive office is in Etobicoke, Ontario. As at December 31, 2020, the Company had 366 facilities, as compared to 380 facilities as at December 31, 2019. Of these, 235 are located in Canada, including 151 and 84 in Eastern and Western Canada, respectively. The Company also had 119 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 45 facilities were added from business acquisitions, and terminal consolidation decreased the total number of facilities by 59, mainly in the Logistics segment. In Q4 2020, 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 offerings and the range of segments in which it operates, a downturn in the activities of an individual customer or customers in a particular industry would not be 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 offerings to customers across North America.

Revenue by Top Customers' Industry (59% of total revenue)	
Retail	25%
Manufactured Goods	16%
Building Materials	8%
Metals & Mining	8%
Services	8%
Automotive	7%
Food & Beverage	7%
Forest Products	5%
Chemicals & Explosives	5%
Energy	3%
Waste Management	2%
Maritime Containers	1%
Others	5%

(For the year ended December 31, 2020)

CONSOLIDATED RESULTS

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

2020 business acquisitions

In line with its growth strategy, the Company has acquired thirteen businesses during 2020: the Courier Service business from R.R. Donnelley & Sons Company ("CSB"), Gusgo Transport ("Gusgo"), select assets of CT Transportation, LLC ("CT"), select assets of MCT Transportation, LLC ("MCT"), DSN Chemical Transportation ("DSN"), Keith Hall & Sons ("KHS"), substantially all the assets of CCC Transportation ("CCC"), selected assets of TBM Logistics Ltd. ("TBM"), selected assets of Desrosiers Transport ("Desrosiers"), the dry bulk business of Grammer Logistics ("Grammer"), FreightLine Carrier Systems ("FreightLine"), DLS Worldwide ("DLS") renamed "TForce Worldwide", and Excel Transportation ("Excel").

On March 2, 2020, TFI International completed the acquisition of CSB. CSB operates primarily in the Midwest and Southeast U.S. serving the pharmaceutical, healthcare, retail, financial and transportation industries.

On June 18, 2020, TFI International completed the acquisition of Gusgo. Based in Ontario, Gusgo operates as a customs-bonded carrier of dry and temperature-controlled commodities in an approximately 500-mile radius around the Greater Toronto Area.

On June 26, 2020, TFI International completed the acquisition of CT. Based in Georgia, CT specializes in flatbed transportation for major building product manufacturers and home improvement distributors throughout the Southeast and Mid-Atlantic regions of the United States.

On June 26, 2020, TFI International completed the acquisition of MCT. Based in South Dakota, MCT provides transportation for major companies in the packaged food, agriculture, medical and automotive industries, primarily throughout the Southeast and Mid-West regions of the United States.

On July 16, 2020, TFI International completed the acquisition of DSN. Based in Ontario, DSN provides 3PL transborder services for chemical transportation and warehousing for major companies.

On July 31, 2020, TFI International completed the acquisition of KHS. Based in Ontario, KHS provides food grade transporting services, hauling liquid, dry foods, and general freight across North America.

On September 9, 2020, TFI International completed the acquisition of CCC. Based in Florida, CCC operates as a truckload carrier offering cement hauling services primarily in the Southeast region of the United States.

On September 18, 2020, TFI International completed the acquisition of TBM. Based in Alberta, TBM provides bulk transportation in Western Canada and the Pacific Northwest region of the United States.

On October 1, 2020, TFI International completed the acquisition Desrosiers. Based in Ontario, Desrosiers provides bulk transportation across lower Ontario.

On October 5, 2020, TFI International completed the acquisition of Grammer. Based in North Carolina, Grammer focuses on the transportation of commodities including cement and cementitious materials, sand, fly ash, salt, and lime throughout the southeast United States.

On October 31, 2020, TFI International completed the acquisition of FreightLine. Based in Ontario, FreightLine provides cross border logistics services.

On November 2, 2020, TFI International completed the acquisition of DLS. Based in Illinois, DLS provides logistics services through a third-party logistics ("3PL") network of internal sales personnel, commissioned sales agents, and agent-stations.

On November 29, 2020, TFI International completed the acquisition of Excel. Based in Ontario, Excel provides Less-Than-Truckload services across Canada.

Revenue

For the three months ended December 31, 2020, total revenue was \$1,122.0 million, up 13%, or \$133.0 million, from Q4 2019. The contribution from business acquisitions of \$147.8 million and from an increase in revenue before fuel surcharge of \$19.4 million in existing operations was offset by a decrease in fuel surcharge revenue of \$34.3 million. The average exchange rate used to convert TFI International's revenue generated in CAD dollars increased this quarter (US\$0.7667) compared to the same quarter last year (US\$0.7576) resulting in a negative currency impact of \$7.0 million.

For the year ended December 31, 2020, total revenue was \$3.8 billion, down 3%, or \$122.4 million, as compared to \$3.9 billion in 2019 mainly due to the decreases in fuel surcharge revenue of \$138.6 million and revenue before fuel surcharge of \$283.3 million, both in existing operations, offset by a contribution from business acquisitions of \$299.5 million and positive currency impact of \$25.1 million.

Operating expenses from continuing operations

For the three months ended December 31, 2020, the Company's operating expenses from continuing operations increased by \$108.7 million, to \$1,004.9 million from \$896.2 million in Q4 2019. The increase attributable to business acquisitions of \$141.2 million was partially offset by a net decrease of \$32.6

million, or 4%, in existing operating expenses. Operating improvements, better fleet utilization, lower material and services expenses and lower personnel expenses contributed to maintaining the operating expenses in the Company's existing operations below the Q4 2019 level as a percentage of total revenue.

For the three months ended December 31, 2020, material and services expenses, net of fuel surcharge, increased by 4.0 percentage points of revenue before fuel surcharge compared to the same period last year due mainly due to business acquisitions which accounted for 2.9 percentage points of the increase.

For the three months ended December 31, 2020, personnel expense increased 1% to \$245.4 million from \$244.2 million in Q4 2019. The increase includes a mark-to-market loss on DSUs of \$3.2 million net of Canadian Emergency Wage Subsidy of \$6.3 million.

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, decreased 0.2 percentage points of revenue before fuel surcharge compared to the same period last year.

For the three-month period ended December 31, 2020, the gain on sale of assets held for sale was \$2.2 million, compared to \$6.4 million in Q4 2019. Seven properties were disposed of for a cash consideration of \$6.1 million.

For the year ended December 31, 2020, the Company's operating expenses from continuing operations decreased by \$156.1 million from \$3.5 billion in 2019 to \$3.4 billion in 2020. The decrease is mainly attributable to a decrease of \$291.9 million of materials and service expense and \$134.1 million of personnel expenses, both from existing operations, mainly driven by the reduced volumes in Q2 and Q3 attributable to COVID-19. Further contributing to the decrease in operating expenses is the Canadian Emergency Wage Subsidy of \$52.3 million. This is offset by an increase from business acquisitions of \$279.5 million.

Operating income from continuing operations

For the three months ended December 31, 2020, TFI International's operating income from continuing operations rose by \$24.3 million to \$117.1 million compared to \$92.8 million in the same quarter in 2019. The operating margin from continuing operations as a percentage of revenue before fuel surcharge improved, from 10.5% in Q4 2019 to 11.2% in Q4 2020. All reportable segments reported margin increases. Notably, the Less-Than-Truckload segment reported a margin increase of 4.6 percentage points.

For the year ended December 31, 2020, operating income from continuing operations increased by \$33.7 million, or 9%, to \$416.6 million compared to \$382.9 million in 2019, driven by operating improvements, business acquisitions and the wage subsidy of \$52.3 million offset by reduced contributions from the gain on sale of assets held for sale of \$9.7 million, a bargain purchase gain of \$4.0 million, and gain on sale of rolling stock and equipment of \$7.5 million.

Finance income and costs

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Finance costs (income)				
Interest expense on long-term debt	7,287	11,344	34,967	43,949
Interest expense on lease liabilities	3,072	3,455	12,443	13,983
Interest income and accretion on promissory note	(277)	(620)	(1,051)	(2,285)
Net change in fair value and accretion expense of contingent considerations	141	55	224	199
Net foreign exchange (gain) loss	373	(396)	(1,237)	220
Net change in fair value of interest rate derivatives	(488)	—	(488)	—
Others	5,274	1,714	9,052	6,041
Net finance costs	15,382	15,552	53,910	62,107

* Recasted for changes in presentation currency from Canadian dollar to U.S. dollar and mark-to-market gain (loss) on deferred share units presentation in personnel expenses from finance (income) costs.

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended December 31, 2020 was \$4.1 million less compared to the same quarter last year. The decrease is mainly attributable to a lower average debt level of \$0.94 billion for the three months ended December 31, 2020 as compared to \$1.35 billion the same period in the prior year, and a decrease in the average interest rate in 2020 as compared to the prior year. For the year ended December 31, 2020, interest expense decreased by \$9.0 million due to lower average borrowings of \$1.05 billion as compared to \$1.31 billion in 2019.

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 translation of the U.S. dollar portion of the Company's credit facility not designated as a hedge and to the translation of other financial

assets and liabilities denominated in currencies other than the functional currency. For the three-month period ended December 31, 2020, a gain of \$8.6 million of foreign exchange variations (a gain of \$7.5 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the three-month period ended December 31, 2019, a gain of \$5.8 million of foreign exchange variations (a gain of \$5.0 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the year ended December 31, 2020, a loss of \$2.3 million of foreign exchange variations (a loss of \$2.0 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the year ended December 31, 2019, a gain of \$14.0 million of foreign exchange variations (a gain of \$12.2 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the 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.

The Company designates the interest rate derivatives as a hedge of the variable interest rate instruments. Therefore, the effective portion of changes in fair value of the derivatives is recognized in other comprehensive income. For the three-month period ended December 31, 2020, the loss of \$2.6 million on change in fair value of interest rate derivatives (a loss of \$1.9 million net of tax) was entirely designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge. For the three-month period ended December 31, 2019, a \$0.2 million loss on change in fair value of interest rate derivatives (a loss of \$0.2 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

For year ended December 31, 2020, a \$0.5 million loss on change in fair value of interest rate derivatives (a loss of \$0.5 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge. For year ended December 31, 2019, a \$10.0 million loss on change in fair value of interest rate derivatives (a loss of \$7.4 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

As at December 31, 2020, the Company no longer had any cash flow hedge positions.

Income tax expense

For the three months ended December 31, 2020, the Company's effective tax rate was 15.1%. The income tax expense of \$15.4 million reflects a \$11.6 million favourable variance versus an anticipated income tax expense of \$27.0 million based on the Company's statutory tax rate of 26.5%. The favourable variance is mainly due to favourable variations from an adjustment for prior years of \$8.3 million, tax deductions and tax exempt income of 4.6 million and a favourable impact from Treasury Regulations, interpretive guidance clarifying the U.S. Tax Reform Bill of \$1.0 million. The positive adjustment for the prior years was mainly due to adjustment to future tax rates used in deferred income taxes.

For the year ended December 31, 2020, the Company's effective tax rate was 24.0%. The income tax expense of \$87.0 million reflects a \$9.1 million favourable variance versus an anticipated income tax expense of \$96.1 million based on the Company's statutory tax rate of 26.5%. The favourable variance is mainly due to positive variations for the tax deductions and tax exempt income of \$10.2 million, adjustment from prior years of \$8.6 million and from lower effective rates in other jurisdictions of \$4.5 million offset by negative variances from non-deductible expenses of \$8.7 million and interpretive guidance clarifying the U.S. Tax Reform Bill of \$4.5 million.

The U.S. Tax Reform introduces important changes to U.S. corporate income tax laws that may significantly affect the Group in future years including the creation of a new Base Erosion Anti-abuse Tax (BEAT) that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to the deduction for net interest expense incurred by U.S. corporations. On April 7, 2020, the U.S. Treasury Department issued Treasury Regulations, interpretive guidance clarifying the U.S. Tax Reform Bill. As anticipated, a tax benefit relating to 2019 and Q1 2020 was disallowed, resulting in a one-time tax expense of \$7.3 million in Q2 2020. On July 23, 2020, the U.S. Treasury Department issued final regulations on changes made to the U.S. Tax Reform Bill. It introduces a High-Tax Exception under the Global Intangible Low-taxed Income (GILTI) provisions. A tax benefit relating to 2018 and 2019 was recorded, resulting in a one-time tax recovery of \$2.0 million in 2020. For the year ended December 31, 2020, the total impact from these new regulations was \$4.5 million following positive adjustments recorded in Q4 2020.

In addition to the above, significant 2020 lower addition to property and equipment from the company's US operations (\$69.7 million in 2020 compared to \$145.9 million in 2019) resulted in a higher 2020 current tax expense as a percentage of income before income tax as the Company is taking full depreciation on these capital expenditures.

Net loss from discontinued operations

During the year ended December 31, 2019, the Company recognized a net loss on an accident claim of \$10.5 million, or \$12.4 million net of \$1.9 million of tax recovery. This claim originated from an operating entity within the discontinued rig moving operations, which were closed in 2015.

Net income and adjusted net income

<i>(unaudited)</i> <i>(in thousands of U.S. dollars, except per share data)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Net income	86,328	56,680	275,675	233,677
Amortization of intangible assets related to business acquisitions, net of tax	10,221	9,263	35,286	35,756
Net change in fair value and accretion expense of contingent considerations, net of tax	104	40	165	146
Net change in fair value of derivatives, net of tax	(373)	—	(373)	—
Net foreign exchange (gain) loss, net of tax	227	(328)	(895)	161
Gain on sale of business, net of tax	(230)	—	(230)	—
Bargain purchase gain	—	—	(4,008)	(8,014)
Gain on sale of land and buildings and assets held for sale, net of tax	(1,848)	(6,872)	(10,308)	(18,691)
Net loss from discontinued operations	—	1,302	—	10,548
U.S. Tax Reform	(1,072)	—	4,451	—
Adjusted net income¹	93,357	60,085	299,763	253,583
Adjusted EPS – basic¹	1.00	0.74	3.36	3.04
Adjusted EPS – diluted¹	0.98	0.72	3.30	2.97

*Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

For the three months ended December 31, 2020, TFI International's net income was \$86.3 million compared to \$56.7 million in Q4 2019. The Company's adjusted net income¹, a non-IFRS measure, which excludes items listed in the above table, was \$93.4 million compared to \$60.1 million in Q4 2019, up 55% or \$33.3 million. Adjusted EPS, fully diluted, increased by \$0.26 to \$0.98 from \$0.72 in Q4 2019.

For the year ended December 31, 2020, TFI International's net income was \$275.7 million compared to \$233.7 million in 2019. The increase of \$42.0 million is mainly attributable to the contribution from business acquisitions of \$13.9 million, improved operating results of existing operations, and the loss from discontinued operations of \$10.5 million reflected in the 2019 comparative amount. The Company's adjusted net income was \$299.8 million in 2020 compared to \$253.6 million in 2019, up 18% or \$46.2 million. Adjusted EPS, fully diluted, increased by 11%, to \$3.30.

¹ 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 U.S. dollars)</i>	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Three months ended December 31, 2020							
Revenue before fuel surcharge ¹	154,094	141,081	438,135	322,319	—	(7,482)	1,048,147
% of total revenue ²	15%	14%	42%	29%			100%
Adjusted EBITDA ³	35,934	37,084	101,383	35,809	(16,672)	—	193,538
Adjusted EBITDA margin ⁴	23.3%	26.3%	23.1%	11.1%			18.5%
Operating income (loss)	29,401	24,464	53,604	26,462	(16,809)	—	117,122
Operating margin ⁴	19.1%	17.3%	12.2%	8.2%			11.2%
Net capital expenditures ⁵	2,550	6,194	21,155	70	244	—	30,213
Three months ended December 31, 2019*							
Revenue before fuel surcharge ¹	127,301	151,303	412,760	198,961	—	(6,608)	883,717
% of total revenue ²	15%	18%	47%	20%			100%
Adjusted EBITDA ³	29,295	31,269	90,447	21,933	(9,547)	—	163,397
Adjusted EBITDA margin ⁴	23.0%	20.7%	21.9%	11.0%			18.5%
Operating income (loss)	22,680	19,311	46,417	14,216	(9,840)	—	92,784
Operating margin ⁴	17.8%	12.8%	11.2%	7.1%			10.5%
Net capital expenditures ⁵	3,321	27,945	17,783	1,002	5,158	—	55,209
YTD December 31, 2020							
Revenue before fuel surcharge ¹	481,490	522,851	1,584,837	923,456	—	(28,331)	3,484,303
% of total revenue ²	14%	15%	46%	25%			100%
Adjusted EBITDA ³	104,019	138,361	383,155	113,885	(39,831)	—	699,589
Adjusted EBITDA margin ⁴	21.6%	26.5%	24.2%	12.3%			20.1%
Operating income (loss)	78,753	87,950	206,346	84,459	(40,941)	—	416,567
Operating margin ⁴	16.4%	16.8%	13.0%	9.1%			12.0%
Total assets less intangible assets	194,631	404,074	1,193,730	272,592	34,564	—	2,099,591
Net capital expenditures ⁵	16,798	19,230	29,179	567	444	—	66,218
YTD December 31, 2019*							
Revenue before fuel surcharge ¹	473,666	627,219	1,657,797	745,322	—	(26,428)	3,477,576
% of total revenue ²	14%	18%	48%	20%			100%
Adjusted EBITDA ³	106,278	126,641	362,641	83,030	(29,569)	—	649,021
Adjusted EBITDA margin ⁴	22.4%	20.2%	21.9%	11.1%			18.7%
Operating income (loss)	82,228	82,230	192,172	57,447	(31,209)	—	382,868
Operating margin ⁴	17.4%	13.1%	11.6%	7.7%			11.0%
Total assets less intangible assets	180,811	407,358	1,206,568	159,152	49,771	—	2,003,660
Net capital expenditures ⁵	10,967	27,536	108,039	1,995	4,261	—	152,798

* Recasted for changes in presentation currency from Canadian dollar to U.S. dollar and mark-to-market gain (loss) on deferred share units presentation in personnel expenses from finance (income) costs.

¹ Includes intersegment revenue.

² Segment revenue including fuel surcharge and intersegment revenue to consolidated revenue including fuel surcharge and intersegment revenue.

³ Refer to the section "Non-IFRS financial measures"

⁴ As a percentage of revenue before fuel surcharge.

⁵ Additions rolling stock and equipment, net of proceeds from the sale of rolling stock and equipment and assets held for sale excluding property.

Package and Courier

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	%	2019*	%	2020	%	2019*	%
Total revenue	167,555		145,018		529,155		539,610	
Fuel surcharge	(13,461)		(17,717)		(47,665)		(65,944)	
Revenue	154,094	100.0%	127,301	100.0%	481,490	100.0%	473,666	100.0%
Materials and services expenses (net of fuel surcharge)	72,115	46.8%	55,737	43.8%	220,741	45.8%	203,441	43.0%
Personnel expenses	39,821	25.8%	35,222	27.7%	133,552	27.7%	138,125	29.2%
Other operating expenses	6,234	4.0%	7,015	5.5%	23,145	4.8%	25,973	5.5%
Depreciation of property and equipment	3,168	2.1%	2,606	2.0%	11,539	2.4%	10,046	2.1%
Depreciation of right-of-use assets	3,210	2.1%	3,713	2.9%	12,871	2.7%	13,956	2.9%
Amortization of intangible assets	248	0.2%	234	0.2%	947	0.2%	891	0.2%
(Gain) loss on sale of rolling stock and equipment	(10)	-0.0%	47	0.0%	43	0.0%	(135)	-0.0%
Gain on derecognition of right-of-use assets	-	-	(15)	-0.0%	(10)	-0.0%	(16)	-0.0%
(Gain) loss on sale of land and buildings and assets held for sale	(93)	-0.1%	62	0.0%	(91)	-0.0%	(843)	-0.2%
Operating income	29,401	19.1%	22,680	17.8%	78,753	16.4%	82,228	17.4%
Adjusted EBITDA	35,934	23.3%	29,295	23.0%	104,019	21.6%	106,278	22.4%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

<i>(unaudited)</i> <i>(Revenue in U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	2019*	Variance	%	2020	2019*	Variance	%
Revenue per pound (including fuel)	\$0.40	\$0.36	\$0.04	11.1%	\$0.36	\$0.35	\$0.01	2.9%
Revenue per pound (excluding fuel)	\$0.36	\$0.31	\$0.05	16.1%	\$0.33	\$0.31	\$0.02	6.5%
Revenue per shipment (including fuel)	\$6.40	\$6.52	\$(0.12)	-1.8%	\$6.24	\$6.29	\$(0.05)	-0.8%
Tonnage (in thousands of metric tons)	192	185	7	3.8%	658	695	(37)	-5.3%
Shipments (in thousands)	26,185	22,244	3,941	17.7%	84,854	85,743	(889)	-1.0%
Average weight per shipment (in lbs.)	16.16	18.33	(2.17)	-11.8%	17.09	17.86	(0.77)	-4.3%
Vehicle count, average	1,008	972	36	3.7%	1,023	981	42	4.3%
Weekly revenue per vehicle (incl. fuel, in thousands of U.S. dollars)	\$12.79	\$11.48	\$1.31	11.4%	\$9.95	\$10.58	\$(0.63)	-6.0%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Revenue

For the three months ended December 31, 2020, revenue increased by \$26.8 million or 21%, from \$127.3 million in 2019 to \$154.1 million in 2020. This increase in revenue is attributable to a 16.1% increase in revenue per pound (excluding fuel surcharge) combined with a 3.8% increase in tonnage. Increase in tonnage was the result of a 17.7% increase in shipments offset by a 11.8% decrease in average weight per shipment. This combination is the result from increased B2C deliveries.

For the year ended December 31, 2020, revenue increased by \$7.8 million or 2%, from \$473.7 million in 2019 to \$481.5 million in 2020. The increase is related to B2C volumes partially offset by disruptions in the early months of the pandemic. Also, during the year ended December 31, 2020, the Package and Courier segment experienced an IT security breach that had a negative impact on the segment's revenue estimated at \$6 million.

Operating expenses

For the three months ended December 31, 2020, materials and services expenses, net of fuel surcharge revenue, increased \$16.4 million or 29%, partly due to a \$9.4 million increase in subcontractor costs and a \$1.5 million increase in external personnel to manage higher volume at sorting facilities. Personnel expenses, as a percentage of revenue, decreased from 27.7% in 2019 to 25.8% in 2020 attributed to reduced weight of administrative salaries in percentage of revenue.

For the year ended December 31, 2020, materials and services expenses, net of fuel surcharge revenue, increased \$17.3 million or 9%. Personnel expenses, excluding credits received under Canada Emergency Wage Subsidy of \$5.7 million, as a percentage of revenue slightly decreased from 29.2% in 2019 to 28.9% in 2020 mainly due to lower administrative salaries partially offset by increase in direct salaries from higher B2C deliveries. Other operating expenses decreased \$2.8 million, or 11% in 2020 mainly coming from reduction in IT charges, travel and office expenses, and external personal. Depreciation of property and equipment increased \$1.5 million, or 15%, when compared to 2019, mostly due to investment in conveyors put into operation.

Operating income

Operating income for the three months ended December 31, 2020 increased by 30% or \$6.7 million compared to the fourth quarter of 2019 and the operating margin was 19.1% in the fourth quarter of 2020 compared to 17.8% for the same period in 2019. This year-over-year increase in operating income was driven primarily by strong organic revenue growth combined with margin expansion.

For the year ended December 31, 2020, operating income decreased by \$3.5 million to \$78.8 million. This decrease is a combination of lower operating income in the first half of the year because of the COVID-19 pandemic and higher B2C volumes generating slightly lower margins.

Less-Than-Truckload

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	%	2019*	%	2020	%	2019*	%
Total revenue	157,628		175,319		589,235		727,249	
Fuel surcharge	(16,547)		(24,016)		(66,384)		(100,030)	
Revenue	141,081	100.0%	151,303	100.0%	522,851	100.0%	627,219	100.0%
Materials and services expenses (net of fuel surcharge)	67,140	47.6%	75,026	49.6%	252,334	48.3%	315,648	50.3%
Personnel expenses	33,338	23.6%	38,202	25.2%	116,257	22.2%	159,820	25.5%
Other operating expenses	3,587	2.5%	7,788	5.1%	16,593	3.2%	26,720	4.3%
Depreciation of property and equipment	4,886	3.5%	5,148	3.4%	19,407	3.7%	19,736	3.1%
Depreciation of right-of-use assets	5,546	3.9%	6,159	4.1%	22,555	4.3%	24,825	4.0%
Amortization of intangible assets	2,179	1.5%	2,129	1.4%	8,392	1.6%	8,359	1.3%
Gain on sale of rolling stock and equipment	(62)	-0.0%	(147)	-0.1%	(519)	-0.1%	(510)	-0.1%
Gain on derecognition of right-of-use assets	(6)	-0.0%	(835)	-0.6%	(175)	-0.0%	(1,100)	-0.2%
Loss (gain) on sale of land and buildings and assets held for sale	9	0.0%	(1,478)	-1.0%	57	0.0%	(8,509)	-1.4%
Operating income	24,464	17.3%	19,311	12.8%	87,950	16.8%	82,230	13.1%
Adjusted EBITDA	37,084	26.3%	31,269	20.7%	138,361	26.5%	126,641	20.2%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

<i>(unaudited)</i> <i>(Revenue in U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	2019*	Variance	%	2020	2019*	Variance	%
Adjusted operating ratio	82.7%	88.2%			83.2%	88.2%		
Revenue per hundredweight (excluding fuel)	\$10.15	\$9.99	\$0.16	1.6%	\$9.77	\$10.01	\$(0.24)	-2.4%
Revenue per shipment (including fuel)	\$241.02	\$253.35	\$(12.33)	-4.9%	\$240.11	\$242.98	\$(2.87)	-1.2%
Tonnage (in thousands of tons)	695	757	(62)	-8.2%	2,675	3,132	(457)	-14.6%
Shipments (in thousands)	654	692	(38)	-5.5%	2,454	2,993	(539)	-18.0%
Average weight per shipment (in lbs)	2,125	2,188	(63)	-2.9%	2,180	2,093	87	4.2%
Average length of haul (in miles)	811	839	(28)	-3.3%	818	830	(12)	-1.4%
Vehicle count, average	902	1,016	(114)	-11.2%	918	1,024	(106)	-10.4%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

During 2020 and in the fourth quarter, one business has been acquired in the Less-Than-Truckload segment.

Revenue

For the three months ended December 31, 2020, the LTL segment's revenue was \$141.1 million, a \$10.2 million, or 7%, decrease when compared to the same period in 2019. The decrease in revenue is due to an 8.2% decrease in tonnage partially offset by a 1.6% increase in revenue per hundredweight (excluding fuel). The decrease in tonnage is the result of a 5.5% decrease in shipments combined with a 2.9% decrease in average weight per shipment. Despite the 7% decline in revenues for the three months ended December 31, 2020, the revenues have improved from the second and third quarters, which were heavily impacted by the COVID-19 pandemic, where revenues decreased respectively 30% and 14% as compared to the same periods in 2019. Excluding business acquisitions, revenue was down \$11.0 million, or 7%, when compared to the same period in 2019.

For the year ended December 31st, 2020, revenue decreased \$104.4 million or 16.6% to \$522.9 million.

Operating expenses

For the three months ended December 31, 2020, materials and services expenses, net of fuel surcharge revenue, decreased \$7.9 million, or 10.5%, mostly due to a \$10.8 million decrease in sub-contractor cost attributable to decrease in tonnage and partially offset by a reduction in fuel surcharge revenue. Following the same trend, personnel expenses decreased 12.7% year-over-year, attributable to the decrease in tonnage, a reduction in administrative salaries and credits from the Canada Emergency Wage Subsidy of \$2.2 million. Other operating expenses decreased \$4.2 million in the fourth quarter of 2020, mainly due to a \$1.8 million reduction in real estate cost combined with \$0.4 million reduction in external personnel and a \$0.6 million reduction in travel and bad debt expense. The cost reductions, specifically the reduction of administrative salaries and real estate costs, were driven by efficiencies from the merger of two operating divisions into a single operation.

For the year ended December 31, 2020, materials and services expenses, net of fuel surcharge, decreased \$63.3 million, or 20.1%, mainly due to a \$71.4 million reduction in subcontractor cost. Personnel expenses as a percentage of revenue before fuel surcharge decreased from 25.5% in 2019 to 22.2% in 2020, mostly due to credits of \$20.3 million from the Canada Emergency Wage Subsidy partially offset by a \$2.4 million increase in severance cost. Other operating expenses decreased \$10.1 million when compared to the same period in 2019, mainly due to a \$4.1 million decrease in real estate cost combined with \$1.5 million reduction in external personnel and a \$2.2 million reduction in travel, bad debt and IT cost.

Operating income

Operating income for the three months ended December 31, 2020 increased \$5.2 million, or 27%, when compared to the same period in 2019. As a percentage of revenue, operating income was 17.3% during the fourth quarter of 2020, versus 12.8% for the same period in 2019.

For the year ended December 31, 2020, operating income increased \$5.7 million to \$88.0 million. This increase was impacted by gains on sale of assets held for sale of \$7.0 million in the first quarter of 2019 and \$1.5 million in the fourth quarter of 2019. Excluding this \$8.5 million gain on assets held for sale, operating income of the LTL segment for the twelve-month ended December 31, 2020, increased \$14.3 million, or 19%, when compared to the same period in 2019.

Truckload

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	%	2019*	%	2020	%	2019*	%
Total revenue	477,262		469,798		1,748,359		1,891,554	
Fuel surcharge	(39,127)		(57,038)		(163,522)		(233,757)	
Revenue	438,135	100.0%	412,760	100.0%	1,584,837	100.0%	1,657,797	100.0%
Materials and services expenses (net of fuel surcharge)	188,660	43.1%	178,936	43.4%	654,220	41.3%	707,028	42.6%
Personnel expenses	135,911	31.0%	134,572	32.6%	503,242	31.8%	549,723	33.2%
Other operating expenses	14,323	3.3%	12,534	3.0%	52,337	3.3%	53,472	3.2%
Depreciation of property and equipment	34,986	8.0%	36,218	8.8%	136,859	8.6%	136,139	8.2%
Depreciation of right-of-use assets	10,055	2.3%	7,091	1.7%	32,229	2.0%	24,263	1.5%
Amortization of intangible assets	5,171	1.2%	5,678	1.4%	19,891	1.3%	22,415	1.4%
Gain on sale of business	(306)	-0.1%	—	—	(306)	-0.0%	—	—
Gain on sale of rolling stock and equipment	(2,129)	-0.5%	(3,603)	-0.9%	(7,785)	-0.5%	(14,698)	-0.9%
Gain on derecognition of right-of-use assets	(13)	-0.0%	(126)	-0.0%	(332)	-0.0%	(369)	-0.0%
Gain on sale of land and buildings and assets held for sale	(2,127)	-0.5%	(4,957)	-1.2%	(11,864)	-0.7%	(12,348)	-0.7%
Operating income	53,604	12.2%	46,417	11.2%	206,346	13.0%	192,172	11.6%
Adjusted EBITDA	101,383	23.1%	90,447	21.9%	383,155	24.2%	362,641	21.9%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

<i>(unaudited)</i>	Three months ended December 31				Years ended December 31			
	2020	2019*	Variance	%	2020	2019*	Variance	%
Operational data								
U.S. based Conventional TL								
Revenue (in thousands of U.S. dollars)	161,476	156,678	4,798	3.1%	632,590	646,782	(14,192)	-2.2%
Adjusted operating ratio	91.5%	92.4%			92.0%	91.5%		
Total mileage (in thousands)	86,427	84,291	2,136	2.5%	349,349	351,490	(2,141)	-0.6%
Tractor count, average	2,932	2,929	3	0.1%	2,949	2,960	(11)	-0.4%
Trailer count, average	11,005	11,007	(2)	-0.0%	10,938	11,008	(70)	-0.6%
Tractor age	2.2	1.8	0.4	22.2%	2.2	1.8	0.4	22.2%
Trailer age	6.6	6.5	0.1	1.5%	6.6	6.5	0.1	1.5%
Number of owner operators, average	560	424	136	32.1%	509	400	109	27.3%
Canadian based Conventional TL								
Revenue (in thousands of U.S. dollars)	58,497	56,668	1,829	3.2%	206,418	226,816	(20,398)	-9.0%
Adjusted operating ratio	85.2%	85.9%			86.3%	85.6%		
Total mileage (in thousands)	23,095	24,236	(1,141)	-4.7%	89,212	98,943	(9,731)	-9.8%
Tractor count, average	623	641	(18)	-2.8%	606	684	(78)	-11.4%
Trailer count, average	2,809	2,826	(17)	-0.6%	2,796	2,884	(88)	-3.1%
Tractor age	2.5	2.3	0.2	8.7%	2.5	2.3	0.2	8.7%
Trailer age	5.9	5.4	0.5	9.3%	5.9	5.4	0.5	9.3%
Number of owner operators, average	314	317	(3)	-0.9%	302	333	(31)	-9.3%
Specialized TL								
Revenue (in thousands of U.S. dollars)	219,093	200,452	18,641	9.3%	749,655	791,087	(41,432)	-5.2%
Adjusted operating ratio	86.9%	89.3%			84.6%	88.3%		
Tractor count, average	2,314	2,189	125	5.7%	2,096	2,099	(3)	-0.1%
Trailer count, average	6,619	6,142	477	7.8%	6,251	6,121	130	2.1%
Tractor age	4.0	4.0	0.0	0.0%	4.0	4.0	0.0	0.0%
Trailer age	12.9	11.7	1.2	10.3%	12.9	11.7	1.2	10.3%
Number of owner operators, average	1,132	1,224	(92)	-7.5%	1,115	1,191	(76)	-6.4%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

During 2020, eight businesses have been acquired in the Truckload segment, including two business acquisitions in the fourth quarter.

Revenue

For the three months ended December 31, 2020, TL revenue excluding fuel surcharge increased by \$25.4 million or 6%, from \$412.8 million in 2019 to \$438.1 million in 2020. This increase is mainly due to business acquisitions' contribution of \$34.5 million, offset by a decline in revenue from existing

operations of \$9.1 million. For conventional TL operations in the U.S., revenue increased by \$4.8 million, or 3.1% compared to prior year period. Revenue per mile improved by 2.2%, following the strong spot pricing in the US market, and miles per tractor declined by 1.5%, attributable to unseated tractors resulting from the limited driver availability. For conventional TL operations in Canada, revenues increased by \$1.8 million, or 3.2% compared to the prior year period. The increase was due to a 2.5% improvement in revenue per tractor, where revenue per mile improved by 5.2%, offset by a 2.6% decline in miles per tractor. For Specialized TL, revenue increased by \$18.6 million, or 9.3%, compared to the prior year period.

The TL segment brokerage revenue for the three months ended December 31, 2020 decreased by \$5.8 million or 10%, to \$51.2 million. Brokerage gross margins decreased to 18.7% for the three months ended December 31, 2020, from 19.5% in the comparable prior year period.

For the year ended December 31, 2020, TL revenue decreased by \$73.0 million or 4%, from \$1,657.8 million in 2019 to \$1,584.8 million in 2020. This decrease is mainly due to a decline in revenue from existing operations of \$161.0 million, offset by recent business acquisitions' contribution of \$88.0 million. For the brokerage business, revenue decreased by \$50.3 million or 22%, while margins increased from 19.0% in 2019 to 19.3% in 2020.

Operating expenses

For the three months ended December 31, 2020, operating expenses, including business acquisition impact and net of fuel surcharge, increased by \$18.5 million or 5%, from \$366.3 million in 2019 to \$384.8 million in 2020. Material and services expenses, net of fuel surcharge, increased by 5% compared to the fourth quarter of 2019. Personnel expenses and other operating expenses increased by 1% and 14% respectively in the fourth quarter year over year. Included in the personnel expense was \$4.1 million from the Canadian Emergency Wage Subsidy, of which \$2.6 million is accounted for in Specialized TL.

For the year ended December 31, 2020, TL operating expenses, net of fuel surcharge, decreased by \$86.8 million or 6%, from \$1,465.6 million in 2019 to \$1,378.8 million in 2020. The Company continues to improve its cost structure and increase the efficiency and profitability of its existing fleet and network of independent contractors. The decrease in the personnel expense of \$46.5 million, or 8%, from \$549.7 million in 2019 is primarily due to \$24.0 million from the Canadian Emergency Wage Subsidy.

Gain on sale of property

For the three months ended December 31, 2020, a \$2.0 million gain on sale of assets held for sale was recorded in the Truckload segment following the sale of five properties for total considerations of \$6.0 million (a gain of \$5.0 million and proceeds of \$7.0 million in 2019). These disposals are a result of management's continued efforts to improve efficiencies and benefit from economies of scale through the consolidation of operating locations.

For the year ended December 31, 2020, a \$11.8 million gain on sale of assets held for sale was recorded in the Truckload segment following the sale of properties for total considerations of \$23.7 million (a gain of \$12.3 million and proceeds of \$16.0 million in 2019).

Operating income

The TL segment's operating ratio was 87.8% for the three months ended December 31, 2020 as compared to 88.8% in 2019, a \$6.9 million, or 15%, increase in operating income. Operating income in the TL segment was \$53.6 million for the three months ended December 31, 2020, up from \$46.4 million in the same prior year period. The operating income in the fourth quarter of 2019 includes cumulative gains from the sale of assets held for sale and gains on the sale of rolling stock and equipment of \$8.6 million, as compared to a cumulative amount of \$4.3 million in 2020 for a net impact on the operating income of \$4.3 million. The decrease in the proceeds on the sale of the rolling stock and equipment is due to a softer resale market and a reduction in the fleet replacement.

For the year ended December 31, 2020, the TL segment increased its operating income by \$14.2 million or 7%, from \$192.2 million in 2019 to \$206.3 million in 2020.

Logistics

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2020	%	2019*	%	2020	%	2019*	%
Total revenue	327,689		206,268		945,130		774,833	
Fuel surcharge	(5,370)		(7,307)		(21,674)		(29,511)	
Revenue	322,319	100.0%	198,961	100.0%	923,456	100.0%	745,322	100.0%
Materials and services expenses (net of fuel surcharge)	241,798	75.0%	140,019	70.4%	668,225	72.4%	524,098	70.3%
Personnel expenses	24,381	7.6%	25,427	12.8%	93,579	10.1%	96,593	13.0%
Other operating expenses	19,983	6.2%	11,745	5.9%	48,012	5.2%	41,865	5.6%
Depreciation of property and equipment	596	0.2%	640	0.3%	2,336	0.3%	2,147	0.3%
Depreciation of right-of-use assets	3,138	1.0%	2,520	1.3%	13,204	1.4%	14,148	1.9%
Amortization of intangible assets	5,608	1.7%	4,557	2.3%	17,889	1.9%	17,302	2.3%
Bargain purchase gain	—	—	—	—	(4,008)	-0.4%	(8,014)	-1.1%
(Gain) loss on sale of rolling stock and equipment	368	0.1%	(5)	-0.0%	373	0.0%	(43)	-0.0%
Gain on derecognition of right-of-use assets	(20)	-0.0%	(158)	-0.1%	(618)	-0.1%	(221)	-0.0%
Loss on sale of land and buildings and assets held for sale	5	0.0%	—	—	5	0.0%	—	—
Operating income	26,462	8.2%	14,216	7.1%	84,459	9.1%	57,447	7.7%
Adjusted EBITDA	35,809	11.1%	21,933	11.0%	113,885	12.3%	83,030	11.1%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

During 2020, four businesses have been acquired in the Logistics segment, including two business acquisitions in the fourth quarter.

Revenue

For the three months ended December 31, 2020, revenue increased by \$123.4 million, or 62%, from \$199.0 million in 2019 to \$322.3 million. Excluding business acquisitions, revenue increased by \$14.0 million, or 7%, mainly attributable to strong eCommerce activities in Canada.

For the year ended December 31, 2020, revenue increased by \$178.1 million, or 24%, from \$745.3 million to \$923.5 million. Excluding business acquisitions, revenue decreased by 3.1% or \$23.1 million.

Approximately 71% (2019 – 72%) of the Logistics segment's revenues in the quarter were generated from operations in the U.S. and Mexico and approximately 29% (2018 – 28%) were generated from operations in Canada.

Operating expenses

For the three months ended December 31, 2020, total operating expenses, net of fuel surcharge, increased by \$110.9 million, or 60%, from \$184.7 million to \$295.6 million. Excluding business acquisitions, total operating expenses, net of fuel surcharge, increased by \$4.7 million or 2.5%, explained by \$11.9 million increase in materials and services expenses (net of fuel surcharge) due to the revenue increase, but partially offset by a \$4.3 million decrease in personnel expenses and \$3.0 million decrease in other operating expense, mostly coming from the optimization of our last mile operations in the U.S.

For the year ended December 31, 2020, operating expenses, net of fuel surcharge, increased by \$150.8 million, or 22%, compared to 2019, from \$687.9 million to \$838.7 million. Excluding business acquisitions, operating expenses decreased by \$39.1 million, or 5.7%.

Operating income

Operating income for the three months ended December 31, 2020 increased by \$12.2 million, or 86%, from \$14.2 million to \$26.5 million, driven primarily by strong organic revenue growth combined with margin expansion. Excluding business acquisitions, operating margin increased by 380 basis points from 7.1% in 2019 to 10.9% in 2020, mainly as a result of higher quality revenue and cost efficiency measures from our last mile operations.

For the year ended December 31, 2020, operating margin increased by 1.5 percentage points to 9.1%. Excluding the bargain purchase gains and the business acquisitions of 2020, operating income increased by 48% or \$23.7 million compared to 2019, while the operating margin increased from 6.6% to 10.2%.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Sources of cash:				
Net cash from continuing operating activities	164,928	133,262	610,862	500,496
Proceeds from sale of property and equipment	23,949	20,785	52,116	71,754
Proceeds from sale of assets held for sale	6,248	13,079	24,480	39,146
Net variance in cash and bank indebtedness	273,791	270	—	—
Net proceeds from long-term debt	—	—	—	136,569
Proceeds from the issuance of common shares	—	—	425,350	—
Proceeds from the sale of business	2,351	—	2,351	—
Others	3,128	4,861	48,142	18,362
Total sources	474,395	172,257	1,163,301	766,327
Uses of cash:				
Purchases of property and equipment	60,693	92,551	142,710	261,295
Business combinations, net of cash acquired	244,053	(284)	327,650	150,912
Net variance in cash and bank indebtedness	—	—	6,528	6,083
Net repayment of long-term debt	116,153	18,303	484,247	—
Repayment of lease liabilities	22,408	19,859	82,587	75,072
Dividends paid	18,434	14,840	67,604	60,478
Repurchase of own shares	—	22,823	38,021	192,455
Net cash used in discontinued operations	—	1,275	—	12,022
Others	12,654	2,890	13,954	8,010
Total usage	474,395	172,257	1,163,301	766,327

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Cash flow from continuing operating activities

For the year ended December 31, 2020, net cash from continuing operating activities increased by 22% to \$610.9 million from \$500.5 million in 2019. This \$110.4 million increase is attributable to an increase in net income of \$42.0 million, \$17.3 million from improvements in net change in working capital, a decrease in interest paid of \$14.7 million, and a reduction in income taxes paid of \$12.0 million.

Cash flow used in investing activities from continuing operations

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, 2020 and 2019.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Additions to property and equipment:				
Purchases as stated on cash flow statements	60,693	92,551	142,710	261,295
Non-cash adjustments	(283)	(3,478)	104	2,403
	60,410	89,073	142,814	263,698
Additions by category:				
Land and buildings	5,055	36,450	19,331	39,733
Rolling stock	52,744	49,524	112,645	211,796
Equipment	2,611	3,099	10,838	12,169
	60,410	89,073	142,814	263,698

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

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 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, 2020 and 2019.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Proceeds by category:				
Land and buildings	6,053	13,210	23,877	39,535
Rolling stock	24,078	20,654	52,468	70,600
Equipment	66	—	251	765
	30,197	33,864	76,596	110,900
Gains (losses) by category:				
Land and buildings	2,132	6,374	11,877	21,581
Rolling stock	2,275	3,781	8,375	15,616
Equipment	(368)	(74)	(471)	(231)
	4,039	10,081	19,781	36,966

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Business acquisitions

For the year ended December 31, 2020, cash used in business acquisitions totalled \$327.7 million to acquire thirteen businesses. Refer to the section of this report entitled "2020 business acquisitions" and further information can be found in note 5 of the December 31, 2020 audited consolidated financial statements.

Cash flow used in financing activities

Common shares

On February 13, 2020, the Company issued 6,900,000 common shares in the United States and Canada as part of its initial public offering in the United States raising net proceeds of \$217.6 million.

On August 11, 2020, the Company issued 5,060,000 common shares in the United States and Canada, raising net proceeds of \$207.8 million.

Cash flow used in discontinued operations

For the year ended December 31, 2019, discontinued operations used cash of \$12.0 million.

Free cash flow from continuing operations

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Net cash from continuing operating activities	164,928	133,262	610,862	500,496
Additions to property and equipment	(60,410)	(89,073)	(142,814)	(263,698)
Proceeds from sale of property and equipment	23,949	20,785	52,116	71,754
Proceeds from sale of assets held for sale	6,248	13,079	24,480	39,146
Free cash flow from continuing operations	134,715	78,053	544,644	347,698

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment in order to provide stability and competitiveness for 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, 2020, TFI International generated free cash flow from continuing operations of \$544.6 million, compared to \$347.7 million in 2019, which represents a year-over-year increase of \$196.9 million. This increase is mainly due to more net cash from continuing operating activities of \$110.4 million, largely stemming from an increase in net income of \$42.0 million, \$17.3 million from improvements in working capital, a decrease in interest paid of \$14.7 million, and a reduction in income taxes paid of \$12.0 million, and to a reduction in net capital expenditures of \$86.6 million due to the Company's cash management measure put in place as a response to COVID-19 in Q2. The capital expenditures of rolling stock in Q4 have been re-established to prior year levels, \$52.7 million in 2020 as compared to \$49.5 million in 2019.

The free cash flow conversion, which measures the level of capital employed to generate earnings, improved for the three months ended December 31, 2020 to 83.9% from 80.4%, due to improved operating results than compared to 2019. For the year ended December 31, 2020 the free cash flow conversion improved to 89.9% from 76.5% due to the impact of reduced capital expenditures.

Based on the December 31, 2020 closing share price of \$51.58, the free cash flow generated by the Company during 2020 (\$544.6 million) represented a yield of 11.3%.

Financial position

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	As at December 31, 2020	As at December 31, 2019*	As at December 31, 2018**
Total assets	3,849,364	3,508,820	2,968,744
Long-term debt	872,544	1,343,307	1,161,430
Lease liabilities	355,986	355,591	—
Shareholders' equity	1,790,177	1,159,292	1,155,882

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

** Excludes the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited 2019 consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable. Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Compared to December 31, 2019, the Company's long-term debt decreased by \$470.8 million, or 35% during 2020. The repayment of debt was funded by the cash generated from operating activities and from the issuances of common shares, which injected \$563.1 million of cash. The share issuances explain most of the increase in shareholders' equity as well.

As at December 31, 2020, the Company's working capital (accounts receivable, inventory and prepaids less accounts payable) was \$168.3 million compared to \$149.2 million as at December 31, 2019. The increase is mainly attributable to business acquisitions and timing differences of receipts and payments.

Contractual obligations, commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's contractual obligations with their respective maturity dates at December 31, 2020, excluding future interest payments.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – June 2023	125,428	—	125,428	—	—
Unsecured revolving facility – November 2021	7,461	7,461	—	—	—
Unsecured term loan – June 2022	322,200	—	322,200	—	—
Unsecured debenture – December 2024	157,171	—	—	157,171	—
Unsecured senior notes – December 2026	150,000	—	—	—	150,000
Conditional sales contracts	113,086	35,536	59,662	17,352	536
Lease liabilities	355,986	88,522	132,525	68,038	66,901
Total contractual obligations	1,231,332	131,519	639,815	242,561	217,437

On November 21, 2020, the Company renewed its credit facility for one year. The credit facility is unsecured and provides an availability of \$25 million maturing in November 2021. The interest rate follows the same pricing grid applicable for the debt in the CAD \$1,200 million revolving credit facility.

On December 18, 2020, the Company repaid, without penalty, the first tranche of CAD \$200 million of its term loan which was to mature in June 2021.

Subsequent to year end, on January 13, 2021, the Company received \$500 million proceed from a new debt taking the form of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing interest between 3.15% and 3.50%.

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 and are calculated as prescribed by the credit agreement which, among other things, requires the exclusion of the impact of the new standard IFRS 16 Leases:

Covenants	Requirements	As at December 31, 2020
Funded debt-to- EBITDA ratio [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	1.33
EBITDAR-to-interest and rent ratio [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from business acquisitions) to interest and net rent expenses]	> 1.75	4.78

As at December 31, 2020, the Company had \$29.5 million of outstanding letters of credit (\$32.1 million on December 31, 2019).

As at December 31, 2020, the Company had \$117.1 million of purchase commitments and \$44.1 million of purchase orders that the Company intends to enter into a lease that is expected to materialize within a year (December 31, 2019 – \$27.1 million and \$9.0 million, respectively).

Dividends and outstanding share data
Dividends

The Company declared \$21.3 million in dividends, or \$0.23 (CAD \$0.29) per common share, in the fourth quarter of 2020. The Board of Directors approved a quarterly dividend of \$0.23 per outstanding common share of the Company's capital, for an expected aggregate payment of \$21.5 million to be paid on April 15, 2021 to shareholders of record at the close of business on March 31, 2021.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 14, 2020 and expires on October 13, 2021, the Company is authorized to repurchase for cancellation up to a maximum of 7,000,000 of its common shares under certain conditions. As at December 31, 2020, and since the inception of this NCIB, the Company has not repurchased and cancelled any common shares.

For the year ended December 31, 2020, the Company repurchased 1,542,155 common shares (as compared to 6,409,446 in 2019) at a weighted average price of \$24.64 per share (as compared to \$30.03 in 2019) for a total purchase price of \$38.0 million (as compared to \$192.5 million in 2019).

Outstanding shares, stock options and restricted share units

A total of 93,397,985 common shares were outstanding as at December 31, 2020 (December 31, 2019 – 81,450,326). There was no material change in the Company's outstanding share capital between December 31, 2020 and February 18, 2021.

As at December 31, 2020, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 2,982,514 (December 31, 2018 – 4,421,866) of which 2,111,364, were exercisable (December 31, 2019 – 3,039,635). On July 27, 2020, the Board of Directors approved the grant of 99,485 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 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, 2020, the number of restricted share units ("RSUs") granted under the Company's equity incentive plan to its senior employees was 299,075 (December 31, 2019 – 239,337). On February 7, 2020, the Board of Directors approved the grant of 145,218 RSUs under the Company's equity incentive plan. The RSUs will vest in February of the third year following the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

As at December 31, 2020, the number of performance share units ("PSUs") granted under the Company's equity incentive plan to its senior employees was 147,121 (December 31, 2019 – nil). On February 7, 2020, the Board of Directors approved the grant of 145,218 PSUs under the Company's equity incentive plan. The PSUs will vest in February of the third 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 nor positively affect the Company's financial condition or performance and, if necessary, has been provided for in the financial statements.

OUTLOOK

The North American economy was impacted significantly in 2020 by the Coronavirus (COVID-19) pandemic before a general recovery began midyear. While many of the end markets served by TFI International remained relatively strong throughout, such as the transport of essential household goods, medical products and eCommerce, others such as business-to-business and transportation for the apparel and automotive industries have only recently begun to recover. In early February 2021, nearly one year since the onset of the pandemic, a broad economic recovery continues but significant uncertainty remains due to unknowns around more contagious COVID-19 strains, the distribution of vaccines and their overall effectiveness.

TFI International has remained fully operational during the ongoing pandemic with uninterrupted service, by leveraging its integrated and far-reaching network. Nonetheless, economic visibility is currently lower than normal, and a second wave of Coronavirus-related economic disruption could again result in social distancing mandates and lockdowns, adversely impacting end markets served by TFI's operating companies and resulting in another round of declines in freight volumes and pricing. Additional uncertainties include stock market volatility and an ongoing heightened level of civil unrest, along with potential policy changes to be enacted by the new US presidential administration surrounding international trade, environmental mandates, tax and other matters.

Management believes the Company is well prepared to navigate any further disruption in the economic landscape due to its focus on efficiency and its lean cost structure, partially reflecting cost reduction measures enacted in 2020 in response to the pandemic, as well as a longstanding focus on profitability, efficiency, and the rationalization of assets to avoid internal overcapacity. TFI is particularly well positioned to benefit from the expansion of eCommerce and from potential growth and cost synergies related to its recently announced acquisition of UPS Freight, expected to close during the second quarter of 2021. In addition, the Company continues to have strong liquidity and a conservative balance sheet.

Longer term, management believes its decisions over the past year have already facilitated the return to year-over-year growth, and that TFI's current positioning, to be further enhanced by the pending acquisition of UPS Freight, should enable the Company to emerge even stronger when conditions normalize. Regardless of operating conditions, management's goal is to build long-term shareholder value through consistent adherence to its operating

principles, including the intense customer focus exhibited by its many dedicated professionals, its asset-light approach to the business, continual efforts to enhance efficiencies, and an effective strategy around industry consolidation.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

<i>(unaudited) - (in millions of U.S. dollars, except per share data)</i>								
	Q4'20	Q3'20*	Q2'20*	Q1'20*	Q4'19*	Q3'19*	Q2'19*	Q1'19*
Total revenue	1,122.0	936.1	798.5	924.5	989.0	988.4	1,000.3	925.9
Adjusted EBITDA ¹	193.5	189.4	167.6	149.1	163.4	167.9	176.7	141.1
Operating income from continuing operations	117.1	117.0	95.1	87.3	94.1	99.9	120.6	78.9
Net income	86.3	83.1	50.5	55.8	56.7	62.5	65.6	48.9
EPS – basic	0.92	0.91	0.58	0.66	0.70	0.75	0.78	0.57
EPS – diluted	0.91	0.90	0.57	0.65	0.68	0.74	0.76	0.56
Net income from continuing operations	86.3	83.1	50.5	55.8	58.0	62.5	74.8	48.9
EPS from continuing operations – basic	0.92	0.91	0.58	0.66	0.71	0.76	0.89	0.57
EPS from continuing operations – diluted	0.91	0.90	0.57	0.65	0.70	0.74	0.87	0.56
Adjusted net income ¹	93.4	87.5	67.2	52.6	60.1	66.8	76.3	50.4
Adjusted EPS - diluted ¹	0.98	0.94	0.76	0.61	0.72	0.79	0.88	0.58

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

¹ Refer to the section "Non-IFRS financial measures".

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. Higher 2020 and 2019 operating income was also driven by strong execution across the organization, increased quality of revenue, and cost efficiencies. The decline in Q2 2020 is due to COVID-19 related business interruptions.

NON-IFRS FINANCIAL MEASURES

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

Operating expenses: Operating expenses include: a) materials and services expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, which primarily include fuel, repairs and maintenance, vehicle leasing costs, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses; d) depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets and gain or loss on the sale of rolling stock and equipment, on derecognition of right-of use assets, on sale of business and on sale of land and buildings and assets held for sale; e) bargain purchase gain; and f) impairment of intangible assets.

Operating income (loss) from continuing operations: Net income or loss from continuing operations before finance income and costs and income tax expense (recovery), as stated in the 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.

Adjusted net income: Net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value and accretion expense of contingent considerations, net change in the fair value of derivatives, net foreign exchange gain or loss, impairment of intangible assets, bargain purchase gain, gain or loss on sale of land and buildings, assets held for sale and sale of business, and loss from discontinued operations, net of tax and 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

Management's Discussion and Analysis

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. 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.

Adjusted EBITDA: Net income or loss from continuing operations before finance income and costs, income tax expense, depreciation, amortization, impairment of intangible assets, bargain purchase gain, 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) from continuing operations before depreciation, amortization, impairment of intangible assets, bargain purchase gain, 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 U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Net income from continuing operations	86,328	57,955	275,675	244,225
Net finance costs	15,382	15,552	53,910	62,107
Income tax expense	15,412	19,277	86,982	76,536
Depreciation of property and equipment	43,753	44,721	170,520	168,720
Depreciation of right-of-use assets	21,618	19,508	80,496	77,326
Amortization of intangible assets	13,557	12,757	48,213	49,701
Gain on sale of business	(306)	—	(306)	—
Bargain purchase gain	—	—	(4,008)	(8,014)
(Gain) loss on sale of land and buildings	5	(8)	6	(9)
Gain on sale of assets held for sale	(2,211)	(6,365)	(11,899)	(21,571)
Adjusted EBITDA	193,538	163,397	699,589	649,021

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

Segmented adjusted EBITDA reconciliation:

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Package and Courier				
Operating income	29,401	22,680	78,753	82,228
Depreciation and amortization	6,626	6,553	25,357	24,893
Gain on sale of land and buildings	(1)	—	—	—
(Gain) loss on sale of assets held for sale	(92)	62	(91)	(843)
Adjusted EBITDA	35,934	29,295	104,019	106,278
Less-Than-Truckload				
Operating income	24,464	19,311	87,950	82,230
Depreciation and amortization	12,611	13,436	50,354	52,920
Loss on sale of land and buildings	1	—	1	—
(Gain) loss on sale of assets held for sale	8	(1,478)	56	(8,509)
Adjusted EBITDA	37,084	31,269	138,361	126,641
Truckload				
Operating income	53,604	46,417	206,346	192,172
Depreciation and amortization	50,212	48,987	188,979	182,817
Gain on sale of business	(306)	—	(306)	—
Gain on sale of land and buildings	—	(8)	—	(9)
Gain on sale of assets held for sale	(2,127)	(4,949)	(11,864)	(12,339)
Adjusted EBITDA	101,383	90,447	383,155	362,641
Logistics				
Operating income	26,462	14,216	84,459	57,447
Depreciation and amortization	9,342	7,717	33,429	33,597
Bargain purchase gain	—	—	(4,008)	(8,014)
Loss on sale of land and buildings	5	—	5	—
Adjusted EBITDA	35,809	21,933	113,885	83,030
Corporate				
Operating loss	(16,809)	(9,840)	(40,941)	(31,209)
Depreciation and amortization	137	293	1,110	1,520
Loss on sale of assets held for sale	—	—	—	120
Adjusted EBITDA	(16,672)	(9,547)	(39,831)	(29,569)

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

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

Free cash flow: Net cash from continuing operating activities 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.

Free cash flow conversion: Adjusted EBITDA less net capital expenditures (excluding property), divided by the adjusted EBITDA.

Free cash flow conversion reconciliation:

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Net income from continuing operations	86,328	57,955	275,675	244,225
Net finance costs	15,382	15,552	53,910	62,107
Income tax expense	15,412	19,277	86,982	76,536
Depreciation of property and equipment	43,753	44,721	170,520	168,720
Depreciation of right-of-use assets	21,618	19,508	80,496	77,326
Amortization of intangible assets	13,557	12,757	48,213	49,701
Gain on sale of business	(306)	—	(306)	—
Bargain purchase gain	—	—	(4,008)	(8,014)
(Gain) loss on sale of land and buildings	5	(8)	6	(9)
Gain on sale of assets held for sale	(2,211)	(6,365)	(11,899)	(21,571)
Adjusted EBITDA	193,538	163,397	699,589	649,021
Additions to rolling stock and equipment	(55,355)	(52,623)	(123,483)	(223,965)
Proceeds from sale of rolling stock and equipment	24,144	20,654	52,719	71,365
Adjusted EBITDA net of net rolling stock and equipment	162,327	131,428	628,825	496,421
Free cash flow conversion	83.9%	80.4%	89.9%	76.5%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

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

Adjusted operating ratio: Operating expenses from continuing operations before impairment of intangible assets, gain on sale of business, bargain purchase gain, 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 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 U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Operating expenses	1,004,884	896,248	3,364,567	3,520,677
Gain on sale of business	306	—	306	—
Bargain purchase gain	—	—	4,008	8,014
Gain (loss) on sale of land and building	(5)	8	(6)	9
Gain on sale of assets held for sale	2,211	6,365	11,899	21,571
Adjusted operating expenses	1,007,396	902,621	3,380,774	3,550,271
Fuel surcharge revenue	(73,859)	(105,315)	(296,831)	(425,969)
Adjusted operating expenses, net of fuel surcharge revenue	933,537	797,306	3,083,943	3,124,302
Revenue before fuel surcharge	1,048,147	883,717	3,484,303	3,477,576
Adjusted operating ratio	89.1%	90.2%	88.5%	89.8%

*Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

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

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2020	2019*	2020	2019*
Less-Than-Truckload				
Total revenue	157,628	175,319	589,235	727,249
Total operating expenses	133,164	156,008	501,285	645,019
Operating income	24,464	19,311	87,950	82,230
Operating expenses	133,164	156,008	501,285	645,019
Gain (loss) on sale of land and buildings and assets held for sale	(9)	1,478	(57)	8,509
Adjusted operating expenses	133,155	157,486	501,228	653,528
Fuel surcharge revenue	(16,547)	(24,016)	(66,384)	(100,030)
Adjusted operating expenses, net of fuel surcharge revenue	116,608	133,470	434,844	553,498
Revenue before fuel surcharge	141,081	151,303	522,851	627,219
Adjusted operating ratio	82.7%	88.2%	83.2%	88.2%
Truckload				
Total revenue	477,262	469,798	1,748,359	1,891,554
Total operating expenses	423,658	423,381	1,542,013	1,699,382
Operating income	53,604	46,417	206,346	192,172
Operating expenses	423,658	423,381	1,542,013	1,699,382
Gain on sale of business	306	—	306	—
Gain on sale of land and buildings and assets held for sale	2,127	4,957	11,864	12,348
Adjusted operating expenses	426,091	428,338	1,554,183	1,711,730
Fuel surcharge revenue	(39,127)	(57,038)	(163,522)	(233,757)
Adjusted operating expenses, net of fuel surcharge revenue	386,964	371,300	1,390,661	1,477,973
Revenue before fuel surcharge	438,135	412,760	1,584,837	1,657,797
Adjusted operating ratio	88.3%	90.0%	87.7%	89.2%
Truckload - Revenue before fuel surcharge				
U.S. based Conventional TL	161,476	156,678	632,590	646,782
Canadian based Conventional TL	58,497	56,668	206,418	226,816
Specialized TL	219,093	200,452	749,655	791,087
Eliminations	(931)	(1,038)	(3,826)	(6,888)
	438,135	412,760	1,584,837	1,657,797
Truckload - Fuel surcharge revenue				
U.S. based Conventional TL	19,006	26,720	81,222	112,165
Canadian based Conventional TL	4,798	7,677	19,408	31,628
Specialized TL	15,244	22,686	63,018	90,650
Eliminations	79	(45)	(126)	(686)
	39,127	57,038	163,522	233,757
Truckload - Operating income				
U.S. based Conventional TL	13,722	11,931	51,857	55,055
Canadian based Conventional TL	8,673	8,001	28,337	32,610
Specialized TL	31,209	26,485	126,152	104,507
	53,604	46,417	206,346	192,172
U.S. based Conventional TL				
Operating expenses**	166,760	171,467	661,955	703,892
Gain on sale of land and buildings and assets held for sale	—	—	1,103	—
Adjusted operating expenses	166,760	171,467	663,058	703,892
Fuel surcharge revenue	(19,006)	(26,720)	(81,222)	(112,165)
Adjusted operating expenses, net of fuel surcharge revenue	147,754	144,747	581,836	591,727
Revenue before fuel surcharge	161,476	156,678	632,590	646,782
Adjusted operating ratio	91.5%	92.4%	92.0%	91.5%
Canadian based Conventional TL				
Operating expenses**	54,622	56,344	197,489	225,834
Gain on sale of land and buildings and assets held for sale	—	8	—	8
Adjusted operating expenses	54,622	56,352	197,489	225,842
Fuel surcharge revenue	(4,798)	(7,677)	(19,408)	(31,628)
Adjusted operating expenses, net of fuel surcharge revenue	49,824	48,675	178,081	194,214
Revenue before fuel surcharge	58,497	56,668	206,418	226,816
Adjusted operating ratio	85.2%	85.9%	86.3%	85.6%
Specialized TL				
Operating expenses**	203,128	196,653	686,521	777,230
Gain on sale of business	306	—	306	—
Gain on sale of assets held for sale	2,127	4,949	10,761	12,340
Adjusted operating expenses	205,561	201,602	697,588	789,570
Fuel surcharge revenue	(15,244)	(22,686)	(63,018)	(90,650)
Adjusted operating expenses, net of fuel surcharge revenue	190,317	178,916	634,570	698,920
Revenue before fuel surcharge	219,093	200,452	749,655	791,087
Adjusted operating ratio	86.9%	89.3%	84.6%	88.3%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.
 ** Operating expenses excluding intra TL eliminations

RISKS AND UNCERTAINTIES

The Company's future results may be affected by a number of factors over many 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, prospects, financial condition, results of operations and cash flows.

Competition. 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 "ELDs" 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, autonomous vehicle technology 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;
- the Company's brand names may be subject to adverse publicity (whether or not justified) and lose significant value, which could result in reduced demand for the Company's services;
- 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. 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 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.

In addition to the regulatory regime applicable to operations in Canada, the Company is increasing its operations in the United States, and is therefore increasingly subject to rules and regulations related to the U.S. transportation industry, including 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 ("EPA") and the Department of Homeland Security. Drivers must, both in Canada and the United States, comply with safety and fitness regulations, including those relating to drug and alcohol testing, driver safety performance and hours of service. Weight and dimensions, exhaust emissions and fuel efficiency are also subject to government regulation. The Company may also 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.

Management's Discussion and Analysis

In the United States, there are currently two methods of evaluating the safety and fitness of carriers: the Compliance, Safety, Accountability ("CSA") program, which evaluates and ranks fleets on certain safety-related standards by analyzing data from recent safety events and investigation results, and the DOT safety rating, which is based on an on-site investigation and affects a carrier's ability to operate in interstate commerce. Additionally, the FMCSA has proposed rules in the past that would change the methodologies used to determine carrier safety and fitness.

Under the CSA program, carriers are evaluated and ranked against their peers based on seven categories of safety-related data. The seven categories of safety-related data currently include Unsafe Driving, Hours-of-Service Compliance, Driver Fitness, Controlled Substances/Alcohol, Vehicle Maintenance, Hazardous Materials Compliance and Crash Indicator (such categories known as "BASICS"). Carriers are grouped by category with other carriers that have a similar number of safety events (i.e. crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile or score. If the Company were subject to any such interventions, this could have an adverse effect on the Company's business, financial condition and results of operations. As a result, the Company's fleet could be ranked poorly as compared to peer carriers. There is no guarantee that we will be able to maintain our current safety ratings or that we will not be subject to interventions in the future. 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 favorable 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 unfavorable scores.

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. The FAST Act is set to expire in September 2020, and the U.S. Congress has noted its intent to consider a multiyear highway measure that would update the FAST Act, which could lead to further changes to the CSA program. Any changes that increase the likelihood of the Company receiving unfavorable 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 final rule became effective on January 4, 2017, with a compliance date of January 6, 2020. In December 2019, however, the FMCSA announced a final rule pursuant to which the compliance date for state driver's licensing agencies for certain Drug and Alcohol Clearinghouse requirements were extended for three years. The December 2016 commercial driver's license rule initially required states to request information from the clearinghouse about individuals prior to issuing, renewing, upgrading or transferring a commercial driver's license. This new action will allow states to delay compliance with the requirement until January 2023.

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 (FMCSA officials recently delayed implementation of the final rule by two years). 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. In 2019 U.S. Congressional representatives proposed a similar rule related to speed limiting devices. 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

Management's Discussion and Analysis

restrict the Company's operations and increase the Company's insurance costs.

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 FMCSA also recently announced plans to conduct a new study on the causation of certain crashes. Although it remains unclear whether such a study will ultimately be undertaken and completed, the results of such a study could spur further proposed and/or final rules regarding safety and fitness in the United States.

From time to time, the FMCSA proposes and implements changes to regulations impacting hours-of-service. Such changes can negatively impact the Company's productivity and affect its operations and profitability by reducing the number of hours per day or week the Company's U.S. drivers and independent contractors may operate and/or disrupt the Company's network. In August 2019, the FMCSA issued a proposal to make changes to its hours-of-service rules that would allow U.S. truck drivers more flexibility with their 30-minute rest break and with dividing their time in the sleeper berth. It would also extend by two hours the duty time for drivers encountering adverse weather, and extend the short haul exemption by lengthening the drivers' maximum on-duty period from 12 hours to 14 hours. It is unclear how long the process of finalizing a final rule will take, if one does come to fruition. Any future changes to hours of service regulations could materially and adversely affect the Company's operations and profitability.

The U.S. National Highway Traffic Safety Administration, the EPA 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. U.S. federal and state lawmakers and regulators have also adopted or are considering a variety of other climate-change legal requirements related to carbon emissions and greenhouse gas

emissions. These legal requirements could potentially limit carbon emissions within certain states and municipalities in the United States. Certain of these legal requirements restrict the location and amount of time that diesel-powered tractors (like the Company's) may idle, which may force the Company to purchase on-board power units that do not require the engine to idle or to alter the Company's drivers' behavior, which might result in a decrease in productivity and/or an increase in driver turnover. All of these regulations have increased, and may continue to increase, the cost of new tractors and trailers and may require the Company to retrofit certain of its tractors and trailers, may increase its maintenance costs, and could impair equipment productivity and increase the Company's operating costs, particularly if such costs are not offset by potential fuel savings. The occurrence of any of these adverse effects, combined with the uncertainty as to the reliability of the newly-designed diesel engines and the residual values of the Company's equipment, 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. The Company cannot predict the extent to which its operations and productivity will be impacted by any future regulations. The Company will continue monitoring its compliance with U.S. federal and state environmental regulations.

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. However, in December 2018, the FMCSA granted a petition filed by the American Trucking Associations determining that federal law pre-empts California's wage and hour laws, and interstate truck drivers are not subject to such laws. The FMCSA's decision has been appealed by labour groups and multiple lawsuits have been filed in U.S. federal courts seeking to overturn the decision, and thus it is uncertain whether it will stand. 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. Further, driver piece rate compensation, which is an industry standard, has been attacked as non-compliant with state minimum wage laws. 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. In addition, the uncertainty with respect to the practical application of wage and hour laws are, in the future may be, resulting in additional costs for the Company and the industry as a whole, and a negative outcome with respect to any of the above-mentioned lawsuits could materially affect the Company. 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

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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, decreased efficiency and increased risk of non-compliance. In April 2016, the Food and Drug Administration ("FDA") published a final rule establishing requirements for shippers, loaders, carriers by motor vehicle and rail vehicle, and receivers engaged in the transportation of food, to use sanitary transportation practices to ensure the safety of the food they transport as part of the FSMA. This rule sets forth requirements related to (i) the design and maintenance of equipment used to transport food, (ii) the measures taken during food transportation to ensure food safety, (iii) the training of carrier personnel in sanitary food transportation practices, and (iv) maintenance and retention of records of written procedures, agreements, and training related to the foregoing items. These requirements took effect for larger carriers in April 2017 and apply to the Company when it acts as a carrier or as a broker. If the Company is found to be in violation of applicable laws or regulations related to the FSMA or if the Company transports food or goods that are contaminated or are found to cause illness and/or death, the Company could be subject to substantial fines, lawsuits, penalties and/or criminal and civil liability, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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 ELDs 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.

United States and Mexican 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, theft or vandalism, 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.

The United States has imposed 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, including tariffs applied to goods traded between the United States and China, 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.

The United States-Mexico-Canada Agreement ("USMCA") has been ratified by the United States and Mexico but must be ratified by the Parliament of Canada before it enters into effect. The USMCA is designed to modernize food and agriculture trade, advance rules of origin for automobiles and trucks, and enhance intellectual property protections, among other matters, according to the Office of the U.S. Trade Representative. The USMCA is now in the process of being ratified by each country. It is difficult to predict at this stage what could be the impact of the USMCA on the economy, including the transportation industry. However, given the amount of North American trade that moves by truck, if the USMCA enters into effect, it could have a significant impact on supply and demand in the transportation industry, and could adversely impact the amount, movement and patterns of freight transported by the Company.

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. The Treasury has issued final regulations and interpretive guidance on specific areas since the 2017 Tax Cuts and Jobs Act was enacted, but there remain significant regulations that are still awaiting finalization. The finalization of these proposed regulations could have a material adverse effect on the Corporation's results in future periods. 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

Management's Discussion and Analysis

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 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 may also 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) recruiting and retaining qualified drivers; (iv) strikes, work stoppages or work slowdowns at the Company's facilities or at customer, port, border crossing or other shipping-related facilities; (v) compliance with ongoing regulatory requirements; (vi) increases in interest rates, fuel taxes, tolls and license and registration fees; and (vii) rising healthcare costs in the United States.

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;

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- 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 Canadian, U.S. or Mexican 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 favorable terms in the future, it may have to limit its fleet size, enter into less favorable financing arrangements or operate its revenue equipment for longer periods, any of which could have a materially adverse effect on its profitability.

Coronavirus ("COVID-19") outbreak or other similar outbreaks. The recent outbreak of COVID-19, and any other outbreaks of contagious diseases or other adverse public health developments, could have a materially adverse effect on the Company's financial condition, liquidity, results of operations, and cash flows. The outbreak of COVID-19 has resulted in governmental authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, increased border and port controls and closures, and shutdowns. There is considerable uncertainty regarding such measures and potential future measures, all of which could limit our ability to meet customer demand, as well as reduce customer demand.

Certain of the Company's office personnel, has been working remotely, which could disrupt to a certain extent the Company's management, business, finance, and financial reporting teams. The Company may experience an increase in absences or terminations among its driver and non-driver personnel due to the outbreak of COVID-19, which could have a materially adverse effect on the Company's operating results. Further, the Company's operations, particularly in areas of increased COVID-19 infections, could be disrupted resulting in a negative impact on the Company's operations and results.

The outbreak of COVID-19 has significantly increased economic and demand uncertainty. It is likely that the current outbreak or continued spread of COVID-19 will cause an economic slowdown, and it is possible that it could cause a global recession. Risks related to a slowdown or recession are described in our risk factor titled "General Economic, Credit and Business Conditions".

The extent to which COVID-19 could impact the Company's operations, financial condition, liquidity, results of operations, and cash flows is highly uncertain and will depend on future developments. Such developments may include the geographic spread and duration of the virus, the severity of the disease and the actions that may be taken by various governmental authorities and other third parties in response to the outbreak.

Interest Rate Fluctuations. 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. 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.

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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 and 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 CAD \$10 million limit per occurrence for automobile bodily injury, property damage and commercial general liability for its Canadian Insurance Program, subject to certain exceptions. The Company retains a deductible of US \$2.25

million for certain U.S. subsidiaries on their primary US \$5 million limit policies for automobile bodily injury and property damage, also subject to certain exceptions, and a 50% quota share deductible for the US \$5 million limit in excess of US \$5 million. The Company retains a deductible of US \$1 million on its primary US \$5 million limit policy for certain U.S. subsidiaries for commercial general liability. The Company retains deductibles of up to US \$1 million per occurrence for workers' compensation claims. The Company's liability coverage has a total limit of US \$100 million per occurrence for both its Canadian and U.S. divisions.

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 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; (iv) the Company experiences a significant increase in premiums; or (v) 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. Most of the Company's unionized employees are Canadian employees with a small number of unionized employees in the United States. 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 additional 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

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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 Company's collective agreements have a variety of expiration dates, to the last of which is in September 2024. In a small number of cases, the expiration date of the collective agreement has passed; in such cases, the Corporation is generally in the process of renegotiating the agreement. 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 trucking 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 state or 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 and state 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

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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, courts in certain U.S. states have recently issued decisions that could result in a greater likelihood that independent contractors would be judicially classified as employees in such states.

In September 2019, California enacted a new law, A.B. 5 ("AB5"), that made it more difficult for workers to be classified as independent contractors (as opposed to employees). AB5 provides that the three-pronged "ABC Test" must be used to determine worker classifications in wage order claims. Under the ABC Test, a worker is presumed to be an employee and the burden to demonstrate their independent contractor status is on the hiring company through satisfying all three of the following criteria: (a) the worker is free from control and direction in the performance of services; (b) the worker is performing work outside the usual course of the business of the hiring company; and (c) the worker is customarily engaged in an independently established trade, occupation, or business. How AB5 will be enforced is still to be determined. While it was set to enter into effect in January 2020, a federal judge in California issued a preliminary injunction barring the enforcement of AB5 on the trucking industry while the California Trucking Association ("CTA") moves forward with its suit seeking to invalidate AB5. While this preliminary injunction provides temporary relief to the enforcement of AB5, it remains unclear how long such relief will last, whether the CTA will ultimately be successful in invalidating the law, and whether other U.S. States will enact laws similar to AB5.

U.S. class action lawsuits 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. The Company has settled certain class action cases in Massachusetts and California in the past with independent contractors who alleged they were misclassified.

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. Further, management of acquired operations through a decentralized approach may create inefficiencies or inconsistencies.

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 continues to review acquisition and investment opportunities in order to acquire companies and assets that meet the

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Company's investment criteria, some of which may be significant. 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 routinely evaluates its operations and considers opportunities to divest certain of its assets. 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, or divests certain of its operations, 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.

Growth. There is no assurance that in the future, the Company's business will grow substantially or without volatility, nor is there any assurance that the Company will be able to effectively adapt its management, administrative and operational systems to respond to any future growth. Furthermore, there is no assurance that the Company's operating margins will not be adversely affected by future changes in and expansion of its business or by changes in economic conditions or that it will be able to sustain or improve its profitability in the future.

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, as well as on parties who arranged for the disposal of waste at such properties. 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 of the Company's current or former 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 under certain of these laws and regulations may be imposed on a joint and several basis and without regard to whether the Company knew of, or was responsible for, the presence or disposal of these materials or whether the activities giving rise to the contamination was legal when it occurred. 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. If the Company incurs liability under these 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. There can be no assurance that the Company will not be required at some future date to incur significant costs or liabilities pursuant to environmental laws, or that the Company's operations, business or assets will not be materially 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 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. 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 current or former facilities or

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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 Company's management and key personnel possess valuable knowledge about the transportation and logistics industry and their knowledge of and relationships with the Company's key customers and vendors would be difficult to replace. 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 agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, 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, and 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 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 trucking industry and the Company's trucking operations are capital intensive, and require significant capital expenditures annually. The amount and timing of such capital expenditures depend on various factors, including anticipated freight demand and the price and availability of assets. If anticipated demand differs materially from actual usage, the Company's trucking operations may have too many or too few assets. Moreover, resource requirements vary based on customer demand, which may be subject to seasonal or general economic conditions. 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 such turn ins, particularly during times of a softer used equipment market, either of which could have a materially adverse effect on the Company's profitability.

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. The agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, mature on various dates, ranging from 2021 to 2026. There can be no assurance that such agreements governing the Company's indebtedness 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 the Credit Facility or the Term Loan or arrange refinancing of any indebtedness, 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

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Company's revenue equipment for longer periods, any of which may have a material adverse effect on the Company's operations.

Increased prices for new revenue equipment, design changes of new engines, decreased availability of new revenue equipment and future use of autonomous tractors could have a material adverse effect on the Company's business, financial condition, operations, and profitability.

The Company is subject to risk with respect to higher prices for new equipment for its trucking operations. The Company has experienced an increase in prices for new tractors in recent years, and the resale value of the tractors has not increased to the same extent. Prices have increased and may continue to increase, due to, among other reasons, (i) increases in commodity prices; (ii) U.S. government regulations applicable to newly-manufactured tractors, trailers and diesel engines; and (iii) the pricing discretion of equipment manufacturers. Increased regulation has increased the cost of the Company's new tractors and could impair equipment productivity, in some cases, resulting in lower fuel mileage, and increasing the Company's operating expenses. Further regulations with stricter emissions and efficiency requirements have been proposed that would further increase the Company's costs and impair equipment productivity. These adverse effects, combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles could increase the Company's costs or otherwise adversely affect the Company's business or operations as the regulations become effective. Over the past several years, some manufacturers have significantly increased new equipment prices, in part to meet new engine design and operations requirements. Furthermore, future use of autonomous tractors could increase the price of new tractors and decrease the value of used non-autonomous tractors. The Company's business could be harmed if it is unable to continue to obtain an adequate supply of new tractors and trailers for these or other reasons. As a result, the Company expects to continue to pay increased prices for equipment and incur additional expenses for the foreseeable future.

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. A decrease in vendor output may have a materially adverse effect on the Company's ability to purchase a quantity of new revenue equipment that is sufficient to sustain its desired growth rate and to maintain a late model fleet. Moreover, an inability to obtain an adequate supply of new tractors or trailers could have a material adverse effect on the Company's business, financial condition, and results of operation.

The Company has certain revenue equipment leases and financing arrangements with balloon payments at the end of the lease term equal to the residual value the Company is contracted to receive from certain equipment manufacturers upon sale or trade back to the manufacturers. If the Company does not purchase new equipment that triggers the trade-back obligation, or the equipment manufacturers do not pay the contracted value at the end of the lease term, the Company could be

exposed to losses equal to the excess of the balloon payment owed to the lease or finance company over the proceeds from selling the equipment on the open market.

The Company has trade-in and repurchase commitments that specify, among other things, what its primary equipment vendors will pay it for disposal of a certain portion of the Company's revenue equipment. The prices the Company expects to receive under these arrangements may be higher than the prices it would receive in the open market. The Company may suffer a financial loss upon disposition of its equipment if these vendors refuse or are unable to meet their financial obligations under these agreements, it does not enter into definitive agreements that reflect favorable equipment replacement or trade-in terms, it fails to or is unable to enter into similar arrangements in the future, or it does not purchase the number of new replacement units from the vendors required for such trade-ins.

Used equipment prices are subject to substantial fluctuations based on freight demand, supply of used trucks, availability of financing, presence of buyers for export and commodity prices for scrap metal. These and any impacts of a depressed market for used equipment could require the Company to dispose of its revenue equipment below the carrying value. This leads to losses on disposal or impairments of revenue equipment, when not otherwise protected by residual value arrangements. Deteriorations of resale prices or trades at depressed values could cause losses on disposal or impairment charges in future periods.

Difficulty in obtaining goods and services from the Company's vendors and suppliers could adversely affect its business.

The Company is dependent upon its vendors and suppliers for certain products and materials. The Company believes that it has positive vendor and supplier relationships and it is generally able to obtain acceptable pricing and other terms from such parties. If the Company fails to maintain positive relationships with its vendors and suppliers, or if its vendors and suppliers are unable to provide the products and materials it needs or undergo financial hardship, the Company could experience difficulty in obtaining needed goods and services because of production interruptions, limited material availability or other reasons. As a consequence, the Company's business and operations could be adversely affected.

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 year ended December 31, 2020. 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

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to do so in order 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 receives and transmits confidential data with and among its customers, drivers, vendors, employees and service providers in the normal course of business.

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. The Company's systems are also vulnerable to unauthorized access and viewing, misappropriation, altering or deleting of information, including customer, driver, vendor, employee and service provider information and its proprietary business information. 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. For example, during the year ended December 31, 2019, the Company recognized a net loss on an accident claim of CAD \$14.2 million (CAD \$16.6 million net of CAD \$2.4 million of tax recovery). 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. In addition, the Company may be subject, and has been subject in the past, to litigation resulting from trucking accidents. The number and severity of litigation claims may be worsened by distracted driving by both truck drivers and other motorists. 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 funded 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. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause the Company to fail to meet its reporting obligations. In addition and when required, any testing by the Company conducted in connection with section 404 of the U.S. Sarbanes-Oxley Act, or the subsequent testing by the Company's independent registered public accounting firm, may reveal deficiencies in the Company's internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retrospective changes to the Company's consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the Common Shares.

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Material Transactions. The Company has acquired numerous companies pursuant to its acquisition strategy and, in addition, has sold business units, including the sale in February 2016 of its then-Waste Management segment for CAD \$800 million. The Company buys and sells business units in the normal course of its business. Accordingly, at any given time, the Company may consider, or be in the process of negotiating, a number of potential acquisitions and dispositions, some of which may be material in size. In connection with such potential transactions, the Company regularly enters into non-disclosure or confidentiality agreements, indicative term sheets, non-binding letters of intent and other similar agreements with potential sellers and buyers, and conducts extensive due diligence as applicable. These potential transactions may relate to some or all of the Company's four reportable segments, that is, TL, Logistics, LTL, and Package and Courier. The Company's active acquisition and disposition strategy requires a significant amount of management time and resources. Although the Company complies with its disclosure obligations under applicable securities laws, the announcement of any material transaction by the Company (or rumours thereof, even if unfounded) could result in volatility in the market price and trading volume of the Common Shares. Further, the Company cannot predict the reaction of the market, or of the Company's stakeholders, customers or competitors, to the announcement of any such material transaction or to rumours thereof.

Dividends and Share Repurchases. The payment of future dividends and the amount thereof is uncertain and is at the sole discretion of the Board of Directors of the Company and is considered each quarter. The payment of dividends is dependent upon, among other things, operating cash flow generated by the Company, its financial requirements for operations, the execution of its growth strategy and the satisfaction of solvency tests imposed by the Canada Business Corporations Act for the declaration and payment of dividends. Similarly, any future repurchase of shares by the Company is at the sole discretion of the Board of Directors and is dependent on the factors described above. Any future repurchase of shares by the Company is uncertain.

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 establishing the fair value of intangible assets related to business combinations, determining estimates and assumptions related to impairment tests for goodwill, and determining estimates and assumptions related to the evaluation of provisions for self-insurance and litigations. These estimates and assumptions are based on management's best estimates and judgments. Key drivers in critical estimates are as follows:

Fair value of intangible assets related to business combinations

- Projected future cashflows

- Acquisition specific discount rate
- Attrition rate established from historical trends

Impairment tests for goodwill

- Discount rates
- Forecasted revenue growth, operating margin, EBITDA margin as well as capital expenditures
- Comparable public company EBITDA multiples

Self-Insurance and litigations

- Historical claim experience, severity factors affecting the amounts ultimately paid, and current and expected levels of cost per claims
- Third party evaluations

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, 2020 and have been applied in preparing the audited consolidated financial statements:

Definition of a business (Amendments to IFRS 3)

Amendments to Hedge Accounting Requirements – IBOR Reform and its Effects on Financial Reporting (Phase 1)

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, 2020, and have not been applied in preparing the audited consolidated financial statements:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37)

Interest Rate Benchmark Reform – Phase 2

(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Further information can be found in note 3 of the December 31, 2020 audited consolidated financial statements.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' National Instrument 52-109 and as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) Act, 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, 2020, 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, 2020.

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, 2020, 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, 2020, 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, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.