Andlauer
HEALTHCARE GROUP

ANNUAL REPORT 2024

A VITAL LINK
IN HEALTHCARE

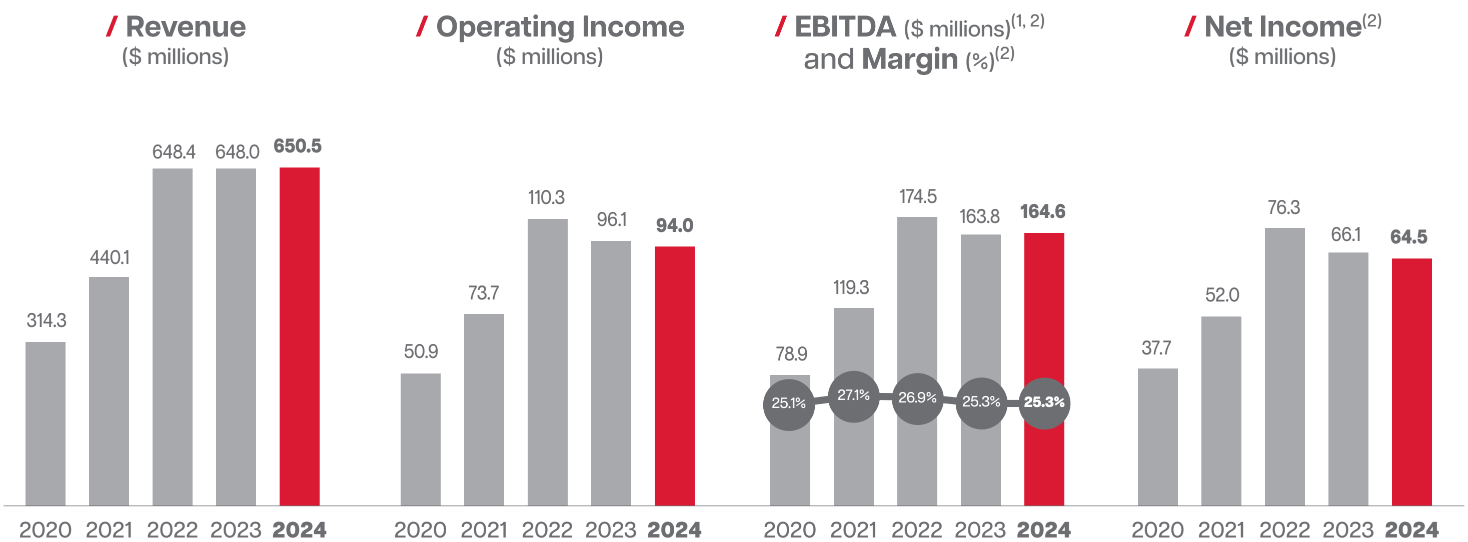
PROFILE

Andlauer Healthcare Group Inc. (TSX: AND) is a leading and growing supply chain management company offering a robust platform of customized third-party logistics ("3PL") and specialized transportation solutions for the healthcare sector. Our 3PL services include customized logistics, distribution and packaging solutions for healthcare manufacturers across Canada. Our specialized transportation services in Canada, including air freight forwarding, ground transportation, dedicated delivery and last mile services, provide a one-stop shop for clients' healthcare transportation needs. Through our complementary service offerings, available across a coast-to-coast distribution network, we strive to accommodate the full range of our clients' specialized supply chain needs on an integrated and efficient basis. We also provide specialized ground transportation services, primarily to the healthcare sector, across the 48 contiguous U.S. states.

2024 HIGHLIGHTS

- We generated record annual revenue of $650.5 million and an EBITDA margin of 25.3%, in line with our target range of 24% to 26%;
- In January 2024, we completed a 35,000 square-foot expansion at our Logistics Support Unit facility in Laval, Québec;
- We increased our quarterly dividend twice in Fiscal 2024 and again subsequent to year end, bringing it from $0.09 per share at the end of 2023 to the current level of $0.12 per share;
- During 2024, we purchased and cancelled approximately 2,425,884 subordinate voting shares through our normal course issuer bids and a substantial issuer bid, for a total of approximately $106.7 million, in support of accretive earnings growth;
- Net earnings per share increased to $1.58 (diluted) for 2024, compared to $1.55 per share (diluted) for 2023; and
- We repaid $10.0 million of debt and finished the year with a strong balance sheet, providing financial flexibility to pursue further opportunities to expand our platform.

FINANCIAL PERFORMANCE



(1) EBITDA is defined as net income for the period before: (i) income tax expense; (ii) interest income; (iii) interest expense; and (iv) depreciation and amortization.

(2) The EBITDA, EBITDA Margin and net income figures provided above exclude the gain of $37.9 million on the step acquisition of 51% of Skelton USA Inc. in Fiscal 2021. Including the gain, EBITDA for Fiscal 2021 was $157.2 million, EBITDA Margin was 35.7%, and net income was $90.0 million.

FELLOW SHAREHOLDERS,

On behalf of our Board of Directors, senior management, and our team of more than 2,400 personnel and owner/operators across Canada and the United States, I am pleased to present Andlauer Healthcare Group's 2024 Annual Report.

Michael Andlauer
Chief Executive Officer

Our consolidated revenue in 2024 totaled a record $650.5 million and our EBITDA margin was 25.3%, in line with our target range of 24% to 26%. Our financial performance for the year reflects the continued growth in our Canadian specialized transportation network and the improving performance of our logistics and distribution product line in the second half of the year, offset by lower contributions from our US-based truckload businesses (Boyle Transportation and Skelton USA).

We continued to generate organic revenue growth throughout the year in our Canadian ground transportation, dedicated and last mile delivery, and air freight forwarding product lines, primarily reflecting higher volumes, partially offset by lower fuel surcharge revenue. Ground transportation revenue, excluding fuel, in our Canadian network was up 7.2% compared to 2023, and dedicated and last mile delivery, and air freight forwarding revenue increased by 7.3% and 4.4%, respectively, compared to last year.

After a slow start to the year in our logistics and distribution product line due to lower volumes for certain of our Accuristix consumer health clients, revenue from our pharmaceutical and biologics clients started to increase in the second quarter and continued throughout the year, which offset the cyclical decline in consumer health product volumes. In the fourth quarter, revenue from our consumer health clients stabilized and we generated increased revenue from both Accuristix and Logistics Support Unit, reflecting a combination of overall higher volumes and planned rate increases.

Our packaging solutions has always been more of a complementary service offering versus a core service offering, and we generated marginal growth from this product line in 2024. Subsequent to year-end, we entered into a 50 / 50 packaging joint venture agreement with NowPac Inc., a privately-owned, Toronto-based company specializing in contract packaging services for the healthcare sector. NowPac is highly regarded by our shared healthcare customers. Their focus on quality and compliance, coupled with a long track record of successfully delivering scalable, innovative solutions to the market, makes NowPac an attractive strategic partner for us to drive growth in our packaging operations. With greater scalability, we can address a broader range of customer demand. We'll also have the opportunity to add volume to our logistics and distribution, and transportation operations. We expect the joint venture to be immediately accretive to our cash flow and earnings per share.

With regards to our U.S. operations, we thought that the U.S. truckload industry had reached the trough in the cycle in late 2023, but 2024 proved to be a weaker year. It's being referred to as "the Great Freight Recession" in industry circles in the U.S. and has now lasted longer than the bull run experienced during the pandemic. Our U.S. ground transportation revenue, excluding fuel, declined by $18.3 million in 2024 compared to 2023, and EBITDA attributable to Boyle Transportation and Skelton USA was approximately $9.1 million lower compared to 2023.

In response to the challenging U.S. industry conditions, we continue to focus on revenue quality in our U.S. operations, and as a result, some of our equipment remains idle. We have relocated 25 of our U.S. trailers to Canada to optimize capacity utilization and reduce our capital expenditures in Canada. We have also started the process of amalgamating Boyle and Skelton USA to drive further efficiencies. Looking ahead, we expect the U.S. trucking industry to eventually improve from these levels, which would positively contribute to our bottom line.

Our challenges south of the border resulted in our consolidated net income declining to $64.5 million in 2024, from $66.1 million in 2023. However, our earnings per share increased to $1.58 (diluted) in 2024, up from $1.55 (diluted) in 2023, which reflects the accretive impact of the share buybacks we have undertaken over the past two years.

We commenced our first normal course issuer bid (“NCIB”) in March 2023, purchasing and cancelling 634,090 subordinate voting shares prior to its termination in March 2024. In June 2024, we completed a substantial issuer bid purchasing and cancelling 2,000,000 subordinate voting shares. In July 2024, we commenced a second NCIB that will terminate in July 2025. As of December 31, 2024, we had purchased and cancelled 266,534 subordinate voting shares pursuant to our current NCIB.

We believe our share buybacks represent an attractive, accretive capital allocation strategy and support the best interests of our shareholders over the long term. We also implemented two increases to our quarterly dividend during 2024, increasing our payout from $0.09 per share in the fourth quarter of 2023 to $0.10 in the first quarter of 2024, and to $0.11 in the third quarter. Effective for the first quarter of 2025, our Board approved a further increase to our quarterly dividend to $0.12 per share. We are pleased to allocate capital to these value-enhancing initiatives for our shareholders, but the expansion of our platform remains a capital allocation priority. Our asset light business model, low debt levels and strong cash flow generation provides us the financial flexibility to buy back shares and regularly increase our dividend without impacting our ability to pursue complementary acquisitions.

While it is difficult to control timing, we have been actively assessing a number of opportunities to expand our platform. Our NowPac joint venture is a good example of this. As we continue to evaluate opportunities, we will maintain our focus on strengthening our existing platform or broadening our service offering to further enhance our clients’ connection to our platform. Spending on healthcare logistics and transportation has been outpacing GDP growth in both Canada and the United States, and this trend is expected to continue. With our strong balance sheet, we are well positioned to capitalize on growth opportunities in this large, stable and growing market to build shareholder value.

In closing, I want to thank our dedicated team of people that fortify our exceptional platform of companies, and our Board of Directors for their strategic contributions and governance oversight. And to our shareholders, we appreciate your confidence and continued support.

Yours in health,

Michael Andlauer
Chief Executive Officer

ANDLAUER HEALTHCARE GROUP INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations
for the fiscal year ended December 31, 2024

February 26, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations ("MD&A") for the three months and year ended December 31, 2024 should be read in conjunction with Andlauer Healthcare Group Inc.'s audited annual consolidated financial statements for the fiscal year ended December 31, 2024, along with the related notes thereto. This MD&A is presented as of February 26, 2025 and is current to that date unless otherwise stated.

All references in this MD&A to the "Company", "AHG", "us", "our" or "we" refer to Andlauer Healthcare Group Inc., together with our direct and indirect subsidiaries, on a consolidated basis, which is referred to as "the Company" in our financial statements. Additionally, all references to "Q4 2024" are to the three months ended December 31, 2024; "Q4 2023" are to the three months ended December 31, 2023; "Q4 2022" are to the three months ended December 31, 2022; "Q3 2024" are to the three months ended September 30, 2024; "Q3 2023" are to the three months ended September 30, 2023; "Q2 2024" are to the three months ended June 30, 2024; "Q2 2023" are to the three months ended June 30, 2023; "Q1 2024" are to the three months ended March 31, 2024; "Q1 2023" are to the three months ended March 31, 2023; "Fiscal 2025" are to the year ended December 31, 2025; "Fiscal 2024" are to the year ended December 31, 2024; "Fiscal 2023" are to the year ended December 31, 2023; and "Fiscal 2022" are to the year ended December 31, 2022.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans, objectives, and expectations with respect to our Credit Facilities, our WMS and our ESG reporting (each as defined below). Particularly, information regarding our expectations of future results, performance, achievements, facility expansions, leases, platform expansions, acquisitions, public company costs, payment of dividends, prospects, financial targets or outlook, intentions, opportunities, activity under the 2024 NCIB (as defined below) and the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", "commencing" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the Company.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that, while considered by the Company to be appropriate and reasonable as of the date of this MD&A, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to:

- the impact of inflation and interest rates together with the threats of tariffs, trade wars or recession;
- the impact of variation in the value of the Canadian dollar in relation to the U.S. dollar;
- the uncertainties in the global economy created by the war in Ukraine and in the Middle East, including the Israel-Hamas war;
- our ability to comply with U.S. foreign ownership, control or influence mitigation measures;
- the impact of changing conditions in the healthcare logistics and transportation services market;
- risks and liabilities associated with the transportation of dangerous goods;
- our ability to execute our growth strategies;
- increasing competition in the healthcare logistics and transportation services market in which we operate;
- volatility in financial markets;
- changes in the attitudes, financial condition and demand of our target markets;
- developments and changes in applicable laws and regulations;
- our ability to source and complete acquisitions;
- our ability to successfully integrate businesses and assets that we acquire and realize synergies;
- our ability to retain and grow revenue with existing clients and develop new clientele;
- our ability to retain members of our management team and key personnel;
- increases in driver compensation and the ability to attract and retain employees;
- the availability of equipment and drivers in the markets in which we operate;
- the possibility of a cyber attack impacting our information systems;
- our ability to expand into additional markets;
- an epidemic or pandemic outbreak of an of an infectious disease such as the coronavirus disease in 2019
- the impact of climate change; and
- such other factors discussed in greater detail under "Risk Factors" in this MD&A and in our Annual Information Form dated February 26, 2025 for Fiscal 2024 (the "AIF") which is available on our profile on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca.

If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by prospective investors.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. Forward-looking information is provided for the purpose of presenting information about management's current expectations and plans relating to the future and allowing investors and others to get a better understanding of our anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Basis of Presentation

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and are presented in thousands of Canadian dollars unless otherwise indicated.

Non-IFRS Measures

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including “EBITDA” and “EBITDA Margin”. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation.

For a description of how we define these non-IFRS Measures and an explanation of why the non-IFRS measures provide useful information to investors, please see “How We Assess the Performance of Our Business – Non-IFRS Measures” below.

For quantitative reconciliations of net income to EBITDA for Q4 2024, Fiscal 2024, Q4 2023, Fiscal 2023 and Fiscal 2022 please see “Reconciliation of Non-IFRS Measures” below.

Overview

AHG was incorporated under the *Business Corporations Act* (Ontario) on November 12, 2019, with its head office located at 100 Vaughan Valley Blvd, Woodbridge, ON, L4H 3C5. The Company's subordinate voting shares ("Subordinate Voting Shares") are listed on the Toronto Stock Exchange (the "TSX") under the stock symbol "AND".

We are a leading and growing supply chain management company with a platform of customized third-party logistics ("3PL") and specialized transportation solutions for the healthcare sector. We offer services to healthcare manufacturers, wholesalers, distributors and 3PL providers, among others, through a comprehensive platform of high quality, technology-enabled supply chain solutions for a range of products, including: pharmaceuticals, vaccines, biologics, blood products, narcotics, precursors, active pharmaceutical ingredients, over-the-counter, natural health, animal health, consumer health, cosmetics, health and beauty aids, and medical devices. We integrate our uniquely designed Canada-wide network of facilities, vehicles, personnel, and technology systems into our clients' businesses to offer holistic solutions that span all of our clients' shipping needs and satisfy the requirements of the highly regulated Canadian healthcare sector. During Fiscal 2021, we expanded our specialized transportation capabilities, through acquisitions, into truckload services for the healthcare sector in the United States.

We differentiate our service offerings and deliver value to our clients through our competitive strengths in temperature management, quality assurance and regulatory compliance, technology-enabled visibility throughout the supply chain and security. We are committed to developing and expanding long-term strategic relationships with our clients to provide improved operational efficiencies and access to value-added services. We generate revenue across five principal product lines: logistics and distribution, packaging solutions, air freight forwarding, ground transportation, and dedicated and last mile delivery.

We believe that we are Canada's only national third-party service provider focused exclusively on delivering customized, end-to-end logistics and specialized transportation solutions to the healthcare sector. Our 3PL services are provided under our Accuristix and LSU brands, through which we provide customized logistics, distribution and packaging solutions to various healthcare manufacturers. Our specialized transportation solutions are offered under our ATS Healthcare, ATS Dedicated and Skelton brands in Canada, where we provide a one-stop shop for our clients' healthcare transportation needs through our specialized air freight forwarding, ground transportation, dedicated delivery and last mile services. We believe we are a national leader in the Canadian healthcare logistics and specialized transportation markets we serve.

We also provide specialized transportation services domestically in the United States under our Boyle Transportation and Skelton USA brands (each as defined below). Boyle Transportation provides specialized transportation services to clients in the life sciences (approximately 70-75% of revenue) and government/defense sectors (approximately 25-30% of revenue). Boyle Transportation adheres to stringent quality and security standards, employs highly trained and dedicated professionals, continually invests in advanced technology and equipment, and has an expansive reach across the United States. Skelton USA was launched in 2017 and has grown by successfully leveraging its Canadian reputation and brand for expertise in cold chain services. Skelton USA currently serves customers across the United States.

In our healthcare logistics segment, we serve as an extension of our manufacturing clients, leveraging our infrastructure and expertise to manage their supply chain activities, allowing them to focus on other strategic priorities such as sales, marketing, research and development. We focus on serving our logistics clients as comprehensively as possible and incorporate multiple services from all of our related product lines into our customized logistics solutions.

In our specialized transportation segment, we leverage our national infrastructure in Canada to offer coast-to-coast delivery, including specialized facilities, multiple modes of transportation and flexible capacity to accommodate the full range of our clients' logistics and/or transportation needs on an integrated and efficient basis. By combining multiple service offerings, we can effectively provide managed and monitored movement of our clients' temperature sensitive and valuable products through a closed-loop nation-wide system.

Our competitive strengths in temperature management, quality assurance and regulatory compliance, visibility throughout the supply chain and security are deployed across our Canada-wide network of 32 secure, temperature-controlled facilities, the seven third-party owned cross-docks that we operate from and by our team of highly trained employees. Our security, information and monitoring systems, as well as our temperature management expertise, allow us to meet and exceed Health Canada guidelines and regulations, ensuring the integrity and quality of our clients' temperature sensitive healthcare goods and data.

We also have four facilities in the United States (Massachusetts, Ohio, Indiana, and Oklahoma).

Additional information about AHG, including our AIF, can be found on our profile on SEDAR+ at www.sedarplus.ca or on our website at www.andlauerheathcare.com.

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of this MD&A and in our AIF.

Service Offering

We believe that offering a platform of services designed specifically for the healthcare sector puts us in a unique position as a provider of supply chain solutions. Our competitive strengths in temperature management, quality assurance and regulatory compliance, visibility throughout the supply chain and security allow us to provide healthcare clients with specialized, integrated, end-to-end supply chain solutions. Through our five principal, complementary service offerings: logistics and distribution, packaging solutions, air freight forwarding, ground transportation, and dedicated and last mile delivery, we accommodate our clients' specialized supply chain needs on an integrated and efficient basis.

Relationships with Manufacturers and Distributors

We believe that our market position is strengthened by the desire of our clients to increasingly outsource their supply-chain management to specialized service providers with the healthcare quality systems, operational expertise, and experience to efficiently optimize their product distribution. We are committed to developing and expanding long-term strategic relationships with our clients to provide improved operational efficiencies and access to value-added services. From manufacturers to distributors to retail locations to front doors across Canada and the United States, we store, transport, and monitor and manage the temperature conditions of a range of healthcare products. Our trained personnel comply with healthcare industry regulations and best practices.

New Development Projects

We secure client contract wins as a foundation for growth and then add incremental warehousing and distribution square footage through capital efficient leases. Given the required lead-time to build and license facilities, as we secure new major client contracts, we typically strategically invest in excess capacity in anticipation of growing client needs, as well as new client opportunities, which enables capital efficient growth.

Demographics and Healthcare Spending

We believe that we are strategically positioned to directly benefit from the strong growth expected in the North American healthcare sector, which is driven by a number of favourable trends including an aging population, increased life expectancy, increasing healthcare spending, and an increasing number of healthcare products requiring unique logistics needs. Vaccines and biologics, for example, are generally temperature sensitive and require varying degrees of temperature conditions for transportation and storage.

Regulatory Environment

In order to maintain the safety, quality and efficacy of healthcare products, government regulations set out rules relating to, among other things, the packaging, warehousing, distribution, transportation and temperature monitoring of such products. The pace of introduction and complexity of such regulations has increased in recent years, including through the introduction of, and revisions to, many Health Canada guidelines, such as Health Canada's GUI-0069 - Guidelines for Environmental Control of Drugs During Storage and Transportation ("GUI-0069"), among others. Recognizing the ever-changing regulatory demands on the healthcare sector, we take a proactive approach to stay aligned with regulatory protocols, provide environments that are compliant with Good Manufacturing Practices and offer our clients' real-time monitoring and reporting. By outsourcing their logistics and transportation needs to AHG and our specialized services platform, our clients can focus on their core business.

While we believe the United States does not have as rigorous standards as Canada or Europe regarding the transportation of healthcare products, healthcare manufacturers are demanding high quality temperature control and monitoring as well as security and visibility for their truckload shipments in the United States, which aligns with our specialized transportation solutions. Both Boyle Transportation and Skelton USA comply with United States Pharmacopeia (USP) chapter <1079> Good Storage & Distribution Practices for Drug Products, to the extent applicable for transportation.

Boyle Transportation complies with U.S. Federal Motor Carrier Safety Administration regulations regarding the transportation of hazardous materials. Additionally, the National Industrial Security Program Operating Manual requires that Boyle Transportation be effectively insulated from any foreign ownership, control, or influence to perform on certain U.S. Department of Defense contracts and operates, under AHG's ownership, pursuant to a pending Special Security Agreement with the U.S. Defense Counterintelligence and Surveillance Agency.

Competition

We believe that we offer a unique set of services in the marketplace and stand apart from other outsourced healthcare service providers and traditional logistics and transportation companies. In particular, we believe our differentiated capabilities, including our temperature management expertise, together with our coast-to-coast distribution network in Canada and multiple service offerings, uniquely positions us within our industry and sets us apart from companies specializing in global integration and supply chain management, national non-temperature managed solutions, regional temperature managed solutions as well as niche service providers and insourced transportation services. Notwithstanding the foregoing, we do compete with

UPS Healthcare, Kuehne + Nagel and Lynden Logistics in our delivery of 3PL services, and with UPS, FedEx, Purolator, and several regional players in the specialized transportation space in Canada.

In the United States, Boyle Transportation and Skelton USA compete with a large number of regional carriers as well as national transportation providers, such as FedEx and CRST.

Acquisitions

We selectively evaluate strategically compelling acquisition opportunities that leverage or expand our differentiated capabilities. In pursuing potential acquisition opportunities, we assess several criteria to expand our domestic platform, including: (i) complementary tuck-ins; and (ii) entry or expansion into growth verticals, new verticals and new service offerings. We will continue to assess opportunities for expansion in the U.S. or into international markets through existing platforms that align with our core capabilities and existing service offerings.

On October 5, 2020, we completed two tuck-in acquisitions: TDS Logistics Ltd. (“TDS”), now branded as “ATS Dedicated”, and McAllister Courier Inc. (“MCI”), our first acquisitions as a public company. These two regionally focused temperature-controlled transportation businesses increased the reach of our services and expanded our market presence in Ontario.

On March 1, 2021, we acquired 100% of Skelton Canada Inc. (“Skelton”) and 49% of Skelton USA Inc. (“Skelton USA” and together with Skelton, the “Skelton Companies”) which enhanced our platform with expanded national 2-8°C specialized temperature-controlled capabilities and provided us with a strategic entry into the U.S. market.

On November 1, 2021, we acquired 100% of T.F. Boyle Transportation, Inc. (“Boyle Transportation”), which provides specialized transportation services to clients in the life sciences and government/defense sectors, and the remaining 51% of Skelton USA, increasing our aggregate ownership of Skelton USA to 100%.

On March 1, 2022, we acquired 100% of Logistics Support Unit (LSU) Inc. (“LSU”). LSU is a third-party logistics provider offering specialty pharmacy, warehousing, distribution, and order management services throughout Canada to national and international companies as well as government clients in the pharmaceutical, medical, and biotechnology sectors.

Management & Employees

Our employee culture is one of our fundamental strengths and a strategic priority. Our employees are passionate about our business and are dedicated to creating and improving solutions for our clients. We empower our employees through training and professional development programs and maintain open lines of communication that encourage our employees to suggest ways in which we can improve our operations. We recognize and celebrate employees who act as leaders within our team and promote movement within our organization in an effort to retain and encourage our top talent. As a result of this collaborative employee culture, we have fostered strong relationships with our employees across our operating segments, none of which are subject to collective bargaining agreements.

In Fiscal 2023, we implemented a new long-term incentive plan under our Omnibus Equity Incentive Plan dated December 11, 2019, for certain management members in order to further promote share ownership among our employees, ensure that our employees can participate in our growth through equity ownership, and retain employees over the long-term.

Cost Management

In order to provide the services that we offer, we incur various operating costs. These costs include amongst others, labour, rent, fuel, equipment, and insurance. We are susceptible to increases in the price of these items, many of which can fluctuate, often due to factors beyond our control, such as regional and global supply and demand dynamics, political events, global pandemics, terrorist activities, the strength of the Canadian dollar relative to other currencies, and natural disasters.

To mitigate the risk of cost escalation, we focus on operational excellence, synergies between our product lines and cost controls. We rely on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve our profitability targets. Additionally, we mitigate the risk of inflation by utilizing leases to finance our network of facilities, many of our vehicles and our logistics equipment, as well as by using third-party service providers. We also mitigate our exposure to rising fuel costs through the implementation of fuel surcharge programs, which pass the majority of cost increases to our clients. In addition, we have implemented a number of policies that focus on asset efficiency, including fuel economy, asset utilization, proper repairs and maintenance of equipment, and measured equipment lease renewals. Many of our contracts include cost escalation indexes that provide for annual price adjustments which further protect us from escalating costs.

Financial and Operational Highlights

We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items discussed below and, when applicable, to the section entitled "Reconciliation of Non-IFRS Measures" for quantitative reconciliations of net income to EBITDA.

Q4 2024 Compared to Q4 2023

Select highlights include the following:

- Revenue was $168.3 million in Q4 2024, compared to $169.1 million in Q4 2023;
- Operating income was $26.7 million in Q4 2024, compared to $28.0 million in Q4 2023;
- Net income was $17.5 million in Q4 2024, compared to $18.6 million in Q4 2023;
- Total comprehensive income for Q4 2024 was $32.5 million, compared to $13.5 million in Q4 2023;
- EBITDA was $43.6 million in Q4 2024, compared to $44.8 million in Q4 2023; and
- EBITDA Margin was 25.9% in Q4 2024 compared to 26.5% in Q4 2023.

Fiscal 2024 Compared to Fiscal 2023

Select highlights include the following:

- Revenue was $650.5 million, compared to $648.0 million in Fiscal 2023;
- Operating income was $94.0 million, compared to $96.1 million in Fiscal 2023;
- Net income was $64.5 million, compared to $66.1 million in Fiscal 2023;
- Total comprehensive income was $84.1 million, compared with $60.7 million in Fiscal 2023;
- EBITDA was $164.6 million, compared to $163.8 million in Fiscal 2023; and
- EBITDA Margin was 25.3% in both Fiscal 2024 and Fiscal 2023.

How We Assess the Performance of Our Business

We have historically operated and managed our healthcare logistics and specialized transportation segments as separate businesses with separate management teams. Our healthcare logistics segment operates under the brand names Accuristix and LSU; and our specialized transportation segment operates under the brand names ATS Healthcare, ATS Dedicated, Boyle Transportation and Skelton Truck Lines. Following our initial public offering ("IPO") completed December 11, 2019, both Accuristix Inc. ("Accuristix") and ATS Healthcare Inc. ("ATS Healthcare") have continued to operate autonomously, each having its own management. Skelton, which we acquired on March 1, 2021, and Boyle Transportation and Skelton USA, which we acquired on November 1, 2021, which are reported in the specialized transportation segment, also operate autonomously, as they did prior to their respective acquisitions. Similarly, LSU, which we acquired on March 1, 2022, operates autonomously and is included in our healthcare logistics segment. Over time, as we grow, our operating segments may change. If this occurs, we will reflect the change in our reporting practices.

Except for tractors (with respect to periods prior to Q3 2023) and trailers purchased by Skelton and Boyle Transportation, our operating segments conduct their businesses in a manner that limits capital investments. We prefer to lease facilities and certain equipment rather than allocating significant cash flows to capital expenditures. We believe our business model provides us with greater flexibility, cost savings and lower risks, as compared to more capital expenditure intensive models. Accordingly, lease costs comprise a significant component of our expenses. Under IFRS 16 – Leases ("IFRS 16"), leases have been capitalized, resulting in the costs associated with our leases being recorded as depreciation and interest expense. We believe that the cash flows associated with our lease payments are a relevant metric in evaluating the performance of our business.

Revenue

We generate revenue from the provision of supply chain solutions to the Canadian and United States healthcare sectors. Across our healthcare logistics and specialized transportation operating segments, we generate revenue across five principal product lines: logistics and distribution, packaging solutions, air freight forwarding, ground transportation, and dedicated and last mile delivery.

Our healthcare logistics segment, which offers services under our Accuristix and LSU brands, generates revenue from the provision of logistics and distribution services and packaging solutions to our clients. Services are typically provided under master service agreements with terms that range from three to five years in length. Our logistics contracts typically include a single performance obligation that is satisfied over time as clients simultaneously receive and consume the benefits of our services. For this performance obligation, we recognize revenue at the invoiced amount since this amount corresponds directly to our performance and the value to the client. In some cases, our agreements include other performance obligations related to managing transportation and other client services which are included in our logistics and distribution product line. These services are typically priced at their stand-alone selling prices and are recognized over time as the client simultaneously receives and consumes the benefits of our services. Intersegment revenue generated by Credo Systems Canada Inc. from the sale of thermal packaging containers to ATS Healthcare, as well as intra-segment revenue between Accuristix and Nova Pack Ltd. ("Nova Pack") is eliminated on consolidation.

Our specialized transportation segment, which offers services under our ATS Healthcare, ATS Dedicated, Boyle Transportation and Skelton Truck Lines brands, generates revenue from the provision of specialized temperature-controlled, as well as non-temperature controlled, ground transportation, air freight forwarding and dedicated and last mile transportation services to our clients. Certain additional services are provided to clients as requested as part of their transportation contracts, such as chain of custody and other incidental services. Transportation revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Performance obligations are short-term, with transit typically taking less than one week. Generally, clients are billed upon shipment of the freight, and remit payment according to approved payment terms. Intersegment revenue generated by ATS Healthcare and Skelton from the provision of transportation services to Accuristix and LSU, on behalf of their logistics clients, is eliminated on consolidation.

Our Boyle Transportation and Skelton USA subsidiaries provide specialized temperature-controlled services to healthcare companies in the United States, and, in the case of Boyle Transportation, to certain defense contractors and the U.S. Department of Defense. These companies, acquired in Fiscal 2021, align with our specialized transportation segment in all material respects except that they focus on full truckload ground transportation services, which traditionally realize lower margins than our ground transportation businesses in Canada.

As is customary in our industry, most of our client contracts and transportation pricing terms include fuel-surcharge revenue programs or cost recovery mechanisms to mitigate the effect of fuel price increases over base amounts established in the contract. However, these fuel surcharge mechanisms may not capture the entire amount of changes in fuel prices, and there is also a lag between the payment for fuel and collection of surcharge revenue. Increases or decreases in fuel prices increase or reduce the cost of transportation and services, and will accordingly increase or reduce our revenues and may reduce or increase margins for certain product lines. During Fiscal 2022 and Fiscal 2023, fluctuations in diesel fuel prices impacted both revenue and cost of transportation and services more significantly than in prior periods. This trend continued in Fiscal 2024, as average diesel fuel prices in Q1 2024 were more than 10% lower than in Q1 2023; in Q2 2024, they were approximately 8% higher than in Q2 2023; in Q3 2024, they were approximately 5% lower than in Q3 2023; and in Q4 2024, they were approximately 11% lower than in Q4 2023. For Fiscal 2024, average diesel fuel prices were approximately 5% lower than in Fiscal 2023.

Cost of Transportation and Services

Our cost of transportation and services expense includes the cost of providing or procuring freight transportation to our clients. The cost of transportation and services for our specialized transportation segment includes: linehaul costs to connect our national network; pick-up and delivery costs paid to brokers, agents, and our drivers; fuel, toll fees and maintenance costs; and inbound and outbound handling costs which are largely comprised of hourly paid dock labour. The cost of transportation and services for our healthcare logistics segment includes purchased transportation services, including fuel surcharges, sourced from carriers. ATS Healthcare is the largest provider of transportation services to Accuristix and LSU, followed by Skelton. Intersegment purchased transportation expense is eliminated on consolidation.

Direct Operating Expenses

Direct operating expenses are both fixed and variable and consist of operating costs related to our facilities (including our distribution centres, branches and the cross-docks that we operate from). Direct operating expenses consist mainly of personnel costs and facility and equipment expenses such as property taxes, utilities, equipment maintenance and repair, costs of materials and supplies, security and insurance expenses. We note that under IFRS 16 the costs associated with our leases are not recognized in our direct operating expenses.

Selling, General and Administrative Expenses

Selling, General and Administrative ("SG&A") expenses primarily consist of the cost of salaries and benefits for executive and certain administration functions, including information technology, sales and client service, finance and accounting, professional fees, facility costs, legal costs and other expenses related to the corporate infrastructure required to support our business.

Depreciation & Amortization

Depreciation and amortization charges comprise non-cash charges expensed on the statement of income and comprehensive income to spread the purchase price of assets over their useful lives. Within both of our operating segments, we lease facilities and certain equipment rather than allocating significant cash flows to capital expenditures. We believe this approach provides us with greater flexibility and lower risks and results in cost savings as compared to capital expenditure intensive models. Accordingly, lease costs comprise a significant component of our expenses. Under IFRS 16, leases have been capitalized, resulting in depreciation and interest expense rather than direct operating expense.

Operating Income

Operating Income measures the amount of profit derived from our operations after deducting operating expenses such as cost of transportation and services, direct operating expense, SG&A, and depreciation and amortization. We do not typically measure "cost of sales or gross profit" as we are a service business.

Interest Expense

Interest expense comprises interest charged to the statement of income and comprehensive income primarily in connection with leased facilities and equipment under IFRS 16, and for borrowings under our Credit Facilities.

Interest Income

Interest income comprises interest earned on cash and cash equivalents.

Other Income/Expense

Other income (expense) comprises income or expenses that do not arise from our main business, such as exchange gains (losses) and gains (losses) resulting from the sale of property, plant and equipment and certain other insignificant sources.

Income Tax Expense/Recovery

Income tax expense (recovery) comprises the amount that we have recognized in the accounting period related to our taxable income. Our effective tax rate is generally close to the statutory rate, but certain differences between income for tax and accounting income are recognized in the deferred income tax provision.

Foreign Currency Translation Adjustment

In preparing our consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates as at the balance sheet date. Revenues and expenses of foreign operations are translated to Canadian dollars at exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive income and accumulated in equity in accumulated other comprehensive income.

Non-IFRS Measures

EBITDA

We define EBITDA as net income for the period before: (i) income tax expense (recovery); (ii) interest income; (iii) interest expense; and (iv) depreciation and amortization. Net income is the most directly comparable IFRS financial measure disclosed in our financial statements to which EBITDA relates, and a reconciliation with this measure is presented under "Reconciliation of Non-IFRS Measures".

We believe EBITDA is a useful measure to assess our financial performance because it provides a more relevant picture of operating results by excluding the effects of expenses that are not reflective of our underlying business performance.

EBITDA Margin

We define EBITDA Margin as EBITDA divided by revenue. EBITDA Margin represents a measure of our profitability expressed as a percentage of revenue.

We believe EBITDA Margin is a useful measure to assess our financial performance because it helps quantify our ability to convert revenues generated from clients into EBITDA.

Selected Consolidated Financial Information

The following table summarizes our results of operations for the periods indicated. The selected consolidated financial information for Fiscal 2024, Fiscal 2023 and Fiscal 2022 has been derived from our consolidated financial statements and the related notes thereto. The selected consolidated information for Q4 2024 and Q4 2023 has been derived from our unaudited interim condensed consolidated financial statements and related notes thereto. See "Reconciliation of Non-IFRS Measures" for quantitative reconciliations of net income to EBITDA.

Consolidated Statements of Income and Comprehensive Income

($CAD 000s)	Three Months Ended[1] December 31,		Year Ended December 31,		
	2024	**2023**	**2024**	**2023**	**2022**
Revenue					
Logistics & distribution	44,594	40,851	162,925	159,168	155,575
Packaging solutions	4,094	3,269	16,943	16,761	21,290
Healthcare logistics segment	48,688	44,120	179,868	175,929	176,865
Ground transportation	108,764	113,607	424,507	429,174	422,236
Air freight forwarding	8,276	8,013	31,929	30,595	34,383
Dedicated and last mile delivery	19,006	18,324	73,848	68,821	66,896
Intersegment revenue	(16,441)	(14,997)	(59,675)	(56,567)	(51,957)
Specialized transportation segment	119,605	124,947	470,609	472,023	471,558
Total revenue	**168,293**	**169,067**	**650,477**	**647,952**	**648,423**
Operating expenses					
Cost of transportation and services	83,538	85,790	326,576	328,493	322,844
Direct operating expense	27,634	25,083	105,763	103,829	102,280
Selling, general and administrative expenses	12,761	12,829	53,241	51,428	48,502
Depreciation & amortization	17,621	17,321	70,934	68,149	64,452
	141,554	141,023	556,514	551,899	538,078
Operating income	**26,739**	**28,044**	**93,963**	**96,053**	**110,345**
Interest expense	(2,111)	(2,476)	(7,585)	(8,207)	(6,858)
Interest income	260	770	2,152	3,170	599
Other income	(788)	(592)	(332)	(409)	(328)
Income tax expense	(6,572)	(7,185)	(23,730)	(24,467)	(27,483)
Net income	**17,528**	**18,561**	**64,468**	**66,140**	**76,275**
Other comprehensive income					
Net income	17,528	18,561	64,468	66,140	76,275
Foreign currency translation adjustment	14,924	(5,021)	19,627	(5,448)	14,743
Total comprehensive income	**32,452**	**13,540**	**84,095**	**60,692**	**91,018**
Earnings per share					
Earnings per share – basic	$ 0.45	$ 0.45	$ 1.60	$ 1.58	$ 1.82
Earnings per share – diluted	$ 0.44	$ 0.44	$ 1.58	$ 1.55	$ 1.79
Select financial metrics[2]					
EBITDA	43,572	44,773	164,565	163,793	174,469
EBITDA Margin	25.9%	26.5%	25.3%	25.3%	26.9%

[1] Unaudited

[2] These are non-IFRS financial measures. See "How We Assess the Performance of Our Business – Non-IFRS Measures" for further information on these measures.

Consolidated Balance Sheets

($CAD 000s)	As at December 31,		
	2024	2023	2022
Select financial position data			
Total assets	696,916	682,426	712,460
Total non-current liabilities	159,555	143,364	185,690

Consolidated Statements of Changes in Equity

($CAD 000s)	Three Months Ended[1] December 31,		Year Ended December 31,		
	2024	2023	2024	2023	2022
Select financial data					
Dividends	4,318	3,732	16,723	14,202	10,833

[1] Unaudited

Reconciliation of Non-IFRS Measures

The following table provides a reconciliation of net income to EBITDA for the periods indicated:

($CAD 000s)	Three Months Ended[1] December 31,		Year Ended December 31,		
	2024	2023	2024	2023	2022
Net income	**17,528**	**18,561**	**64,468**	**66,140**	**76,275**
Income tax expense	6,572	7,185	23,730	24,467	27,483
Interest expense	2,111	2,476	7,585	8,207	6,858
Interest income	(260)	(770)	(2,152)	(3,170)	(599)
Depreciation and amortization	17,621	17,321	70,934	68,149	64,452
EBITDA[2]	**43,572**	**44,773**	**164,565**	**163,793**	**174,469**

[1] Unaudited

[2] This is a non-IFRS financial measure. See "How We Assess the Performance of Our Business – Non-IFRS Measures" for further information on this measure.

<u>Results of Operations</u>

Three months ended December 31, 2024 compared with 2023

The following section provides an overview of our financial performance for Q4 2024 compared to Q4 2023.

<u>Revenue</u>

Revenue for Q4 2024 decreased by 0.5% to $168.3 million, compared with $169.1 million in Q4 2023. The decrease was primarily attributable to lower revenue in our US-based truckload businesses (Boyle Transportation and Skelton USA) and lower fuel surcharge revenue, partially offset by higher revenue in our Canadian specialized transportation network and healthcare logistics segment.

Healthcare Logistics Segment

Revenue in our healthcare logistics segment for Q4 2024 was $48.7 million, an increase of 10.4%, or approximately $4.6 million, compared with Q4 2023. The increase in revenue for this segment was primarily driven by the factors set out below.

Logistics & Distribution

Logistics and distribution revenue for Q4 2024 was $44.6 million, an increase of 9.2%, or approximately $3.7 million, compared with Q4 2023. The increase was attributable to higher revenue from our Accuristix and LSU clients comprising a combination of higher volume and planned rate increases taking effect in Q4 2024.

Packaging Solutions

Packaging revenue for Q4 2024 was $4.1 million, an increase of 25.2%, or approximately $0.8 million, compared with Q4 2023. The increase primarily reflects increased volume from our packaging customers during Q4 2024 compared with Q4 2023.

Specialized Transportation Segment

Revenue in our specialized transportation segment for Q4 2024 was $119.6 million, a decrease of 4.3%, or approximately $5.3 million, compared with Q4 2023. The decrease in revenue for this segment was primarily driven by the factors set out below.

Ground Transportation

Ground transportation revenue for Q4 2024 was $108.8 million, a decrease of 4.3%, or approximately $4.8 million, compared with Q4 2023. The decrease was primarily attributable to a decline in revenue for our US-based truckload business and lower fuel surcharge revenue across our network, partially offset by organic growth in our Canadian transportation network. Ground transportation revenue, excluding fuel, in our Canadian network increased by approximately 6.3%. Ground transportation revenue, excluding fuel, in our US-based truckload business declined by $4.8 million, or 17.0%, in Q4 2024 compared with Q4 2023.

Air Freight Forwarding

Air freight forwarding revenue for Q4 2024 was $8.3 million, an increase of 3.3%, or approximately $0.3 million, compared to Q4 2023. The increase was attributable to an increase in shipments by our customers in Q4 2024 compared with Q4 2023.

Dedicated and Last Mile Delivery

Dedicated and last mile delivery revenue for Q4 2024 was $19.0 million, an increase of 3.7%, or approximately $0.7 million, compared with Q4 2023. The increase reflects organic growth from our existing customers.

Cost of Transportation and Services

Cost of transportation and services for Q4 2024 was $83.5 million, or 49.6% of revenue, compared with $85.8 million, or 50.7% of revenue, for Q4 2023. Our operating ratio is in line with revenue and lower fuel costs in Q4 2024 compared with Q4 2023. In Q4 2024, we continued to carry certain idle equipment costs in our U.S.-based truckload businesses arising from a lower volume of truckloads as we focused on revenue quality.

Direct Operating Expenses

Direct operating expenses were $27.6 million, or 16.4% of revenue, compared with $25.1 million, or 14.8% of revenue, for Q4 2023. The $2.6 million increase was primarily attributable to growth in our logistics and distribution product line.

Selling, General and Administrative Expenses

SG&A expenses for Q4 2024 were $12.8 million, or 7.6% of revenue, compared with $12.8 million, or 7.6% of revenue, for Q4 2023. Our SG&A expense is in line with our expectations.

Depreciation and Amortization

Depreciation and amortization for Q4 2024 was $17.6 million, or 10.5% of revenue, compared with $17.3 million, or 10.2% of revenue for Q4 2023. Total depreciation and amortization expense is consistent as a percentage of our revenue at approximately 10% to 11%.

Interest Expense

Interest expense for Q4 2024 was $2.1 million compared with $2.5 million for Q4 2023. Interest expense related to leased facilities and equipment comprises the majority of interest expense; however, $0.8 million of interest expense for Q4 2024 was incurred in connection with our Credit Facilities, compared with $0.6 million in Q4 2023. The increase in interest expense related to our Credit Facilities was attributable to larger amounts drawn, on average, during Q4 2024 compared with Q4 2023, slightly offset by lower interest rates.

Interest Income

Interest income for Q4 2024 was $0.3 million compared with approximately $0.8 million in Q4 2023. Interest income is generated on our cash and cash equivalents balances.

Other Expenses

Other expenses were approximately $0.8 million in Q4 2024 compared with approximately $0.6 million in Q4 2023. These amounts vary from quarter to quarter and are not material to our overall performance for Q4 2024 and Q4 2023.

Income Tax Expense

Income tax expense for Q4 2024 was $6.6 million compared with $7.2 million in Q4 2023. Our effective tax rate was close to the statutory rate of 26.5% for Q4 2024 and Q4 2023 after adjusting for non-deductible items such as share-based compensation expenses, taxes relating to previous years, and other negligible adjustments.

Operating Income and Net Income

Operating income for Q4 2024 was $26.7 million, a decrease of $1.3 million, or 4.7%, compared with $28.0 million for Q4 2023. The decrease in operating income was primarily attributable to lower contributions from our Boyle Transportation and Skelton USA operations, partially offset by organic growth in our Canadian specialized transportation, logistics and distribution, and packaging product lines.

Income before tax for the specialized transportation segment was $18.4 million for Q4 2024 compared with $20.0 million for Q4 2023. The decrease was primarily attributable to lower contributions from Boyle Transportation and Skelton USA, partially offset by growth in our Canadian specialized transportation businesses. Operating income for our U.S.-based truckload business was approximately $2.1 million lower in Q4 2024 compared with Q4 2023.

Income before tax for the healthcare logistics segment was $5.8 million for Q4 2024 compared with $4.7 million for Q4 2023. The increase was primarily attributable to higher revenue from our logistics and distribution and packaging clients, partially offset by increased SG&A costs related to the implementation of a new WMS for Accuristix.

Net income for Q4 2024 was $17.5 million compared with $18.6 million in Q4 2023. Higher segment net income for our healthcare logistics operating segment primarily reflects increased revenue from our logistics and distribution and packaging clients, partially offset by increased SG&A costs related to the implementation of a new WMS for Accuristix. Lower segment net income before eliminations for our specialized transportation segment was primarily attributable to lower contributions from Boyle Transportation and Skelton USA, partially offset by organic growth in our Canadian specialized transportation business.

Foreign Currency Translation Adjustment

Foreign exchange differences of $14.9 million and $(5.0) million have been recognized in other comprehensive income for Q4 2024 and Q4 2023, respectively. These differences reflect assets and liabilities of Boyle Transportation and Skelton USA which have been translated to Canadian dollars at the exchange rates as at December 31, 2024 and 2023, respectively, and revenues and expenses which have been translated to Canadian dollars at exchange rates that approximate those on the date of the underlying transactions. Foreign exchange rates averaged approximately $1.3990 during Q4 2024 and approximately $1.3619 during Q4 2023.

Total Comprehensive Income

Total comprehensive income was $32.5 million for Q4 2024 compared to $13.5 million for Q4 2023. Total comprehensive income differs from net income due to our foreign operations (Boyle Transportation and Skelton USA) resulting in foreign currency translation adjustments as described above.

EBITDA

EBITDA for Q4 2024 was $43.6 million compared with $44.8 million for Q4 2023. The decrease was due to the factors discussed above and primarily reflects lower contributions from our US-based truckload businesses partially offset by organic growth in our Canadian specialized transportation network and healthcare logistics segment. EBITDA attributable to Boyle Transportation and Skelton USA was approximately $2.5 million lower in Q4 2024 compared to Q4 2023.

EBITDA Margin

EBITDA Margin for Q4 2024 was 25.9% compared with 26.5% for Q4 2023. The decrease in EBITDA Margin was primarily attributable to lower margins in our US-based truckload businesses, partially offset by the strong performance of our Canadian network in both operating segments. The performance of our two operating segments continues to result in industry-leading EBITDA Margins. The margin profiles of Boyle Transportation and Skelton USA, which were previously in line with our consolidated EBITDA Margins, have been impacted during Fiscal 2023 and Fiscal 2024 by post-pandemic macroeconomic factors such as increased equipment and driver availability, resulting in fewer opportunities to obtain rate premiums relative to Fiscal 2021 and Fiscal 2022.

Year Ended December 31, 2024 compared with 2023

The following section provides an overview of our financial performance for Fiscal 2024 and Fiscal 2023.

Revenue

Revenue for Fiscal 2024 increased by 0.4% to $650.5 million compared with $648.0 million in Fiscal 2023. Organic growth in our Canadian specialized transportation network and healthcare logistics segment was largely offset by lower revenue from our US-based truckload businesses.

Healthcare Logistics Segment

Revenue in our healthcare logistics segment for Fiscal 2024 was $179.9 million, an increase of 2.2%, or approximately $3.9 million, compared with Fiscal 2023. The increase in revenue in this segment was primarily driven by the factors set out below.

Logistics & Distribution

Logistics and distribution revenue for Fiscal 2024 was $162.9 million compared with $159.2 million for Fiscal 2023. The increase was primarily attributable to a combination of higher volumes and planned rate increases in Q4 2024, partially offset by lower outbound order handling and transportation activities for certain Accuristix consumer health clients in the first half of the year. Revenue growth in the second half of 2024 contributed to Fiscal 2024 logistics and distribution revenue exceeding Fiscal 2023 logistics and distribution revenue.

Packaging Solutions

Packaging revenue for Fiscal 2024 was $16.9 million, an increase of 1.1%, or approximately $0.2 million, compared with Fiscal 2023. The increase reflects relatively stable volume from our packaging clients throughout Fiscal 2024.

Specialized Transportation Segment

Revenue in our specialized transportation segment for Fiscal 2024 was $470.6 million, a decrease of 0.3%, or approximately $1.4 million, compared with Fiscal 2023. The decrease in revenue for this segment was primarily driven by the factors set out below.

Ground Transportation

Ground transportation revenue for Fiscal 2024 was $424.5 million compared with $429.2 million for Fiscal 2023. The $4.7 million decrease is attributable to approximately $18.3 million lower truckload revenue from our US subsidiaries, Boyle Transportation and Skelton USA in Fiscal 2024 compared with Fiscal 2023, partially offset by organic growth for ATS Healthcare and Skelton. Average fuel prices for Fiscal 2024 were approximately 5% lower than for Fiscal 2023.

Air Freight Forwarding

Air freight forwarding revenue for Fiscal 2024 was $31.9 million, an increase of 4.4%, or approximately $1.3 million, compared with Fiscal 2023. The increase was attributable to higher volumes of air shipments in Fiscal 2024 compared to Fiscal 2023.

Dedicated and Last Mile Delivery

Dedicated and last mile delivery revenue for Fiscal 2024 was $73.8 million, an increase of 7.3%, or approximately $5.0 million, compared with Fiscal 2023. The increase is attributable to growth in volume and routes from our existing clients.

Cost of Transportation and Services

Cost of transportation and services for Fiscal 2024 was $326.6 million, or 50.2% of revenue, compared with $328.5 million, or 50.7% of revenue, for Fiscal 2023. Lower variable costs in our US-based truckload operations were partially offset by increased variable costs arising from organic growth in our Canadian specialized transportation network. Our operating ratio remained relatively consistent despite lower pricing and idle equipment in our US-based truckload businesses, reflecting a lower volume of truckloads as we focused on revenue quality.

Direct Operating Expenses

Direct operating expenses for Fiscal 2024 were $105.8 million, or 16.3% of revenue, compared with $103.8 million, or 16.0% of revenue, for Fiscal 2023. Direct operating expenses remained at a relatively consistent operating ratio in Fiscal 2024 and Fiscal 2023.

Selling, General and Administrative Expenses

SG&A expenses for Fiscal 2024 were $53.2 million, or 8.2% of revenue, compared with $51.4 million, or 7.9% of revenue, for Fiscal 2023. The increase reflects legal and other professional fees in connection with corporate development activities during Q2 2024, and increased expenses related to our implementation of a new WMS for Accuristix.

Depreciation and Amortization

Depreciation and amortization for Fiscal 2024 was $70.9 million, an increase of 4.1%, or $2.8 million, compared with $68.1 million for Fiscal 2023. The increase was primarily attributable to organic growth and is consistent as a percentage of our revenue at approximately 10-11%.

Fiscal 2024 depreciation and amortization was impacted by changes to the estimated useful lives and related depreciation methods of certain tangible assets arising from a reassessment of their expected usefulness to AHG and recent experience related to their economic lives. The changes in estimates were made on a prospective basis. The full-year impact of the changes in estimates resulted in a net reduction in depreciation expense attributable to these assets of approximately $0.9 million.

Interest Expense

Interest expense for Fiscal 2024 was $7.6 million compared with $8.2 million for Fiscal 2023. Interest expense related to leased facilities and equipment comprises the majority of interest expense; however, $2.7 million in interest expense was incurred in Fiscal 2024 in connection with our Credit Facilities, compared to $3.0 million in Fiscal 2023. At this time, we expect to continue to hold debt under our Credit Facilities, which does not have any repayment schedule except as a single repayment at the end of the term and will incur interest expense on our Credit Facilities until either early repayment or until maturity on March 1, 2026.

Interest Income

Interest income for Fiscal 2024 was $2.2 million compared with $3.2 million for Fiscal 2023. Interest income is generated on our cash and cash equivalents balances.

Other Expenses

Other expenses for Fiscal 2024 were $0.3 million compared with other income of $0.4 million for Fiscal 2023. These amounts are immaterial to our overall performance for these periods.

Income Tax Expense

Income tax expense for Fiscal 2024 was $23.7 million compared with $24.5 million for Fiscal 2023. Our effective tax rate was close to the statutory rate of 26.5% for both Fiscal 2024 and Fiscal 2023 after removing the effect of non-deductible share-based compensation expenses.

Operating Income and Net Income

Operating income for Fiscal 2024 was $94.0 million, a decrease of $2.1 million, or 2.2%, compared with $96.1 million for Fiscal 2023. The decrease was attributable to lower revenue and margins in our US-based truckload businesses as described above resulting in a reduction in operating income of $8.5 million attributable to Boyle Transportation and Skelton USA combined, partially offset by organic growth in our Canadian specialized transportation network and healthcare logistics segment. We believe that our US-based truckload rates and related margins returned to pre-pandemic levels in Fiscal 2023 but have further declined throughout Fiscal 2024. We do not foresee a return to the premium levels we experienced in Fiscal 2022, which may impact our comparative growth and margins in future periods.

Net income for Fiscal 2024 decreased by 2.5%, or $1.7 million, to $64.5 million, from $66.1 million for Fiscal 2023. Lower US-based truckload rates and related margins in Fiscal 2024 compared to Fiscal 2023 resulted in approximately $5.6 million lower net income in our specialized transportation segment compared with Fiscal 2023. This year-over-year decline was partially offset by organic growth in our Canadian specialized transportation network. Net income for our healthcare logistics operating segment in Fiscal 2024 was $14.3 million compared with $14.1 million in Fiscal 2023, recovering in Q4 2024 from reduced order handling and shipping activities from our consumer healthcare clients in Q1 2024 through Q3 2024.

Foreign Currency Translation Adjustment

Foreign exchange adjustments of $19.6 million have been recognized in other comprehensive income for Fiscal 2024 compared to $(5.4) million for Fiscal 2023. This reflects assets and liabilities of Skelton USA and Boyle Transportation which have been translated to Canadian dollars at the exchange rate as at December 31, 2024 and 2023, respectively, and revenues and expenses which have been translated to Canadian dollars at exchange rates that approximate those on the date of the underlying transaction.

Total Comprehensive Income

Total comprehensive income was $84.1 million for Fiscal 2024 compared to $60.7 million for Fiscal 2023. Total comprehensive income differs from net income due to our foreign operations (Skelton USA and Boyle Transportation) resulting in foreign currency translation adjustments as described above.

EBITDA

EBITDA for Fiscal 2024 increased by 0.5% to $164.6 million, from $163.8 million for Fiscal 2023. The increase in EBITDA was due to the factors discussed above. EBITDA attributable to Boyle Transportation and Skelton USA was approximately $9.1 million lower in Fiscal 2024 compared to Fiscal 2023.

EBITDA Margin

EBITDA Margin for Fiscal 2024 and Fiscal 2023 was 25.3% and is in line with our pre-pandemic historical range of EBITDA Margins. Our US-based truckload businesses have negatively impacted our consolidated EBITDA Margins throughout Fiscal 2024 compared with Fiscal 2023.

Summary of Quarterly Results

While there is no significant seasonality to our business, our results are impacted by our clients' storage and shipping activities throughout the year as well as the timing of new client implementations or exits.

The table below sets out our results for each of the eight most recently completed quarters (unaudited):

($CAD 000s) except per share data	Q4-24	Q3-24	Q2-24	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23
Total revenue	168,293	159,600	161,446	161,138	169,067	156,754	157,357	164,774
Operating income	26,739	23,806	22,175	21,243	28,044	21,724	22,595	23,690
Net income	17,528	16,286	15,731	14,923	18,561	15,335	15,716	16,528
Total comprehensive income	32,452	13,116	18,067	20,460	13,540	20,147	10,677	16,328
EBITDA[1]	43,572	41,320	40,081	39,592	44,773	39,011	39,540	40,469
Earnings per share – basic	$0.45	$0.41	$0.38	$0.36	$0.45	$0.37	$0.37	$0.39
Earnings per share - diluted	$0.44	$0.41	$0.38	$0.35	$0.44	$0.36	$0.37	$0.39

[1] This is a non-IFRS financial measure. See "How We Assess the Performance of Our Business – Non-IFRS Measures" for further information on this measure.

Generally, changes in revenue generated through the past eight quarters reflect changes in shipping volumes from our clients, variable fuel surcharge rates, declining U.S. ground transportation rates since Fiscal 2022, and the impact of price increases which are contractually implemented in both of our operating segments annually or as contracts are renegotiated.

Average diesel fuel prices remained stable in Q4 2024 compared with Q3 2024; were approximately 3-4% lower in Q3 2024 than in Q2 2024 and remained unchanged in Q2 2024 from Q1 2024. Average fuel prices decreased by approximately 7% in Q1 2024 from Q4 2023 and were approximately 8% below levels experienced in Q1 2023. Average fuel prices increased in Q1 2023 before declining in Q2 2023 and then increased again in Q3 2023 and Q4 2023.

Operating income, net income, comprehensive income, and EBITDA have continued to perform in line with revenue over the past eight quarters. Fiscal 2023 EBITDA margins in our US-based truckload businesses returned to more normalized, pre-pandemic levels and negatively impacted our consolidated margins in Fiscal 2023 relative to Fiscal 2022 by approximately 2.0%. Our consolidated EBITDA margin improved in Q4 2023 due to new business growth in our ATS Healthcare business. Our EBITDA margin in Q1 2024 remained unchanged compared to Q1 2023 reflecting the gains made in our ATS Healthcare business offset by lower margins in our US-based truckload businesses. Our EBITDA margin throughout Fiscal 2024 continued to be negatively impacted by our US-based truckload businesses.

Liquidity & Capital Resources

Overview

Our principal uses of funds are for operating expenses, taxes, interest, capital expenditures, lease payments and dividends. We believe that cash generated from our operations, together with amounts available under our Credit Facilities will be sufficient to meet our future operating expenses, taxes, interest, capital expenditures, lease payments and any dividends that may be declared by our board of directors. However, our ability to fund operating expenses, taxes, interest, capital expenditures and future lease payments will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Accounting Classifications and Fair Values”, “Summary of Factors Affecting Performance” and “Risk Factors” in this MD&A. We review potential acquisitions and investment opportunities in the normal course of our business and may make select acquisitions and investments to implement our growth strategy when suitable opportunities arise.

Our tuck-in acquisitions of TDS and MCI in October 2020 for a purchase price of approximately $15.9 million in cash were funded from existing cash flow from operations. We financed the acquisitions of Skelton and the initial 49% of Skelton USA in March 2021 through a combination of cash on hand and by drawing $50.0 million on our Revolving Credit Facility and $25.0 million on our Term Facility, and by issuing $25.0 million of Subordinate Voting Shares to the shareholders of Skelton and Skelton USA. During Fiscal 2021, we repaid $39.0 million of the $50.0 million initially drawn on our Revolving Credit Facility in connection with the Skelton and Skelton USA acquisitions.

On November 1, 2021, we completed the acquisitions of 100% of Boyle Transportation and the remaining 51% of Skelton USA, increasing our aggregate ownership of Skelton USA to 100%. The aggregate purchase price for the acquisition of Boyle Transportation was approximately US$83.0 million ($104.7 million), of which approximately US$63.0 million was paid in cash and US$20.0 million was satisfied by issuing 522,116 Subordinate Voting Shares to the shareholders of Boyle Transportation. The aggregate purchase price for the acquisition of the remaining 51% interest in Skelton USA was approximately $44.8 million, of which $19.8 million was paid in cash and $25.0 million was satisfied by issuing 518,672 Subordinate Voting Shares to the shareholders of Skelton USA. The cash portion of the purchase price for each acquisition was funded through the completion of a bought deal equity offering on October 26, 2021, pursuant to which AHG issued 2.0 million Subordinate Voting Shares from treasury for gross proceeds of $96.4 million to the Company, with the remaining amounts funded from existing cash flow from operations.

On March 1, 2022, we acquired LSU for approximately $26.7 million. We satisfied the purchase price through the issuance of 154,639 Subordinate Voting Shares to the shareholders of LSU and cash of approximately $19.2 million comprising the cash portion of the purchase price net of provisional customary working capital adjustments. We financed the cash portion of the purchase price through a combination of cash on hand and by drawing on our Revolving Credit Facility. During Fiscal 2022, we repaid $23.0 million of the amounts drawn on our Revolving Credit Facility in connection with the LSU and Skelton acquisitions.

During Fiscal 2023, cash from operating activities continued to build our cash and cash equivalents balance. On March 29, 2023, we commenced the 2023 NCIB (as defined below). A total of 634,090 Subordinate Voting Shares, for a total of approximately $25.1 million, were purchased and cancelled pursuant to the 2023 NCIB, which terminated on March 28, 2024. We subsequently entered into the 2024 NCIB (as defined below) which commenced on July 2, 2024. Further details regarding the 2023 NCIB and 2024 NCIB are set out below.

During Q2 2024, we undertook a SIB as described below. A total of 2,000,000 Subordinate Voting Shares (including 1,032,045 Multiple Voting Shares on an as-converted basis), at a price of $45.00 per Share, for a total of $90.0 million, were purchased and cancelled pursuant to the SIB. The SIB expired on June 19, 2024. We used $50.0 million of cash on hand and a $40.0 million draw on our Revolving Credit Facility to finance the SIB. As at December 31, 2024, there was $30.0 million drawn on the Revolving Credit Facility.

On July 2, 2024, we commenced the 2024 NCIB. As of December 31, 2024, a total of 266,534 Subordinate Voting Shares, for a total of approximately $10.4 million, have been purchased and cancelled pursuant to the 2024 NCIB.

Working Capital

The following table presents our working capital position as at December 31, 2024 and 2023:

($CAD 000s)	**As at December 31,**	
	2024	**2023**
Cash and cash equivalents	40,483	59,740
Trade and other receivables	110,447	102,206
Income taxes receivable	2,670	1,230
Inventories	8,934	5,329
Prepaid expenses and other	6,373	6,605
Due from related parties	18	1
Revolving Credit Facility	(30,000)	-
Accounts payable and accrued liabilities	(44,500)	(41,795)
Current portion of lease liabilities	(31,729)	(27,697)
Working Capital	**62,696**	**105,619**

As at December 31, 2024, we had working capital of $62.7 million compared with working capital of $105.6 million as at December 31, 2023. The decrease in working capital was primarily attributable to the use of cash on hand and the $40.0 million draw on our Revolving Credit Facility to finance the SIB and purchases of Subordinate Voting Shares under our 2023 NCIB and 2024 NCIB, offset by ordinary fluctuations in working capital and a receivable balance for income taxes arising from tax installments remitted based on Fiscal 2022 earnings. During Q3 2024, we made a $10.0 million payment to reduce our borrowings under the Revolving Credit Facility.

Credit Facilities

We entered into credit facilities upon closing of our IPO, comprised of a revolving credit facility (the "Revolving Credit Facility") in the aggregate principal amount of up to $75.0 million and a term facility (the "Term Facility", and together with the Revolving Credit Facility, the "Credit Facilities") in the aggregate principal amount of up to $25.0 million. On February 19, 2021, in connection with our acquisitions of Skelton and 49% of Skelton USA, we amended our Credit Facilities to increase the amounts available to be drawn under the Revolving Credit Facility and the Term Facility each by $25.0 million. On June 26, 2024, we further amended our Credit Facilities to extend the term by one year. The amended Credit Facilities comprise a Revolving Credit Facility in the aggregate principal amount of up to $100.0 million and a Term Facility in the aggregate principal amount of up to $25.0 million. The remaining terms and conditions of the Credit Facilities remain unchanged, except that they will mature and be due and payable on March 1, 2026, and bankers' acceptances loans were replaced by Canadian overnight repo rate average ("CORRA") loans. Although the Credit Facilities are payable on March 1, 2026, the Revolving Credit Facility has been classified as a current liability on our balance sheet as at December 31, 2024 as we intend to repay any drawn amounts within 12 months. As at December 31, 2024, the aggregate amount outstanding before financing costs under the Credit Facilities was $25.0 million under the Term Facility and $30.0 million under the Revolving Credit Facility.

The Revolving Credit Facility is available to be drawn in Canadian dollars by way of prime rate loans, CORRA loans and letters of credit, and in U.S. dollars by way of base rate loans and letters of credit, in each case, plus the applicable margin in effect from time to time. The Term Facility was drawn in a single Canadian dollar advance of $25.0 million on closing of the IPO by way of prime rate loans and was subsequently converted to bankers' acceptances and increased by a single Canadian dollar advance of $25.0 million by way of bankers' acceptances in connection with the Skelton acquisitions on March 1, 2021. The initial Term Facility advance of $25.0 million was repaid on August 1, 2023 leaving $25.0 million outstanding, drawn by way of CORRA loans.

The Credit Facilities are subject to customary negative covenants and include financial covenants requiring us to maintain at all times a maximum net leverage ratio and a minimum interest coverage ratio, tested on a quarterly basis. As at December 31, 2024, we were in compliance with all of the covenants under the Credit Facilities.

In order to support future potential growth through acquisitions, the Credit Facilities also include an accordion feature to allow us to increase the commitment under one or both of the Credit Facilities in an aggregate principal amount of up to $100.0 million, such that any amounts drawn under the accordion feature would be in addition to the amounts ordinarily available, subject to the agreement of participating lenders and provided that we are not, or would not, be in default under the Credit Facilities, or in non-compliance with any financial covenants and an event of default does not or would not exist, after giving effect thereto and provided that all representations and warranties are true and correct immediately prior to, and after giving effect to, such increase. As of the date of this MD&A, this accordion feature remains uncommitted.

Capital Expenditures

Capital expenditures for Q4 2024 and Fiscal 2024 were $3.8 million and $17.6 million, respectively, compared with $7.6 million and $23.5 million, respectively, for Q4 2023 and Fiscal 2023. Capital expenditures have historically been funded through cash flows from operations. We have traditionally divided our capital expenditures into two subcategories, maintenance capital expenditures and growth capital expenditures, which are discussed further below.

The Company will generally seek to lease trucks and tractors for the foreseeable future to ensure that its fleet continues to run the most fuel efficient and latest diesel engines; and will generally seek to purchase trailers to ensure that their underlying useful lives are maximized.

Maintenance Capital Expenditures

Maintenance capital expenditures refers to capital expenditures necessary for us to sustain our assets in order to continue operating in our current form. We generally seek to maintain our facilities and equipment at a level consistent with the needs of the sector we operate within and ensure that preventative maintenance programs are in place to achieve the performance expected from our facilities and equipment. Outlays for maintenance capital expenditures for Q4 2024 and Fiscal 2024 were $3.0 million and $16.1 million, respectively, compared with $7.2 million and $12.2 million, respectively, for Q4 2023 and Fiscal 2023. These capital expenditures were funded through cash flows from operations and are largely comprised of expenditures relating to purchases of specialized trailers for ATS Healthcare, Skelton, and Boyle Transportation and specialized Crēdo® packaging to maintain ATS Healthcare's specialized packaging rental program.

Growth Capital Expenditures

Growth capital expenditures comprise expenditures on new assets that are intended to grow our productive capacity. These capital expenditures are made to acquire or expand leasehold improvements, transportation and logistics equipment (including pick-up and delivery equipment, warehouse racking, material handling equipment, warehouse automation equipment and specialized logistics equipment such as coolers or vaults, among others), furniture and fixtures, and computer equipment to support new contracts or additional volume from new business. Outlays for growth capital expenditures for Q4 2024 and Fiscal 2024 were $0.8 million and $1.4 million, respectively, compared with $0.4 million and $11.3 million, respectively, in Q4 2023 and Fiscal 2023.

Growth capital expenditures can aggregate to over $15.0 million in any given fiscal year, depending on the underlying expansion need, however in Fiscal 2024 we have not expanded our specialized transportation network due to the decline in our US-based truckload business and have redeployed certain assets from the U.S. to our Canadian network. Growth capital expenditures have historically been funded through cash flows from operations. Growth capital expenditures for Fiscal 2024 were primarily attributable to cooler and vault expansions in our Accuristix facility network.

We are implementing the Tecsys Itopia® platform, a healthcare logistics 'software as a service' platform, to replace our prior warehouse management system ("WMS"). Tecsys Inc. ("Tecsys") is a supply chain management software company, and its technology stack will provide us with updated warehouse management and transportation management capabilities as well as end-to-end analytics and business intelligence. Our first client went live on our new WMS in Q1 2023. Implementations continued throughout Fiscal 2023 and Fiscal 2024 and will continue throughout Fiscal 2025. Our new WMS implementation has extended beyond our original project timeline due, in part, to delays in the delivery of required 3PL functionality in the base application code. We are working closely with Tecsys to address our functionality requirements. We expect the implementation will be materially complete by the end of Fiscal 2025. In Q4 2024 and Fiscal 2024, we capitalized $0.5 million and $1.7 million, respectively, to intangible assets in connection with our new WMS. We also capitalized $0.5 million and $0.6 million for software development for Boyle Transportation and ATS Healthcare, respectively, in Fiscal 2024.

Cash Flows

The following table presents cash flows for the three months and year ended December 31, 2024 and 2023:

($CAD 000s)	Three Months Ended[1] December 31,		Year Ended December 31,	
	2024	2023	2024	2023
Cash flows				
Cash from Operating Activities	22,625	25,164	124,402	104,419
Cash (used in) Financing Activities	(13,990)	(25,263)	(126,242)	(86,182)
Cash (used in) Investing Activities	(4,978)	(7,941)	(18,855)	(23,848)
Effect of foreign currency translation[2]	832	(505)	1,438	(504)
Net change in cash	4,489	(8,545)	(19,257)	(6,115)
Select cash flow data				
Capital expenditures	(3,814)	(7,630)	(17,559)	(23,523)
Lease payments	(9,626)	(8,182)	(35,944)	(32,358)

[1] Unaudited

[2] Comprises the effect of differences in exchange rates for U.S. dollar opening balance sheet cash balances on January 1, 2024 and 2023 versus December 31, 2024 and 2023 for Boyle Transportation and Skelton USA.

Cash Flow Generated From Operating Activities

Cash flow generated from operating activities for Q4 2024 and Fiscal 2024 totaled $22.6 and $124.4 million, respectively, compared with $25.2 million and $104.4 million for Q4 2023 and Fiscal 2023, respectively. The increase in cash flows generated from operating activities relates principally to normal fluctuations in trade accounts receivable, trade accounts payable and other working capital balances. During Fiscal 2024 and Fiscal 2023, we made income tax installments based on Fiscal 2023 and Fiscal 2022 income taxes, respectively, resulting in an over installment of income taxes for Fiscal 2024 and Fiscal 2023 due to reduced operating income from our US-based truckload businesses. Accordingly, we have $2.7 million and $1.2 million of income taxes receivable as at December 31, 2024 and 2023, respectively.

Cash Flow Used In Financing Activities

Cash flow used in financing activities for Q4 2024 and Fiscal 2024 totaled $14.0 million and $126.2 million, respectively, compared with $25.3 million and $86.2 million for Q4 2023 and Fiscal 2023, respectively. The increase was primarily attributable to our purchase of 159,350 Subordinate Voting Shares for $6.3 million pursuant to our 2023 NCIB in Q1 2024 as described below, and our purchase of 2,000,000 Subordinate Voting Shares for $90.0 million in Q2 2024 financed, in part, by a $40.0 million draw on our Revolving Credit Facility. During Q3 2024 we repaid $10.0 million on our Revolving Credit Facility and repurchased, for cancellation, 220,534 Subordinate Voting Shares for $8.6 million under the 2024 NCIB. During Q4 2024, we repurchased 46,000 Subordinate Voting Shares for $1.8 million. The remaining cash flows used in financing activities in Q4 2024 and Fiscal 2024 and Q4 2023 and Fiscal 2023 relate to ordinary course repayments of lease liabilities and dividends. In Q3 2024 and Q1 2024, we increased our quarterly dividend to $0.11 (from $0.10) and to $0.10 (from $0.09), respectively, per Subordinate Voting Share and Multiple Voting Share, respectively.

Cash Flow Used In Investing Activities

Cash flow used in investing activities for Q4 2024 and Fiscal 2024 totaled $5.0 million and $18.9 million, respectively, compared with $7.9 million and $23.8 million for Q4 2023 and Fiscal 2023, respectively. The increase was primarily attributable to normal course expenditures on property, plant and equipment and software development.

Contractual Obligations

As at December 31, 2024, we had the following contractual commitments:

- Outstanding letters of guarantee in the amount of $0.4 million (December 31, 2023 – $0.4 million);
- Commitments relating to the leasing of fleet equipment, ranging from 72 to 84 months, beginning upon delivery to us of the equipment during Fiscal 2024, for total lease commitments of $5.5 million (December 31, 2023 – $12.9 million); and
- Commitments to purchase fleet equipment expected to be delivered during Fiscal 2024 totaling $3.0 million (December 31, 2023 – $4.8 million).

Credit facilities

As at December 31, 2024, the aggregate amounts outstanding under the Credit Facilities were $25.0 million under the Term Facility (December 31, 2023 – $25.0 million) and $30.0 million under the Revolving Credit Facility (December 31, 2023 – $nil) before capitalized financing costs. The Credit Facilities will mature and be due and payable on March 1, 2026. The Revolving Credit Facility has been classified as a current liability on our balance sheet as at December 31, 2024 as we intend to repay any drawn amounts within 12 months.

Leases

We lease buildings and equipment in the operation of our healthcare logistics and specialized transportation operating segments. Building lease terms range from five to ten years, with many leases including optional extension periods. For Fiscal 2024, facility lease liabilities are calculated using our average incremental borrowing rate of 5.35% (Fiscal 2023 – 5.76%). Equipment lease terms range from one to seven years. For Fiscal 2024, equipment lease liabilities are calculated using our average incremental borrowing rate of 5.56% (Fiscal 2023 – 5.94%) for our specialized transportation segment and 6.20% (Fiscal 2023 – 5.74%) for our healthcare logistics segment.

The following table summarizes our contractual obligations as at December 31, 2024 based on undiscounted cash flows:

($CAD 000s)	Total	Less than 1 Year	1-5 Years	More than 5 years
Credit facilities	55,000	-	55,000	-
Lease liabilities	143,096	36,403	87,838	18,855
Equipment purchases and lease commitments	8,519	3,858	4,661	-
Other obligations	84,574	44,500	40,074	-
Total contractual obligations	**291,189**	**84,761**	**187,573**	**18,855**

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably expected to have, a current or future material impact on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Seasonality

There is no significant seasonality to our business.

Financial Instruments

Financial assets

Accounts receivable are initially recognized when they originate. All other financial assets and financial liabilities are initially recognized when we become a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

Our financial assets are comprised of cash and cash equivalents, accounts receivable, and long-term deposits. On initial recognition, we classify these financial assets as measured at amortized cost, when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

For accounts receivable, we apply a simplified approach in calculating expected credit losses ("ECLs"). Therefore, we do not track changes in credit risk but instead recognize a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial liabilities

Our financial liabilities are comprised of accounts payable and accrued liabilities, lease liabilities, income taxes payable and amounts due from related parties. Our financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

Foreign exchange contracts

The Company, from time to time, uses foreign exchange contracts to manage certain exposures to fluctuations in foreign exchange rates as part of its overall risk management program. Earnings impacts from derivatives used to manage a particular risk are reported as part of other comprehensive income.

There were no foreign exchange contracts in place during Fiscal 2024, as at December 31, 2024, or throughout Fiscal 2023.

Related Party Transactions

Intercompany balances and transactions have been eliminated in our consolidated financial statements for the years ended December 31, 2024 and 2023.

During Fiscal 2024 and Fiscal 2023, we entered into transactions with related parties that were incurred in the normal course of business. Our policy is to conduct all transactions and settle all balances with related parties at market terms and conditions. All outstanding balances with these related parties are measured at amortized cost and are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Certain of our operating units provide services to other operating units outside of their reportable segment. Billings for such services are based on negotiated rates, which approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in our consolidated results. Michael Andlauer, our Chief Executive Officer ("CEO"), is also our Chief Operating Decision Maker ("CODM"). The CODM regularly reviews financial information at the operating segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. We evaluate performance based on the various financial measures of our two operating segments.

The amounts below are expressed in thousands of Canadian dollars, unless otherwise specified.

Andlauer Management Group Inc.

As of the date hereof, Andlauer Management Group Inc. ("AMG") holds all of the Multiple Voting Shares of the Company (the "Multiple Voting Shares" and, together with the Subordinate Voting Shares, the "Shares") and 10,200 Subordinate Voting Shares, representing approximately 53.0% of the issued and outstanding Shares and 81.9% of the voting power attached to all of the Shares. AMG is owned and controlled by Michael Andlauer, our CEO and a director of the Company.

We undertake a limited amount of administrative shared services for AMG. We expect to continue to incur and recover such costs in connection with AMG. For Fiscal 2024, we charged AMG $nil (Fiscal 2023 – $14) for recovery of shared services costs.

Andlauer Properties and Leasing Inc.

Andlauer Properties and Leasing Inc. ("APLI") is a subsidiary of AMG and leases certain facilities and logistics and transportation equipment to us. We also lease facilities and logistics and transportation equipment from arm's length providers. During Fiscal 2024, we paid $2,147 (Fiscal 2023 - $2,237) for leases of logistics and transportation equipment; and $2,257 (Fiscal 2023 - $2,239) for leases of facilities from APLI. The specific facilities that we lease from APLI are located at: 881 Bell Blvd. W, Belleville, Ontario; 18 Sandbourne Dr., Pontypool, Ontario; 80 – 14th Avenue, Hanover, Ontario; 465 Ofield Road South, Dundas, Ontario; 605 Max Brose Drive, London, Ontario; and 5480 61 Avenue SE, Calgary, Alberta. We expect to continue leasing properties and equipment from APLI. For Fiscal 2024, we charged APLI $nil (Fiscal 2023 - $19) for recovery of shared services costs.

9143-5271 Québec Inc.

9143-5271 Québec Inc. is a subsidiary of AMG and leases a facility located at 655 Desserte E. Hwy 13, Laval, Québec to AHG. We also lease facilities from arm's length providers. During Fiscal 2024, we paid $1,549 (Fiscal 2023 - $1,544) for this building. We expect to continue leasing this property. For Fiscal 2024, we charged 9143-5271 Québec Inc. $nil (Fiscal 2023 - $32) for recovery of shared services costs.

Ready Staffing Solutions Inc.

Ready Staffing Solutions Inc. ("RSS"), a company owned by Mr. Andlauer's spouse, provides us with temporary agency employee services – providing hourly dock labour for our handling operations, principally in the Greater Toronto Area. We also purchase temporary agency employee services from arm's length providers. During Fiscal 2024, we expensed $6,264 (Fiscal 2023 - $6,503) for purchases of temporary agency employee services from RSS. We expect to continue purchasing temporary agency services from RSS.

1708998 Ontario Limited (Medical Courier Services)

Medical Courier Services ("MCS") is a subsidiary owned 80% by AMG and provides transportation services to us, providing extended reach for shipments where we do not have our own facilities or equipment. During Fiscal 2024, we expensed $173 (Fiscal 2023 - $151) for deliveries subcontracted to MCS. We expect to continue subcontracting deliveries to MCS. Similarly, in Fiscal 2024 we invoiced MCS for $192 (Fiscal 2023 - $215) for transportation services provided to MCS. For Fiscal 2024, we charged MCS $nil (Fiscal 2023 - $24) for recovery of shared services costs.

Med Express Ltd.

Med Express Ltd. ("MEL") is a subsidiary owned 100% by AMG. MEL provides transportation services to AHG, providing extended reach for shipments where we do not have our own facilities or equipment. We purchased $nil in services during Fiscal 2024 (Fiscal 2023 - $20). We expect to continue to subcontract deliveries to MEL from time to time.

Logiserv Inc.

Logiserv Inc. ("Logiserv") is partially owned by Cameron Joyce, an AHG director. Logiserv provides us with warehouse racking and racking components as well as warehouse racking installation, maintenance and repairs. We also purchase warehouse racking installation, maintenance and repairs, and warehouse racking and racking components from arm's length providers. During Fiscal 2024, we expensed $15 (Fiscal 2023 - $nil) for warehouse racking installation, maintenance and repair services provided by Logiserv and we purchased $46 (Fiscal 2023 - $nil) of warehouse racking. We expect to continue to purchase warehouse racking installation, maintenance and repair services from Logiserv.

C-GHBS Inc.

C-GHBS Inc. ("C-GHBS") is a subsidiary of AMG and provides air travel services to us. We also purchase air travel services from arm's length providers. During Fiscal 2024, we purchased $142 (Fiscal 2023 - $58) from C-GHBS. We expect to continue to purchase air travel services from C-GHBS.

Key Management Personnel

Our key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include our CEO, the other four named executive officers comprising key management and the board of directors.

During Fiscal 2024, we recorded $5,142 (Fiscal 2023 – $4,850) related to key management personnel salaries and benefits, share-based compensation, and director fees.

Due from/to related parties

The charts below summarize amounts due to or from related parties.

($CAD 000s)	**As at December 31,**	
	2024	**2023**
Accounts receivable		
Andlauer Properties and Leasing Inc.	13	13
1708998 Ontario Limited (Medical Courier Services)	13	41
Trade receivables due from related parties	26	54
Due from related parties		
Andlauer Management Group Inc.	18	1
Total due from related parties	**44**	**55**
Accounts payable and accrued liabilities		
Ready Staffing Solutions Inc.	181	150
1708998 Ontario Limited (Medical Courier Services)	17	13
Andlauer Properties and Leasing Inc.	93	287
Andlauer Management Group Inc.	11	-
Trade payables due to related parties	302	450
Due to related parties		
Andlauer Properties and Leasing Inc.	291	206
Total due to related parties	**593**	**656**

Critical Accounting Judgements and Estimates

The preparation of our consolidated 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 and apply equally to both our healthcare logistics segment and our specialized transportation segment. Such estimates include the expected credit losses on accounts receivable, the useful life of long-lived assets, our incremental borrowing rate, valuation of property, plant and equipment, valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations, share-based compensation arrangements, the provision for income taxes and other provisions and contingencies. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods. Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year have been described in our consolidated financial statements for the years ended December 31, 2024 and 2023. Key estimates and assumptions remain consistent with those disclosed in our consolidated financial statements, except for changes in the estimated useful lives of certain property, plant and equipment as described below.

Effective January 1, 2024, the Company revised the estimated useful lives and related depreciation methods of certain tangible assets reflecting a reassessment of their expected usefulness to the Company, and recent experience related to their economic lives. The changes in estimates have been made on a prospective basis. For the year ended December 31, 2024, the changes in estimates decreased depreciation expense by approximately $0.9 million.

Significant New Accounting Standards

Adopted During the Year

There were no new standards that became effective for periods beginning on or after January 1, 2024 that had a material impact on our consolidated financial statements for Fiscal 2024.

To be Adopted in Future Periods

<u>IFRS S1 and IFRS S2</u>

On March 13, 2024, the Canadian Sustainability Standards Board ("CSSB") announced the release of its first proposed Canadian Sustainability Disclosure Standards ("CSDS") – CSDS 1 and CSDS 2. The proposed standards generally align with the International Sustainability Standards Board's IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures, except that they include Canadian-specific effective dates and transition relief proposals to help with eventual implementation of the standards. The proposed standards are voluntary and are effective January 1, 2025. We will monitor the CSSB standards as they develop to ensure we are prepared to comply with them as they become effective.

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payments systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of income, statement of cash flow and the additional disclosure required for MPMs.

Accounting Classifications and Fair Values

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. We believe that the carrying amount of each of these items is a reasonable approximation of fair value.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of our AIF, which is available on the Company's profile on SEDAR+ at www.sedarplus.ca.

Credit Risk

We are exposed to credit risk in the event of non-performance by counterparties in connection with our financial assets, namely cash and cash equivalents, accounts receivable and long-term deposits. We do not typically obtain collateral or other security to support the accounts receivable subject to credit risk but mitigate this risk by performing credit check procedures for new clients and monitoring credit limits for existing clients. Thereby, we deal only with what management believes to be financially sound counterparties and, accordingly, do not anticipate significant loss for non-performance.

The maximum exposure to credit risk for cash and cash equivalents, accounts receivable and long-term deposits approximate the amount recorded on the consolidated balance sheets.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

Our exposure to liquidity risk is dependent on the collection of accounts receivable, or raising of funds to meet commitments and sustain operations. We control liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

We have entered into Credit Facilities with affiliates of RBC, CIBC, and The Bank of Nova Scotia, comprised of a Revolving Credit Facility in the aggregate principal amount of up to $100.0 million and a Term Facility in the aggregate principal amount of up to $25.0 million. The Credit Facilities are available to be drawn in Canadian dollars by way of prime rate loans, CORRA loans, and letters of credit, and in U.S. dollars by way of base rate loans and letters of credit, in each case, plus the applicable margin in effect from time to time. In order to support future potential growth through acquisitions, the Credit Facilities also include an accordion feature to allow us to increase the commitment under one or both of the Credit Facilities in an aggregate principal amount of up to $100.0 million, such that any amounts drawn under the accordion feature would be in addition to the amounts ordinarily available, subject to the agreement of participating lenders and provided that we are not, or would not, be in default under the Credit Facilities or in non-compliance with any financial covenants and an event of default does not or would not exist, after giving effect thereto and provided that all representations and warranties are true and correct immediately prior to, and after giving effect to, such increase. As at December 31, 2024, the aggregate amounts outstanding under the Credit Facilities were $25.0 million under the Term Facility and $30.0 million under the Revolving Credit Facility before capitalized financing costs. As of the date of this MD&A, this accordion feature remains uncommitted.

Our accounts payable and accrued liabilities are due and payable in the short term. Our Revolving Credit Facility has been classified as a current liability on our balance sheet as at December 31, 2024 as the Company intends to repay any drawn amounts within 12 months.

Interest Rate Risk

We have a Revolving Credit Facility and Term Facility that each bear interest at a floating rate subject to fluctuations in interest rates. Changes in interest rates can cause fluctuations in interest payments and cash flows. We do not use derivative financial instruments to mitigate the effect of this risk. The Credit Facilities are available to be drawn in Canadian dollars by way of prime rate loans, CORRA loans and letters of credit, and in U.S. dollars by way of base rate loans and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2024, the Credit Facilities comprise CORRA loans drawn at an interest rate of 5.3%. There has been no significant impact on our financial condition or results of operations related to interest rates. There may be further increases in interest rates in the near term as the Governing Council of the Bank of Canada continues to target 2-3% inflation, however we expect that any such increases will not significantly impact our financial condition.

Currency Risk

We enter into foreign currency purchase and sale transactions and have assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. We use derivative instruments to reduce our exposure to foreign currency risk only where appropriate. During Fiscal 2024 and as at December 31, 2024 there were no derivative instruments in place.

Outstanding Share Data

Our authorized share capital consists of an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2024, there were 18,443,497 Subordinate Voting Shares issued and outstanding, 20,807,955 Multiple Voting Shares issued and outstanding (each of which is convertible into Subordinate Voting Shares on a one-for-one basis), and no preferred shares issued and outstanding. In addition, as at such date we had 886,715 options, each of which can be exercised or settled for one Subordinate Voting Share, 53,256 Restricted Share Units and 70,782 Deferred Share Units issued and outstanding under our omnibus incentive plan. As of the date hereof, AMG holds all of the Multiple Voting Shares and 10,200 of the Subordinate Voting Shares, representing approximately 53.0% of the issued and outstanding Shares and 81.9% of the voting power attached to all of the Shares.

On March 24, 2023, we announced that the TSX had approved our notice of intention to make our initial normal course issuer bid (the "2023 NCIB") for up to a maximum of 1,856,857 of the Subordinate Voting Shares, or approximately 10% of our public float as of March 23, 2023, over the 12-month period which commenced on March 29, 2023. In total, we purchased and cancelled a total of 634,090 Subordinate Voting Shares, or approximately 3% of our public float, pursuant to the 2023 NCIB. We funded the purchases, which totaled $25.1 million, out of available cash. The 2023 NCIB terminated on March 28, 2024.

On May 15, 2024, we commenced a substantial issuer bid ("SIB") pursuant to which we offered to purchase for cancellation up to 2,000,000 Subordinate Voting Shares and Multiple Voting Shares (on an as-converted basis) at a price of $45.00 per Share for an aggregate purchase price not exceeding $90,000,000. The offer expired on June 19, 2024 and Subordinate Voting Shares were taken up on June 20, 2024. AMG participated in the SIB and converted 1,032,045 Multiple Voting Shares to Subordinate Voting Shares, at their book value of $15.00 per Share, which were taken up pursuant to the SIB. In aggregate, we purchased and cancelled 2,000,000 Subordinate Voting Shares for a total consideration of $90.0 million. We financed the SIB with $50.0 million of cash on hand and a $40.0 million draw on our Revolving Credit Facility.

On June 27, 2024, we announced that the TSX had approved our notice of intention to make another normal course issuer bid (the "2024 NCIB") for up to a maximum of 1,770,429 of the Subordinate Voting Shares, or approximately 10% of our public float as of June 26, 2024 over the 12-month period that commenced on July 2, 2024. The bid will terminate on July 1, 2025, or such earlier time as we complete our purchases pursuant to the bid or provide notice of termination. In connection with the 2024 NCIB, we established an automatic securities purchase plan with a designated broker that contains specified parameters regarding how our Subordinate Voting Shares may be purchased under the 2024 NCIB during self-imposed blackout periods. As of February 26, 2025, a total of 266,534 Subordinate Voting Shares, comprising approximately 1.4% of the number of Subordinate Voting Shares outstanding, have been purchased and cancelled pursuant to the 2024 NCIB at an average price of $38.99 per share, for a total purchase price of approximately $10,391,861.

Subject to financial results, capital requirements, available cash flow, corporate law requirements and any other factors that our board of directors may consider relevant, we expect to declare a quarterly dividend on the Subordinate Voting Shares and Multiple Voting Shares equal to approximately $0.12 per Share on an ongoing basis. Our Q4 2024 dividend, in the amount of $0.11 per Share, was paid on January 15, 2025 to shareholders of record as at December 31, 2024. Dividends are declared and paid in arrears. The amount and timing of the payment of any dividends are not guaranteed and are subject to the discretion of our board of directors.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

In compliance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, we have filed certificates signed by our CEO and by our Chief Financial Officer ("CFO") that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company; and
- the design and effectiveness of DC&P and the design and effectiveness of ICFR.

Management, including our CEO and CFO, does not expect that the disclosure controls or internal controls over financial reporting of the Company will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

The CEO and the 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 AHG 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 AHG 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.

Internal Controls Over Financial Reporting

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.

The control framework used to design our ICFR is based on 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 our ICFR during Fiscal 2024 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Additional Information

Additional information about AHG, including our AIF, can be found on our profile on SEDAR+ at www.sedarplus.ca or on our website at www.andlauerhealthcare.com.

1415-5725-2114

Consolidated Financial Statements of

ANDLAUER HEALTHCARE GROUP INC.

For the years ended December 31, 2024 and 2023

KPMG LLP
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Canada
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Andlauer Healthcare Group Inc.

Opinion

We have audited the consolidated financial statements of Andlauer Healthcare Group Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2024 and December 31, 2023
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of revenue recognition in the Healthcare Logistics Segment

Description of the matter

We draw attention to Notes 3(b) and 4 to the financial statements. The total revenues for the Healthcare Logistics segment is $180 million. In some cases, the Entity's contracts with customers have multiple performance obligations that require the Entity to allocate the contractual transaction price to the identified performance obligations. The allocation of the transaction price requires management to determine the stand-alone selling price ("SSP") for each distinct performance obligation.

Why the matter is a key audit matter

We identified the evaluation of revenue recognition for contracts that contain multiple performance obligations in the Healthcare Logistics segment as a key audit matter. This matter represented an area of higher risk of material misstatement due to the complexities of the various terms included in each contract. Significant auditor judgement was required to identify the stand-alone selling price for each distinct performance obligation and the timing of revenue recognition.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- Examined a selection of revenue transactions and compared the amount of revenue recognized to the source documentation, including invoice, proof of delivery (when applicable) and subsequent cash receipt.
- For samples selected related to contracts that include more than one performance obligation, we obtained the Entity's master contract schedule and tested the SSP used to invoice the customer to evaluate the revenue recognized. We also performed testing over the master contract summary by examining the customer contracts to assess the appropriateness of the SPP used to bill customers for specific performance obligations.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is John J. Pryke.

Hamilton, Canada

February 26, 2025

Consolidated Balance Sheets

As at December 31, 2024 and 2023

(In thousands of Canadian dollars, except shares, share price and earnings per share)

Assets-	Note	December 31, 2024	December 31, 2023
Current assets			
Cash and cash equivalents		$ 40,483	$ 59,740
Trade and other receivables	5	110,447	102,206
Income taxes receivable		2,670	1,230
Inventories	6	8,934	5,329
Prepaid expenses and other		6,373	6,605
Due from related parties	20	18	1
		168,925	175,111
Non-current assets			
Long-term deposits and other		1,289	911
Property, plant and equipment	7	188,124	166,200
Goodwill and intangible assets	8	333,668	334,919
Deferred income taxes	16	4,910	5,285
Total Assets		**$ 696,916**	**$ 682,426**
Liabilities and Equity			
Current liabilities			
Revolving credit facility	10	$ 30,000	$ -
Accounts payable and accrued liabilities	9	44,500	41,795
Current portion of lease liabilities	17	31,729	27,697
		106,229	69,492
Long-term liabilities			
Lease liabilities	17	94,586	75,384
Deferred income taxes	16	39,783	42,955
Due to related parties	20	291	206
Term facility	10	24,895	24,819
Total Liabilities		**265,784**	**212,856**
Equity			
Common share capital	12	673,868	718,790
Contributed surplus	14	6,978	6,308
Accumulated other comprehensive income		33,821	14,194
Merger reserve	2	(488,916)	(488,916)
Retained earnings		205,381	219,194
		431,132	469,570
Commitments and contingencies	19		
Total Liabilities and Equity		**$ 696,916**	**$ 682,426**

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Peter Jelley"
Director

"Thomas G. Wellner"
Director

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2024 and 2023

(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Note	December 31, 2024	December 31, 2023
Revenue	15	**$ 650,477**	**$ 647,952**
Operating expenses			
Cost of transportation and services		326,576	328,493
Direct operating expenses		105,763	103,829
Selling, general and administrative expenses		53,241	51,428
Depreciation and amortization		70,934	68,149
		556,514	551,899
Operating income		**93,963**	**96,053**
Interest expense	18	(7,585)	(8,207)
Interest income		2,152	3,170
Other expenses		(332)	(409)
Income before income taxes		**88,198**	**90,607**
Current income tax expense	16	28,825	28,896
Deferred income tax recovery	16	(5,095)	(4,429)
		23,730	24,467
Net income		**$ 64,468**	**$ 66,140**
Net earnings per share			
Basic earnings per share	13	**$ 1.60**	**$ 1.58**
Diluted earnings per share	13	**$ 1.58**	**$ 1.55**
Other comprehensive income			
Net income		$ 64,468	$ 66,140
Foreign currency translation adjustment		19,627	(5,448)
Other comprehensive income (loss) for the year		19,627	(5,448)
Total comprehensive income for the year		**$ 84,095**	**$ 60,692**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Number of shares (thousands) (note 12)	Share capital (note 12)	Accumulated other compre-hensive income	Merger reserve (note 2)	Contributed surplus (note 14)	Retained earnings	Total equity
Balance at December 31, 2023	41,467	$ 718,790	$ 14,194	$ (488,916)	$ 6,308	$ 219,194	$ 469,570
Net income and comprehensive income for the year	-	-	19,627	-	-	64,468	84,095
Share-based compensation (note 14)	210	2,711	-	-	670	-	3,381
Shares repurchased for cancellation (note 12)	(2,426)	(47,633)	-	-	-	(59,040)	(106,673)
Transaction costs (note 12)	-	-	-	-	-	(2,518)	(2,518)
Dividends (note 12)	-	-	-	-	-	(16,723)	(16,723)
Balance at December 31, 2024	**39,251**	**$ 673,868**	**$ 33,821**	**$ (488,916)**	**$ 6,978**	**$ 205,381**	**$ 431,132**
Balance at December 31, 2022	41,914	$ 727,835	$ 19,642	$ (488,916)	$ 5,806	$ 176,625	$ 440,992
Net income and comprehensive loss for the year	-	-	(5,448)	-	-	66,140	60,692
Share-based compensation (note 14)	28	426	-	-	502	-	928
Shares repurchased for cancellation (note 12)	(475)	(9,471)	-	-	-	(9,369)	(18,840)
Dividends (note 12)	-	-	-	-	-	(14,202)	(14,202)
Balance at December 31, 2023	**41,467**	**$ 718,790**	**$ 14,194**	**$ (488,916)**	**$ 6,308**	**$ 219,194**	**$ 469,570**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow
For the years ended December 31, 2024 and 2023
(In thousands of Canadian dollars, except shares, share price and earnings per share)

	Note	December 31, 2024	December 31, 2023
Operating activities			
Net income for the year		$ 64,468	$ 66,140
Changes not involving cash:			
Depreciation and amortization		70,934	68,149
Amortization of capitalized financing costs	10	200	262
Share-based compensation	14	3,381	928
Deferred income tax recovery	16	(5,095)	(4,429)
(Gain) loss on disposal of property, plant and equipment		(458)	308
		133,430	131,358
Changes in non-cash operating working capital:			
Trade and other receivables		(6,602)	(4,109)
Inventories		(3,544)	(2,011)
Accounts payable and accrued liabilities		2,272	(1,011)
Income taxes		(1,201)	(17,662)
Net change in other operating working capital balances		47	(2,146)
Cash flows from operating activities		**124,402**	**104,419**
Financing activities			
Proceeds from revolving credit facility	10	40,000	-
Repayment of revolving credit facility	10	(10,000)	-
Repayment of term facility		-	(25,000)
Capitalized financing costs	10	(124)	-
Dividends	12	(16,723)	(14,202)
Principal repayments on lease liabilities	17	(31,043)	(27,952)
Net change in related party balances		839	(188)
Shares repurchased for cancellation	12	(106,673)	(18,840)
Transaction costs recorded in equity	12	(2,518)	-
Cash flows used in financing activities		**(126,242)**	**(86,182)**
Investing activities			
Purchase of property, plant and equipment		(17,559)	(23,523)
Proceeds on disposal of property, plant and equipment		1,523	1,744
Purchase of intangible assets	8	(2,819)	(2,069)
Cash flows used in investing activities		**(18,855)**	**(23,848)**
Net decrease in cash and cash equivalents		**(20,695)**	**(5,611)**
Effect of foreign currency translation on cash and cash equivalents		1,438	(504)
Cash and cash equivalents, beginning of year		**59,740**	**65,855**
Cash and cash equivalents, end of year		**$ 40,483**	**$ 59,740**

See accompanying notes to consolidated financial statements.

1. Reporting entity

Andlauer Healthcare Group Inc. (“AHG”, or the “Company”) was incorporated under the Ontario Business Corporations Act with its head office located at 100 Vaughan Valley Blvd. in Woodbridge, Ontario. AHG’s subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol “AND”. AHG specializes in third party logistics and transportation solutions for the healthcare sector in Canada and the United States.

In addition to the shares issued to the public, Andlauer Management Group Inc. (“AMG”) holds 20.8 million multiple voting shares and 10,200 subordinate voting shares of AHG, representing approximately 53.0% of the issued and outstanding shares and 81.9% of the voting power attached to all of the shares. AMG is owned and controlled by Michael Andlauer, Chief Executive Officer, Chief Operating Decision Maker (“CODM”), and a director of AHG.

2. Basis of presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

b) Basis of measurement

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for share based compensation and business combinations, which were recorded at fair value. Material accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented. These consolidated financial statements were authorized for issue by the Board of Directors effective February 26, 2025.

Common control transaction

These consolidated financial statements comprise the results of AHG and Andlauer Healthcare Logistics Inc. (formerly Associated Logistics Solutions Inc.), Credo Canada Systems Inc., Andlauer Specialized Transportation Inc. (formerly 2186940 Ontario Inc.), Skelton Canada Inc., and their respective subsidiaries. Prior to the Company’s initial public offering (“IPO”) on December 11, 2019, certain of AHG’s subsidiaries (Andlauer Healthcare Logistics Inc., Credo Canada Systems Inc., Andlauer Specialized Transportation Inc. and their respective subsidiaries at that time – collectively, the “AHG Entities”) were owned 100% by AMG. Pursuant to a share purchase agreement between AHG and AMG, and in connection with a corporate reorganization immediately prior to the IPO, AHG acquired a 100% ownership interest in the AHG Entities based on the value of consideration of $577,625. Total net parent investment immediately prior to the IPO was $88,709. A merger reserve of $488,916 is recorded to reflect the difference in carrying value of the net assets acquired and the consideration paid since AHG and the AHG Entities were all related parties under common control of AMG at the time of the acquisition. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. AHG accounted for this common control transaction using book value accounting, based on the book values recognized in the financial statements of the underlying entities.

2. Basis of presentation (continued)

c) Basis of consolidation

(i) Business combinations

The Company accounts for acquired businesses using the acquisition method of accounting by recording assets acquired and liabilities assumed at their respective fair values. The Company measures goodwill as the fair value of the consideration transferred, including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company. During the year ended December 31, 2024, the Company has restructured and/or renamed certain subsidiaries with no meaningful impact on operations.

The Company's wholly-owned subsidiaries include:

Entity	Incorporation Jurisdiction
2721275 Ontario Limited	Ontario
Accuristix Healthcare Logistics Inc.	Ontario
Accuristix Inc.	Ontaro
Andlauer Healthcare Group (USA), Inc.	Delaware
Andlauer Healthcare Logistics Inc.	Ontario
Andlauer Specialized Transportation Inc.	Ontario
ATS Healthcare Inc.	Canada
Credo Systems Canada Inc.	Ontario
Logistics Support Unit (LSU) Inc.	Canada
McAllister Courier Inc.	Ontario
MEDDS Winnipeg – A Medical Delivery Service Corporation	Manitoba
Nova Pack Ltd.	Ontario
Skelton Canada Inc.	Ontario
Skelton Truck Lines, LLC	Delaware
Skelton U.S.A. Inc.	Ontario
T.F. Boyle Transportation, Inc.	Massachusetts
TDS Logistics Ltd.	Ontario

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

2. Basis of presentation (continued)

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand. The functional currency of Canadian operations is the Canadian dollar and the functional currency of U.S. operations is the U.S. dollar.

e) Judgments and estimates

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2023. Information about significant judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – Determining the expected credit losses ("ECLs") related to trade accounts receivable;
- Note 7 – Estimating the useful life of the Company's property, plant and equipment and determining estimates and assumptions related to impairment tests for long-lived assets;
- Note 8 – Estimating the useful life of the Company's intangible assets and determining estimates and assumptions related to impairment tests for intangibles and goodwill;
- Note 14 – Determining the valuation of share-based compensation arrangements;
- Note 16 – Determining estimates and assumptions in measuring deferred tax assets and liabilities;
- Note 17 – Estimating the Company's incremental borrowing rate in connection with measuring lease liabilities; and
- Note 19 – Recognition and measurement of provisions and contingencies.

3. Material accounting policies

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of each entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in effect at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the rate in effect on the transaction date. Income and expense items denominated in foreign currency are translated at the date of the transactions. Gains and losses are included in income or loss.

In preparing the Company's consolidated financial statements, the financial statements of each foreign entity are translated into Canadian dollars. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates as at the balance sheet date. Revenues and expenses of foreign operations are translated to Canadian dollars at exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive income or loss and accumulated in equity in accumulated other comprehensive income or loss.

3. Material accounting policies (continued)

Foreign currency translation (continued)

If the Company or any of its subsidiaries disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net income or loss.

Revenue

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those products or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The following is a description of the Company's performance obligations for the transportation and logistics reportable segments.

a) Specialized Transportation

The Company's transportation segment generates revenue from providing specialized ground transportation, air freight forwarding and dedicated and last mile transportation services for its customers. Certain additional services may be provided to customers as part of their transportation contracts, such as temperature control and other incidental services. The transaction price is based on the consideration specified in the customer's contract. A contract exists when a customer under a transportation contract submits a shipment document for the transport of goods from origin to destination. The performance obligations within each contract are satisfied as the shipments move from origin to destination. Transportation revenue is recognized proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Performance obligations are short-term, with transit days less than one week. Generally, customers are billed upon shipment of the freight, and remit payment according to approved payment terms.

b) Healthcare Logistics

The Company's healthcare logistics segment generates revenue from providing supply chain services for its customers, including logistics and distribution services and packaging solutions. The Company's contracts typically include a single performance obligation that is satisfied over time as customers simultaneously receive and consume the benefits of the Company's services. For this performance obligation, the Company recognizes revenue at the invoiced amount, which is billed on a fixed price per unit of logistics activities provided in the month, since this amount corresponds directly to the Company's performance and the value to the customer. In some cases, the Company's contracts include other performance obligations related to managing transportation and other customer services which are included in the logistics and distribution of products. These services are typically priced at their stand-alone selling prices and are recognized over time as the customer simultaneously receives and consumes the benefits of the Company's services. The Company acts as an agent on behalf of its customers for a limited number of contracts in which certain products are purchased and sold on a pass-through basis. In such cases, net billings are included in revenue.

Contracts with customers that contain multiple performance obligations require the Company to allocate the contractual transaction price to the identified distinct performance obligations. The allocation of the transaction price requires management to determine the standalone selling price for each distinct performance obligation. These services are recognized as revenue when they are provided to the customer.

3. Material accounting policies (continued)

Revenue (continued)

b) Healthcare Logistics (continued)

Customers are typically billed on a weekly basis for transactional transportation services, and on a monthly basis for logistics and distribution services, and remit payment according to approved payment terms. Payment terms may range under certain contracts but are typically 30 days. The Company recognizes unbilled revenue for transportation service revenue that has been recognized but is not yet billed. The Company will also recognize deferred revenue when customers are billed in advance for transportation and logistics and distribution services.

Property, plant and equipment

Property, plant and equipment is accounted for at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the assets and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Depreciation Method
Facilities	Straight-line over the term of the lease
Furniture and fixtures	7 years straight line
Leasehold improvements	5-15 year straight-line subject to the shorter of remaining lease term or useful life
Logistics and transportation equipment	3 to 10 years straight line, except for storage vaults which are amortized straight line over 40 years

Property, plant and equipment acquired or constructed during the year but not placed into use during the year are not depreciated until put into use.

3. Material accounting policies (continued)

Goodwill and intangible assets

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets consist of customer relationships, brands, and internally generated software.

Customer relationships and brands that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

For internally generated software, expenditure on research activities is recognized in income or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in income or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Goodwill is not amortized.

Customer relationships and brands are amortized on a straight-line basis over their estimated useful lives of between 5 and 10 years.

Internally generated software is amortized on a straight-line basis over 10 years. Internally generated software developed during the year but not placed into use during the year is not amortized until placed into use.

Impairment

The carrying amounts of the Company's non-financial assets other than inventoried supplies and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated on December 31 of each year as part of the annual impairment test. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs (usually an operating segment of the Company), that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a prorated basis.

3. Material accounting policies (continued)

Impairment (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses and impairment reversals are recognized in income or loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represents substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. For the leases of land and buildings in which it is a lessee, the Company has elected to account for the lease and non-lease components separately.

a) For arrangements in which the Company is a lessee

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined by the estimated lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. Material accounting policies (continued)

Leases (continued)

a) For arrangements in which the Company is a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b) Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c) For arrangements in which the Company is a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income', which is combined with, and nets against, other expenses on the Company's consolidated statements of income and comprehensive income.

3. Material accounting policies (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments

Financial assets

Trade and other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

The Company’s financial assets are comprised of cash and cash equivalents, trade and other receivables, due from related parties, and long-term deposits. On initial recognition, the Company classifies these financial assets as measured at amortized cost, when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income or loss. Any gain or loss on derecognition is recognized in income or loss.

3. Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Accordingly, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in income or loss.

Financial liabilities are classified at amortized cost

The Company's financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income or loss. Any gain or loss on derecognition is also recognized in income or loss.

Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset or financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss – expensed to net income or loss as incurred;
- Financial assets or liabilities recorded at amortized cost – included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income – included in the initial cost of the underlying asset.

Inventories

Inventories, which consist of repair parts, materials and supplies, are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Vaccine inventory temporarily held for principals

The Company offers a consolidation service and acts as an agent on behalf of certain vaccine manufacturer clients ("principals") where end customers (primarily travel and vaccine clinics) place a single order for vaccines sold by multiple manufacturers. The Company temporarily holds, but does not obtain control of, a limited amount of vaccine inventory for resale at prices and other terms of sale specified by principals participating in the consolidated vaccine distribution program. Gross billings in connection with the sale of vaccines are entirely offset by the cost of purchases of vaccines resulting in nil net revenue for the Company related to the sale of such vaccines.

3. Material accounting policies (continued)

Segmented reporting

The Company is organized into two reportable segments: Specialized Transportation and Healthcare Logistics. In the Specialized Transportation segment, the Company provides specialized temperature-controlled services to healthcare customers. The Company's transportation products include ground transportation (comprising less-than-truckload and courier services), air freight forwarding, and dedicated and last mile delivery.

In the Healthcare Logistics segment, the Company provides contract logistics services for customers, including logistics and distribution (comprising warehousing and inventory management, order fulfillment, reverse logistics, and transportation management), and packaging (comprising reusable thermal packaging solutions and trade customization services).

Certain of the Company's operating units provide services to other Company operating units outside of their reportable segment. Billings for such services are based on negotiated rates, which approximates fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in the Company's consolidated results. The Company's chief executive officer is the Chief Operating Decision Maker ("CODM") for the Company. The CODM regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The Company evaluates performance based on the various financial measures of its two reporting segments.

Share-based compensation

The Company has an omnibus equity incentive plan and records all share-based compensation, including grants of deferred share units, restricted share units and employee stock options, at their respective fair values. The fair value of stock options granted to employees and directors is estimated at the date of grant using the Black Scholes option pricing model. The Company recognizes share-based compensation expense over the vesting period, over the life of the tranche of shares being considered. The Company also estimates forfeitures at the time of grant and revises its estimate, if necessary, in subsequent periods if actual forfeitures differ from these estimates. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to contributed surplus are credited to share capital. If a cashless exercise is undertaken, the employee or director will surrender a number of options in order to fund the cashless exercise and a further amount, representing the difference between the market price and the exercise price of the shares may be adjusted to share capital unless the Company chooses to sell the shares in the amount required to fund the cashless exercise. The Company's stock option plan is equity-settled.

The Black-Scholes option pricing model used by the Company to calculate option values was developed to estimate the fair value. This model also requires assumptions, including expected option life, volatility, risk-free interest rate and dividend yield, which greatly affect the calculated values.

3. Material accounting policies (continued)

Share-based compensation (continued)

Expected option life is determined using the time-to-vest-plus-historical-calculation-from-vest-date method that derives the expected life based on a combination of each tranche's time to vest plus the actual or expected life of an award based on the past activity or remaining time to expiry on outstanding awards. Expected forfeiture is derived from historical patterns. Expected volatility is determined using comparable companies for which the information is publicly available, adjusted for factors such as industry, stage of life cycle, size and financial leverage. The risk-free interest rate is determined based on the rate at the time of grant and cancellation for zero-coupon Canadian government securities with a remaining term equal to the expected life of the option. Dividend yield is based on the stock option's exercise price and expected annual dividend rate at the time of grant.

Accounting standards issued but not yet effective

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payments systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of income, statement of cash flow and the additional disclosure required for MPMs.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

4. Segment reporting

The Company is organized into operating segments, which aggregate into two reportable segments: Specialized Transportation and Healthcare Logistics. The operating segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Company's CODM reviews internal management reports, evaluating the metrics as summarized in the tables that follow.

The Company evaluates performance based on the various financial measures of its operating segments. Performance is measured based on segment income or loss before tax. This measure is included in the internal management reports that are reviewed by the Company's CEO and refers to "Income before income taxes" in the consolidated statements of income and comprehensive income. Segment income or loss before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the same industries.

The following table identifies selected financial data as at December 31, 2024 and 2023 and for the years then ended:

	Specialized Transportation	Healthcare Logistics	Corporate	Eliminations	Total
As at December 31, 2024 and for the year then ended					
Revenue	$ 530,284	$ 179,868	$ 5,805	$ (65,480)	$ 650,477
Segment income before tax	68,020	19,536	642	-	88,198
Interest income	1,262	740	6,514	(6,364)	2,152
Interest expense	(5,156)	(1,327)	(1,102)	-	(7,585)
Depreciation and amortization	(54,862)	(16,011)	(61)	-	(70,934)
Segment net income	49,841	14,286	341	-	64,468
Segment total assets	539,626	201,532	591,578	(635,820)	696,916
Additions of ROU assets	32,338	19,969	1,209	-	53,516
Capital expenditures	15,043	2,463	53	-	17,559
Segment total liabilities	108,496	86,480	39,120	31,688	265,784
As at December 31, 2023 and for the year then ended					
Revenue	$ 528,590	$ 175,929	$ 7,136	$ (63,703)	$ 647,952
Segment income before tax	67,061	19,308	4,238	-	90,607
Interest income	1,343	796	6,643	(5,612)	3,170
Interest expense	(10,831)	(1,915)	(1,071)	5,610	(8,207)
Depreciation and amortization	(52,867)	(15,282)	-	-	(68,149)
Segment net income	48,993	14,114	3,033	-	66,140
Segment total assets	526,282	174,107	680,970	(698,933)	682,426
Additions of ROU assets	17,224	263	-	-	17,487
Capital expenditures	19,012	4,511	-	-	23,523
Segment total liabilities	164,617	73,343	6,320	(31,424)	212,856

(In thousands of Canadian dollars, except shares, share price and earnings per share)

4. Segment Reporting (continued)

The Company's Healthcare Logistics segment purchases transportation services from its Specialized Transportation segment. Fees for these services are based on negotiated rates, which approximate fair value, and are reflected as revenues of the Specialized Transportation segment. Rates are adjusted from time to time based on market conditions. The Company also charges fees for services and costs incurred from its corporate office to subsidiaries. Intersegment revenues and expenses and related intersegment payables and receivables are eliminated in the Company's consolidated results.

The Company does not have any customers that individually represent more than 10% of revenue for the years ended December 31, 2024 and 2023.

5. Trade and other receivables

	December 31, 2024	December 31, 2023
Trade receivables	$ 110,815	$ 102,799
Trade receivables due from related parties (note 20)	26	54
Impairment loss	(394)	(647)
Trade and other receivables	**$ 110,447**	**$ 102,206**

Estimates are used in determining the impairment loss related to trade receivables. These estimates are based on management's best assessment of the ECL of the related receivable balance, which involves estimates around the cash flows that are expected to be received. There is no impairment loss recorded against trade receivables due from related parties.

6. Inventories

Inventories consist of:

	December 31, 2024	December 31, 2023
Packaging inventory	$ 426	$ 389
Thermal packaging products and parts	871	1,241
Transportation equipment parts and supplies	1,676	1,023
Vaccines temporarily held for principals	5,961	2,676
Inventories	**$ 8,934**	**$ 5,329**

During the year ended December 31, 2024, the Company purchased a total of $46,045 in inventory (2023 - $33,830) and $42,500 was recognized as an expense (2023 - $31,821) during the year and included in direct operating expenses.

7. Property, plant and equipment

Effective January 1, 2024, the Company revised the estimated useful lives and related depreciation methods of certain tangible assets reflecting a reassessment of their expected usefulness to the Company, and recent experience related to their economic lives.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

7. Property, plant and equipment (continued)

These changes are summarized as follows:

Asset	Depreciation method prior to January 1, 2024	Depreciation method effective January 1, 2024
Furniture and fixtures	20-30% declining balance	7 years straight line
Logistics and transportation equipment	Primarily 20-30% declining balance, except for storage vaults which are amortized straight line over 40 years, and certain transportation equipment which is amortized straight line over periods of 3-7 years	3 to 10 years straight line, except for storage vaults which are amortized straight line over 40 years

The changes in estimates were made on a prospective basis. The full year impact of the changes in estimates resulted in a net reduction of depreciation expense of $947.

Reconciliation of the net carrying amounts for each class of property, plant and equipment is summarized below:

	Facilities[1]	Furniture and fixtures	Leasehold improvements	Logistics and transportation equipment[1]	Total
Cost					
Balance at December 31, 2022	$ 161,746	$ 9,186	$ 23,695	$ 188,122	$ 382,749
Additions	2,477	344	3,408	34,781	41,010
Dispositions	-	-	-	(4,284)	(4,284)
Foreign currency adjustments	(144)	(8)	(59)	(796)	(1,007)
Balance at December 31, 2023	164,079	9,522	27,044	217,823	418,468
Additions	29,412	377	1,558	39,728	71,075
Dispositions	-	(3,094)	(1,007)	(11,880)	(15,981)
Foreign currency adjustments	651	39	230	3,340	4,260
Balance at December 31, 2024	**$ 194,142**	**$ 6,844**	**$ 27,825**	**$ 249,011**	**$ 477,822**
Accumulated depreciation					
Balance at December 31, 2022	$ 84,046	$ 7,178	$ 13,800	$ 101,845	$ 206,869
Depreciation for the year	17,934	416	2,625	27,009	47,984
Dispositions	-	-	-	(2,232)	(2,232)
Foreign currency adjustments	(40)	(1)	(8)	(304)	(353)
Balance at December 31, 2023	101,940	7,593	16,417	126,318	252,268
Depreciation for the year	18,624	549	3,898	27,429	50,500
Dispositions	-	(2,657)	(975)	(11,119)	(14,751)
Foreign currency adjustments	203	9	60	1,409	1,681
Balance at December 31, 2024	**$ 120,767**	**$ 5,494**	**$ 19,400**	**$ 144,037**	**$ 289,698**
Net carrying amounts					
At December 31, 2023	**$ 62,139**	**$ 1,929**	**$ 10,627**	**$ 91,505**	**$ 166,200**
At December 31, 2024	**$ 73,375**	**$ 1,350**	**$ 8,425**	**$ 104,974**	**$ 188,124**

[1] Facilities and certain logistics and transportation equipment assets are ROU assets, capitalized in accordance with IFRS 16. Refer to note 17.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

7. Property, plant and equipment (continued)

The Company has applied judgement in estimating the useful life of property, plant and equipment and to determine the lease terms for ROU lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized. In applying such judgement, management relies on historical experience and other factors, including the current economic environment, which management believes is reasonable under the circumstances.

8. Goodwill and intangible assets

	Goodwill	Customer relationships	Brand	Software	Total
Cost					
Balance at December 31, 2022	$ 192,908	$ 166,069	$ 42,977	$ 9,880	$ 411,834
Additions	-	-	-	2,069	2,069
Foreign currency adjustments	(2,348)	(2,245)	(671)	(8)	(5,272)
Balance at December 31, 2023	190,560	163,824	42,306	11,941	408,631
Additions	-	-	-	2,819	2,819
Foreign currency adjustments	8,586	8,211	2,454	60	19,311
Balance at December 31, 2024	**$ 199,146**	**$ 172,035**	**$ 44,760**	**$ 14,820**	**$ 430,761**
Accumulated amortization					
Balance at December 31, 2022	$ -	$ 43,172	$ 5,647	$ 5,317	$ 54,136
Amortization for the year	-	15,056	4,284	825	20,165
Foreign currency adjustments	-	(453)	(136)	-	(589)
Balance at December 31, 2023	-	57,775	9,795	6,142	73,712
Amortization for the year	-	15,197	4,326	911	20,434
Foreign currency adjustments	-	2,267	677	3	2,947
Balance at December 31, 2024	**$ -**	**$ 75,239**	**$ 14,798**	**$ 7,056**	**$ 97,093**
Net carrying amounts					
At December 31, 2023	**$ 190,560**	**$ 106,049**	**$ 32,511**	**$ 5,799**	**$ 334,919**
At December 31, 2024	**$ 199,146**	**$ 96,796**	**$ 29,962**	**$ 7,764**	**$ 333,668**

The Company performs annual goodwill impairment testing. The Company assesses goodwill at the operating segment level, which is the lowest level within the Company at which goodwill is monitored for internal management purposes. The table below sets out goodwill allocated to operating segments:

Operating segment/reportable segment	December 31, 2024	December 31, 2023
Healthcare Logistics	$ 31,872	$ 31,872
Specialized Transportation	167,274	158,688
Total goodwill	**$ 199,146**	**$ 190,560**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

8. Goodwill and intangible assets (continued)

The results of the annual impairment testing determined that the recoverable amounts of each of the Healthcare Logistics operating segment and the Specialized Transportation segment exceeded their respective carrying amounts. The recoverable amount of the Company's operating segments was determined using the value in use methodology, which involves discounting estimated future cash flows. Management believes that discounting estimated future cash flows results in a reasonable valuation for each segment. In assessing value in use, the estimated future cash flows have been discounted to their present values using pre-tax discount rates of 9.0% (2023 – 9.3%) for the Healthcare Logistics segment and 10.6% (2023 – 10.5%) for the Specialized Transportation segment, which approximate the Company's weighted average cost of capital for each segment; and expected growth rates for the healthcare sector of between 3.0% and 5.0%. Management has determined that no impairment has arisen in connection with the CGUs that gave rise to goodwill through the business combinations. Accordingly, no impairment loss has been recognized in each of the years ended December 31, 2024 and 2023.

The Company performs an assessment for indicators of impairment for customer relationships, brands and software at each reporting period. If an indicator of impairment exists, the Company would perform an impairment test to determine the recoverable amount. No such indicators of impairment were identified at any of the reporting periods covered by these financial statements.

9. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
Trade payables and accrued liabilities	$ 43,045	$ 40,379
Trade payables due to related parties (note 20)	302	450
Deferred revenue (note 15)	1,153	966
Accounts payable and accrued liabilities	**$ 44,500**	**$ 41,795**

10. Credit facilities

	December 31, 2024	December 31, 2023
Revolving credit facility	$ 30,000	$ -
Term facility	25,000	25,000
	55,000	25,000
Less: capitalized financing costs	(105)	(181)
Credit facilities	**$ 54,895**	**$ 24,819**

Recorded in the consolidated balance sheets as follows:

	December 31, 2024	December 31, 2023
Revolving credit facility	$ 30,000	$ -
Term facility	24,895	24,819
Credit facilities	**$ 54,895**	**$ 24,819**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

10. Credit facilities (continued)

The movement in credit facilities from December 31, 2023 is as follows:

	Credit Facilities
Balance at December 31, 2023	$ 24,819
Changes from financing cash flows	
Issuance of borrowings – revolving credit facility	40,000
	64,819
Less: capitalized financing costs	(124)
	64,695
Repayment of revolving credit facility	(10,000)
	54,695
Non-cash movements	
Amortization of capitalized financing costs	200
Balance at December 31, 2024	**$ 54,895**

The Company is party to credit facilities with a syndicate of lenders. The credit facilities comprise a revolving credit facility in the aggregate principal amount of up to $100,000 and a term facility in the aggregate principal amount of up to $25,000. The credit facilities will mature and be due and payable on March 1, 2026. There is no repayment schedule for either the revolving credit facility or the term facility, except at maturity; however, the Company classifies the revolving credit facility in current liabilities because of its intention to reduce drawn amounts with cash flow from operations within twelve months. Financing costs of $124, which apply to the credit facilities in aggregate, were capitalized in the term facility during the year ended December 31, 2024 in connection with an extension of the term by one year and were added to $621 of historical financing costs, which continue to be amortized.

The credit facilities are available to be drawn in Canadian dollars by way of prime rate loans, Canadian overnight repo rate average ("CORRA") loans, letters of credit and, prior to June 28, 2024, bankers' acceptances, and in U.S. dollars by way of base rate loans, and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2024, the credit facilities comprise term CORRA loans drawn at an interest rate of 5.3% (December 31, 2023 – bankers' acceptances at an interest rate of 6.9%).

The credit facilities are guaranteed by each of the Company's material subsidiaries and are secured by (i) a first priority lien over all personal property of the Company, subject to certain exclusions and permitted liens, (ii) charges over certain material leased real property interests, and (iii) a first ranking pledge of 100% of the securities of any subsidiary owned by the Company.

The credit facilities are subject to customary negative covenants and include financial covenants requiring the Company to maintain at all times a maximum net leverage ratio and a minimum interest coverage ratio, tested on a quarterly basis. At December 31, 2024 and December 31, 2023, the Company was in compliance with all of its covenants under the credit facilities.

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense on the credit facilities for the year ended December 31, 2024 was $2,684 (2023 – $2,977).

(In thousands of Canadian dollars, except shares, share price and earnings per share)

11. Financial instruments and financial risk management

Accounting classifications and fair values

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, long-term deposits and other, accounts payable and accrued liabilities and its credit facilities (refer to note 10). The Company believes that the carrying amount of each of these items is a reasonable approximation of fair value given the short-term nature of the financial instruments.

As the credit facilities bear interest at a floating rate subject to fluctuations in the bank prime rate the carrying value of the debt approximates fair value.

Financial risk factors

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk, and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit risk

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its financial assets, namely cash and cash equivalents, trade and other receivables and long-term deposits. The Company does not typically obtain collateral or other security to support the trade and other receivables subject to credit risk but mitigates this risk by performing credit check procedures for new customers and monitoring credit limits for existing customers. Thereby, the Company deals only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The maximum exposure to credit risk for cash and cash equivalents, trade and other receivables and long-term deposits approximate the amount recorded on the consolidated balance sheets.

Trade and other receivables aging is set out below:

	December 31, 2024	December 31, 2023
Current (not past due)	$ 67,114	$ 64,975
0-30 days past due	26,464	23,394
31-60 days past due	7,404	5,663
More than 61 days past due	1,886	3,466
Gross	102,868	97,498
Unbilled revenue	7,973	5,355
Impairment loss (note 5)	(394)	(647)
Trade and other receivables, net	**$ 110,447**	**$ 102,206**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company’s exposure to liquidity risk is dependent on the collection of trade and other receivables or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

11. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

As of December 31, 2024, $30,000 (2023 - $nil) has been drawn on the $100,000 revolving credit facility, and $25,000 (2023 - $25,000) has been drawn on the $25,000 term facility. There is no repayment schedule for the term facility except at maturity. The credit facilities are repayable in full on March 1, 2026.

The Company's accounts payable and accrued liabilities are due and payable in the short-term.

Interest rate risk

The Company has revolving and term credit facilities that bear interest at a floating rate subject to fluctuations in the bank prime rate. Changes in the bank prime lending rate can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to mitigate the effect of this risk. The facilities under this agreement are available to be drawn in Canadian dollars by way of prime rate loans, CORRA loans and letters of credit, and in U.S. dollars by way of base rate loans and letters of credit, in each case, plus the applicable margin in effect from time to time. At December 31, 2024, the credit facilities comprises term CORRA loans drawn at an interest rate of 5.3% (2023 – 6.9%).

During the year, interest rates have fluctuated as the Governing Council of the Bank of Canada continues to target 2-3% inflation. However, there has been no significant impact on the Company's financial condition or results of operations as a result of fluctuating interest rates.

Currency risk

The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company uses derivative instruments to reduce its exposure to foreign currency risk on an exceptional basis. During the years ended December 31, 2024 and 2023, no derivative instruments were used by the Company.

Excluding its foreign subsidiaries, the Company has the following US dollar foreign currency denominated balances at December 31, 2024 and 2023:

Currency risk	**December 31, 2024**	**December 31, 2023**
Cash	$ 17,134	$ 12,595
Trade and other receivables	13,182	14,625
Accounts payable and accrued liabilities	6,701	4,679

12. Share capital

The Company is authorized to issue an unlimited number of subordinate voting common shares, an unlimited number of multiple voting common shares, and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution, or wind-up. Holders of multiple voting shares are entitled to four votes per multiple voting share, and holders of subordinate voting shares are entitled to one vote per subordinate voting share on all matters upon which holders of shares are entitled to vote.

As of December 31, 2024, all of the multiple voting shares and 10,200 subordinate voting shares are owned by AMG. The following table summarizes the number of common shares issued:

	Number of common shares (in thousands)			Share capital (in thousands of dollars)		
	Multiple voting common shares	Subordinate voting common shares	Total common shares	Multiple voting common shares	Subordinate voting common shares	Total share capital
Balance at December 31, 2023	21,840	19,627	41,467	$ 327,600	$ 391,190	$ 718,790
Shares issued in connection with the exercise of options (note 14)	-	209	209	-	2,662	2,662
Shares issued in connection with the settlement of restricted share units (note 14)	-	1	1	-	49	49
Shares repurchased for cancellation in connection with the Company's normal course issuer bid (2023)	-	(159)	(159)	-	(3,176)	(3,176)
Shares repurchased for cancellation in connection with the Company's normal course issuer bid (2024)	-	(267)	(267)	-	(5,228)	(5,228)
Multiple voting shares converted to subordinate voting shares in connection with the Company's substantial issuer bid	(1,032)	1,032	-	(15,481)	15,481	-
Shares repurchased for cancellation in connection with the Company's substantial issuer bid	-	(2,000)	(2,000)	-	(39,229)	(39,229)
Balance at December 31, 2024	**20,808**	**18,443**	**39,251**	**$ 312,119**	**$ 361,749**	**$ 673,868**
Balance at December 31, 2022	21,840	20,074	41,914	$ 327,600	$ 400,235	$ 727,835
Shares issued in connection with the settlement of DSUs (note 14)	-	8	8	-	314	314
Shares issued in connection with the exercise of options (note 14)	-	20	20	-	112	112
Shares repurchased for cancellation in connection with the Company's normal course issuer bid	-	(475)	(475)	-	(9,471)	(9,471)
Balance at December 31, 2023	**21,840**	**19,627**	**41,467**	**$ 327,600**	**$ 391,190**	**$ 718,790**

12. Share capital (continued)

Normal course issuer bid (2023)

On March 29, 2023, the Company commenced a normal course issuer bid ("NCIB") which terminated on March 28, 2024. For the period from March 29, 2023 to December 31, 2023, a total of 474,740 subordinate voting shares, comprising approximately 2.4% of the number of subordinate voting shares outstanding, were purchased and cancelled pursuant to the NCIB at an average price of $39.67 per share, for a total purchase price of approximately $18,840. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of $9,369, was recognized as a share repurchase premium and a reduction to retained earnings. For the period from January 1, 2024 to March 28, 2024, a total of 159,350 subordinate voting shares, comprising approximately 0.8% of the number of subordinate voting shares outstanding, were purchased and cancelled pursuant to the NCIB at an average price of $39.42 per share, for a total purchase price of approximately $6,281. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of $3,105, was recognized as a share repurchase premium and a reduction to retained earnings.

Substantial issuer bid

On May 15, 2024, the Company commenced a substantial issuer bid ("SIB") under which the Company offered to purchase for cancellation up to 2,000,000 subordinate voting shares of the Company at a price of $45.00 per share for an aggregate purchase price not exceeding $90,000. The offer closed on June 19, 2024. Andlauer Management Group Inc. participated in the SIB and converted 1,032,045 multiple voting shares to subordinate voting shares, at their book value of $15.00 per share, which were taken up in the SIB. In aggregate, the Company purchased and cancelled 2,000,000 shares for total consideration of $90,000. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of $50,771, was recognized as a share repurchase premium and a reduction to retained earnings. Transaction costs, including federal taxes on share buybacks, of $2,239 have been charged to retained earnings in connection with the SIB.

Normal course issuer bid (2024)

On July 2, 2024, the Company commenced a NCIB for up to a maximum of 1,770,429 of its subordinate voting shares, or approximately 10% of its public float as of June 26, 2024 over the 12-month period concluding on July 1, 2025, or such earlier time as the Company completes its purchases pursuant to the bid or provides notice of termination. In connection with the NCIB, the Company established an automatic securities purchase plan with its designated broker that contains specified parameters regarding how its subordinate voting shares may be purchased under the NCIB during self-imposed blackout periods. As of December 31, 2024, a total of 266,534 subordinate voting shares, comprising approximately 1.4% of the number of subordinate voting shares outstanding, have been purchased and cancelled pursuant to the NCIB at an average price of $38.99 per share, for a total purchase price of approximately $10,392. The excess of the purchase price paid over the average carrying value of the subordinate voting shares purchased and cancelled, in the amount of $5,164, was recognized as a share repurchase premium and a reduction to retained earnings. Transaction costs of $174 have been charged to retained earnings in connection with the NCIB.

For the year ended December 31, 2024, transaction costs of $105, comprising federal taxes on share buybacks, have been charged to retained earnings in connection with share buybacks under the 2023 and 2024 NCIBs, net of shares issued in connection with share-based payment arrangements during the year.

Dividends to subordinate voting and multiple voting shareholders

During the year ended December 31, 2024, the Company declared total dividends of $16,723, or $0.42 per common share (December 31, 2023 – $14,202, or $0.34 per common share), on subordinate voting and multiple voting shares. Included in accounts payable and accrued liabilities as at December 31, 2024 is $4,318 (December 31, 2023 – $3,732) for dividends paid on January 15, 2025 and January 15, 2024, to common shareholders of record on December 31, 2024 and 2023, respectively.

13. Earnings per share

Basic earnings per share

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

(in thousands of dollars and number of shares)	December 31, 2024	December 31, 2023
Net income	$ 64,468	$ 66,140
Weighted average number of common shares	40,278	41,833
Earnings per share – basic	**$ 1.60**	**$ 1.58**

Diluted earnings per share

The basic earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

(in thousands of dollars and number of shares)	December 31, 2024	December 31, 2023
Net income	$ 64,468	$ 66,140
Weighted average number of common shares	40,278	41,833
Dilutive effects:		
Stock options	512	656
Restricted share units	33	2
Deferred share units	62	52
Weighted average number of diluted common shares	40,885	42,543
Earnings per share – diluted	**$ 1.58**	**$ 1.55**

14. Share-based payment arrangements

Stock option plan (equity settled)

The Company offers a stock option plan for the benefit of certain of its employees. Each stock option entitles its holder to receive one subordinate voting common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant. The options vest in equal installments over four years and the expense is recognized following the treasury method as each installment is fair valued separately and recorded over the respective vesting periods.

On December 11, 2019, the Board of Directors approved a grant of 1.65 million options. Of these options, 265 thousand were exercised during the year ended December 31, 2024 (December 31, 2023 – 31 thousand) while 778 thousand remain outstanding and are exercisable (December 31, 2023 – 1,043 thousand).

On December 11, 2023, the Board of Directors approved a grant of 63 thousand options which were granted to executive officers and management personnel in connection with its long-term incentive plan. Of these options, 1 thousand were exercised and 4 thousand were forfeited during the year ended December 31, 2024 (December 31, 2023 - nil).

On November 15, 2024, the Board of Directors approved a grant of 51 thousand options which were granted to executive officers and management personnel in connection with its long-term incentive plan. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the weighted average assumptions set out in the table below:

	November 15, 2024	December 11, 2023	December 11, 2019
Exercise price	$ 43.00	$ 39.73	$ 15.00
Average expected option life	6.3 years	6.3 years	7.0 years
Risk-free interest rate	3.16%	3.48%	1.59%
Expected stock price volatility	34.81%	33.66%	24.77%
Average dividend yield	0.99%	0.93%	1.33%
Weighted average fair value per option of options granted	**$ 14.85**	**$ 14.37**	**$ 3.60**

Of the options outstanding at December 31, 2024, a total of 535 thousand (December 31, 2023 – 635 thousand) are held by non-executive directors; 172 thousand (December 31, 2023 – 223 thousand) are held by executive officers; with the remaining 180 thousand (December 31, 2023 – 248 thousand) held by management personnel.

The table below summarizes the changes in the outstanding stock options:

	December 31, 2024		December 31, 2023	
(in thousands of options and in dollars)	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	1,106	$ 16.41	1,074	$ 15.00
Granted	51	43.00	63	$ 39.73
Exercised	(266)	15.09	-	-
Forfeited	(4)	39.73	(31)	15.00
Ending balance	887	$ 18.23	1,106	$ 16.41
Options exercisable	**792**	**$ 15.47**	**1,043**	**$ 15.00**

14. Share-based payment arrangements (continued)

Stock option plan (equity-settled) (continued)

The table below summarizes stock options outstanding and exercisable at December 31, 2024:

(in thousands of options and in dollars)	**Options Outstanding**		**Options Exercisable**
Exercise price	**Number of options**	**Weighted average remaining contractual life (in years)**	**Number of options**
$ 15.00	778	4.95	778
39.73	58	8.95	14
43.00	51	9.95	-
	887	**5.50**	**792**

The Company recognized compensation expense of $474 for the year ended December 31, 2024 (December 31, 2023 – $301), with corresponding increases to contributed surplus in connection with the vesting of options.

During the year ended December 31, 2024, 266 thousand options were exercised (113 thousand on a cash basis and 153 thousand on a cashless basis) resulting in 209 thousand subordinate voting common shares being issued from treasury and in the surrender of 57 thousand options used to fund the cashless option exercise. The volume weighted average price used to calculate the cashless exercises in accordance with the Company's Omnibus Equity Incentive Plan was $39.64 per share at the time of exercise resulting in a $2,662 net increase in share capital. When options are exercised, the option value that was originally recognized is transferred from contributed surplus to share capital. The transfer of the option value of the options exercised resulted in a $975 reduction to contributed surplus at a weighted average option value of $3.66 per share.

Restricted share units ("RSUs") program (equity settled)

On December 11, 2023, the Board of Directors approved a grant of 30 thousand RSUs which were granted to executive officers and management personnel in connection with its long-term incentive plan. The fair value of the RSUs is determined to be the share price fair value at the date of the grant. The RSUs vest in equal installments over four years and the expense is recognized as a share-based compensation expense, through contributed surplus over the vesting period. The fair value of the RSUs granted was $39.95 per unit.

On November 15, 2024, the Board of Directors approved a grant of 26 thousand RSUs which were granted to executive officers and management personnel in connection with its long-term incentive plan. The fair value of the RSUs is determined to be the share price fair value at the date of the grant. The RSUs vest in equal installments over four years and the expense is recognized as a share-based compensation expense, through contributed surplus over the vesting period. The fair value of the RSUs granted was $42.19 per unit.

RSUs accrue dividend equivalents as of each dividend payment date in respect of which normal cash dividends are paid on subordinate voting common shares and are reinvested in RSUs.

For the year ended December 31, 2024 the Company recognized a compensation expense of $659, including $6 for dividend equivalents reinvested, with a corresponding increase to contributed surplus (December 31, 2023 – $34, including $nil for dividend equivalents).

14. Share-based payment arrangements (continued)

Restricted share units ("RSUs") program (equity settled) (continued)

During the year ended December 31, 2024, 2 thousand RSUs were settled resulting in 1 thousand subordinate voting common shares being issued from treasury and 1 thousand RSUs surrendered to fund applicable employee withholding taxes. When RSUs are settled, the fair value that was originally recognized is transferred from contributed surplus to share capital, net of applicable withholding taxes for certain employees, and to relevant tax authorities. The transfer of the RSU value of the options exercised resulted in a $68 reduction to contributed surplus at a RSU fair value of $39.95 per share, and a corresponding increase of $49 to share capital, net of $19 surrendered to fund the payment of withholding taxes.

The table below summarizes the changes in the outstanding RSUs:

	December 31, 2024	
(in thousands of RSUs and in dollars)	**Number of RSUs**	**Weighted average grant date fair value**
Opening balance	30	$ 39.95
Granted	26	42.19
Reinvested	1	41.44
Settled	(2)	39.95
Forfeited	(2)	39.95
Ending balance	53	$ 41.08
RSUs vested	**5**	**$ 39.96**

Director deferred share units ("DSUs") program (equity settled)

Each non-executive director receives at least 50% of their annual director retainer in DSUs. DSUs vest when granted but are not redeemable for settlement until the director ceases to be a member of the Board. The number of DSUs issued is calculated for each director as the director's quarterly retainer divided by the volume weighted average trading price on the TSX for the five trading days prior to such issuance. For the year ended December 31, 2024, the Company recognized a compensation expense of $580, with corresponding increases to contributed surplus (December 31, 2023 – $593).

On June 5 and 12, 2023, an aggregate of 8 thousand DSUs were settled by the issuance of subordinate voting shares of the Company from treasury in connection with the retirement of a director resulting in a reduction of $314 to contributed surplus and a corresponding increase in share capital.

The table below summarizes the changes in the outstanding DSUs:

(thousands of DSUs)	**December 31, 2024**	**December 31, 2023**
Opening balance	57	51
Granted	14	14
Settled	-	(8)
Ending balance	**71**	**57**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

15. Revenue

a) **Revenue streams**

The Company generates revenue primarily from the provision of supply chain transportation and logistics services to its customers. The Company's contracts are typically satisfied over a short period of time. Consequently, the Company applies the practical expedient and does not disclose information related to its remaining performance obligations.

b) **Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (note 4), and revenue disaggregated by primary geographical markets. All of the revenue generated in the United States comprises ground transportation revenue.

Major products/service lines	**December 31, 2024**	**December 31, 2023**
Logistics and distribution	$ 162,925	$ 159,168
Packaging solutions	16,943	16,761
Healthcare Logistics segment	**179,868**	**175,929**
Ground transportation	424,507	429,174
Air freight forwarding	31,929	30,595
Dedicated and last mile delivery	73,848	68,821
Intersegment revenue	(59,675)	(56,567)
Specialized Transportation segment	**470,609**	**472,023**
Total revenue	**$ 650,477**	**$ 647,952**

Primary geographical markets	**December 31, 2024**	**December 31, 2023**
Canada	$ 541,776	$ 520,983
United States	108,701	126,969
Total revenue	**$ 650,477**	**$ 647,952**

c) **Deferred revenue**

One of the Company's specialized transportation operating segments bills customers for transportation services based on the pick-up date. When shipments remain in transit at the end of a period, the Company defers revenue until the shipments are delivered. The Company does not regularly bill customers in advance for logistics and distribution services. Consequently, fluctuations in deferred revenue will occur year over year and will depend on specifically negotiated payment terms resulting from customer billing requests or concerns related to credit risk. To date, the changes in deferred revenue have been largely insignificant. As at December 31, 2024 there was $1,153 (2023 – $966) recorded in accounts payable and accrued liabilities (note 9). Revenue recognized in 2024 of $966 (2023 – $1,137) was included in the opening deferred revenue balance at the beginning of the period.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

16. Income taxes

a) **Amounts recognized in income or loss**

	December 31, 2024	December 31, 2023
Current income tax expense:		
Current taxes on income for the reporting year	$ 28,412	$ 29,022
Current taxes relating to previous periods and other adjustments	413	(126)
	28,825	28,896
Deferred income tax recovery:		
(Recognition) utilization of tax benefits related to income (loss) for the year	(348)	252
Origination and reversal of temporary differences	(4,469)	(4,841)
Deferred taxes relating to previous years and other adjustments	(278)	160
	(5,095)	(4,429)
Income tax expense reported to the statements of income and comprehensive income	**$ 23,730**	**$ 24,467**

Total cash outflow for actual taxes paid for the year ended December 31, 2024 was $29,920 (2023 – $46,124).

b) **Reconciliation of effective tax rate**

	December 31, 2024	December 31, 2023
Income before income taxes	$ 88,198	$ 90,607
Consolidated Canadian federal and provincial income tax rate	26.5%	26.5%
Income tax expense based on statutory rate	23,372	24,011
Increase in income taxes resulting from non-deductible items or other adjustments	430	609
Impact of varying statutory tax rates of subsidiaries	(207)	(187)
Taxes relating to previous years and other adjustments	135	34
Total income tax expense	**$ 23,730**	**$ 24,467**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

16. Income taxes (continued)

c) **Deferred taxes**

	December 31, 2024	December 31, 2023
Deferred tax assets	$ 4,910	$ 5,285
Deferred tax liabilities	(39,783)	(42,955)
Net deferred tax liability	**$ (34,873)**	**$ (37,670)**

d) **Movement in deferred tax balances**

	December 31, 2024	Recognized in income or loss	Foreign currency adjustments	December 31, 2023
Plant and equipment	$ (9,684)	$ 3,552	$ (449)	$ (12,787)
Accounts payable and accrued liabilities	1,149	287	(6)	868
Intangibles	(31,337)	4,169	(1,926)	(33,580)
Benefit of losses carried forward	2,920	389	-	2,531
Leases	1,802	(2,360	83	4,079
Transaction costs	277	(942)	-	1,219
Net deferred tax liability	**$ (34,873)**	**$ 5,095**	**$ (2,298)**	**$ (37,670)**

	December 31, 2023	Recognized in income or loss	Foreign currency adjustments	December 31, 2022
Plant and equipment	$ (12,787)	$ 872	$ 144	$ (13,803)
Accounts payable and accrued liabilities	868	50	(1)	819
Intangibles	(33,580)	4,879	588	(39,047)
Benefit of losses carried forward	2,531	(252)	-	2,783
Leases	4,079	(85)	(30)	4,194
Transaction costs	1,219	(1,035)	-	2,254
Net deferred tax liability	**$ (37,670)**	**$ 4,429**	**$ 701**	**$ (42,800)**

e) **Unrecognized deferred tax liabilities**

As at December 31, 2024, temporary differences of $40,390 (December 31, 2023 – $40,390) exist in connection with wholly-owned investments in subsidiaries; and the related potential deferred tax liability of $5,352 (December 31, 2023 – $5,352) has not been recognized. The Company controls the dividend policies of its subsidiaries and controls the timing of payment of such dividends. Accordingly, the Company controls the timing of reversal of the related taxable temporary differences; and management is satisfied that they will not reverse in the foreseeable future.

f) **Non-capital loss carryforwards**

The Company recognized deferred tax assets in connection with certain losses for the current year on the basis that it will have sufficient future taxable profit.

The Company has total non-capital tax loss carry forwards of $10,710 that begin to expire in 2039.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

16. Income taxes (continued)

g) **Uncertainty over income tax treatments**

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

17. Leases

The Company leases buildings and equipment in the operation of its Transportation and Logistics businesses. The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. The Company estimates its incremental borrowing rates for portfolios of leases with similar characteristics, such as similar risk profiles, same or similar types of security, and similar lease terms. Building lease terms range from 5 to 10 years. Facilities lease liabilities are calculated using the Company's incremental borrowing rate based on the specific lease commitments and term for each facility. The average incremental borrowing rate for facilities for the year ended December 31, 2024 is 5.35% (year ended December 31, 2023 – 5.76%). Equipment lease terms range from 1 to 7 years. Equipment lease liabilities are calculated using the operating segment's average incremental borrowing rate on an equipment lease portfolio basis for that period. The average incremental borrowing rate for equipment for the year ended December 31, 2024 is 5.56% for Specialized Transportation and 6.20% for Healthcare Logistics (year ended December 31, 2023 – 5.94% for Specialized Transportation; 5.74% for Healthcare Logistics).

Right-of-use assets – Facilities	**As at and for the year ended December 31, 2024**	**As at and for the year ended December 31, 2023**
Opening balance	$ 62,141	$ 77,701
Add: additions	29,412	2,477
Less: depreciation	(18,624)	(17,934)
Foreign currency adjustments	448	(103)
Ending balance	**$ 73,377**	**$ 62,141**

Right-of-use assets – Logistics and transportation equipment	**As at and for the year ended December 31, 2024**	**As at and for the year ended December 31, 2023**
Opening balance	$ 35,629	$ 32,333
Add: additions	24,104	15,010
Less: derecognition of ROU assets	(165)	-
Less: depreciation	(13,973)	(11,691)
Foreign currency adjustments	464	(23)
Ending balance	**$ 46,059**	**$ 35,629**

Net carrying amounts of right-of-use assets included in property, plant and equipment	**December 31, 2024**	**December 31, 2023**
Facilities	$ 73,377	$ 62,141
Logistics and transportation equipment	46,059	35,629
Balance	**$ 119,436**	**$ 97,770**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

17. Leases (continued)

Lease liabilities – Facilities	**As at and for the year ended December 31, 2024**	**As at and for the year ended December 31, 2023**
Opening balance	$ 71,501	$ 86,925
Add: additions	29,412	2,477
Add: interest expense	2,899	3,085
Less: principal repayments	(19,036)	(17,794)
Less: interest payments	(2,899)	(3,085)
Foreign currency adjustments	465	(107)
Ending balance	**$ 82,342**	**$ 71,501**

Lease liabilities – Logistics and transportation equipment	**As at and for the year ended December 31, 2024**	**As at and for the year ended December 31, 2023**
Opening balance	$ 31,580	$ 26,804
Add: additions	24,104	15,010
Add: interest expense	2,002	1,321
Less: derecognition of ROU assets	(165)	-
Less: principal repayments	(12,007)	(10,158)
Less: interest payments	(2,002)	(1,321)
Foreign currency adjustments	461	(76)
Ending balance	**$ 43,973**	**$ 31,580**

Cash lease principal payments	**Year ended December 31, 2024**	**Year ended December 31, 2023**
Repayments of lease principal	$ (31,043)	$ (27,952)
Total lease payments	**$ (31,043)**	**$ (27,952)**

Lease liabilities	**December 31, 2024**	**December 31, 2023**
Facilities	$ (82,342)	$ (71,501)
Logistics and transportation equipment	(43,973)	(31,580)
Balance	**$ (126,315)**	**$ (103,081)**

Lease liabilities included in consolidated balance sheets	**December 31, 2024**	**December 31, 2023**
Current	$ (31,729)	$ (27,697)
Non-current	(94,586)	(75,384)
Balance	**$ (126,315)**	**$ (103,081)**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

17. Leases (continued)

Maturity analysis for lease liabilities – contractual undiscounted cash flows	**December 31, 2024**	**December 31, 2023**
Less than one year	$ 36,403	$ 32,285
One to 5 years	87,838	76,377
More than 5 years	18,855	5,636
Total undiscounted lease liabilities	**$ 143,096**	**$ 114,298**

Amounts recognized in the consolidated statements of income and comprehensive income in connection with interest expense for lease liabilities for the year ended December 31, 2024 was $4,901 (2023 – $4,406). Total cash outflow for leases for the year ended December 31, 2024 was $35,944 (2023 –$32,358).

18. Interest expense

Interest expense recognized in income and comprehensive income	**December 31, 2024**	**December 31, 2023**
Leases	$ 4,901	$ 4,406
Credit facilities	2,684	2,977
Other	-	824
Total interest expense	**$ 7,585**	**$ 8,207**

Interest expense recognized in the consolidated statements of income and comprehensive income equates to total interest paid for the years ended December 31, 2024 and 2023.

19. Commitments and contingencies

a) The Company is, from time to time, involved in claims, legal proceedings and complaints arising in the normal course of business and provisions for such claims have been recorded where appropriate. The Company does not believe the final determination of these claims will have an adverse material effect on its consolidated financial statements.

b) As at December 31, 2024, the Company had outstanding letters of guarantee in the amount of $394 (December 31, 2023 – $365).

c) The Company has made commitments to lease fleet equipment, with the terms to begin upon delivery of the equipment. Commitments range from 72 to 84 months and total $5,509 (December 31, 2023 – $12,926).

d) The Company has made commitments to purchase equipment totalling approximately $3,010 (December 31, 2023 – $4,848).

20. Related parties

During the year, the Company entered into transactions with related parties that were incurred in the normal course of business. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. All outstanding balances with these related parties are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

The Company is indirectly controlled by Michael Andlauer, the Chief Executive Officer and CODM. Included in these consolidated financial statements are the following transactions and balances with companies related either directly or indirectly to Mr. Andlauer.

The Company recovers certain facilities lease costs from Andlauer Management Group Inc. ("AMG"). The Company also provides certain shared services (primarily accounting services) to AMG.

Andlauer Properties and Leasing Inc. ("APLI") is a subsidiary of AMG and leases certain facilities and logistics and transportation equipment to the Company. The Company also leases facilities and logistics and transportation equipment from arm's length providers. The Company provides certain shared services (primarily accounting services) to APLI.

9143-5271 ("9143") Quebec Inc. is a subsidiary of AMG and leases a facility in Quebec to the Company. The Company provides certain shared services (primarily accounting services) to 9143.

Ready Staffing Solutions Inc., a company owned by Mr. Andlauer's spouse, provides the Company with temporary agency employee services – providing hourly dock labour for handling operations, principally in the GTA. The Company also purchases temporary agency employee services from arm's length providers.

1708998 Ontario Limited (Medical Courier Services) ("MCS") is a subsidiary owned 80% by AMG and provides transportation services to the Company, providing extended reach for shipments where the Company does not have facilities or equipment. The Company also provides certain shared services (primarily accounting services) to MCS.

Med Express is a subsidiary owned 50% by AMG and provides transportation services to the Company, providing extended reach for shipments where the Company does not have facilities or equipment.

Logiserv Inc. ("Logiserv") is partially owned by Cameron Joyce, a member of AHG's board of directors. Logiserv provides warehouse racking and racking components as well as warehouse racking installation, maintenance and repair services. The Company also purchases warehouse racking installation, maintenance and repairs, and warehouse racking and racking components from arm's length providers.

C-GHBS Inc. is a subsidiary of AMG and provides air travel services to the Company.

(In thousands of Canadian dollars, except shares, share price and earnings per share)

20. Related parties (continued)

	December 31, 2024	December 31, 2023
Revenue		
Transportation services		
1708998 Ontario Limited (Medical Courier Services)	$ 192	$ 215
Shared service recovery		
Andlauer Properties and Leasing Inc.	-	19
Andlauer Management Group Inc.	-	14
9143-5271 Quebec Inc.	-	32
1708998 Ontario Limited (Medical Courier Services)	-	24
Expenses		
Transportation services		
1708998 Ontario Limited (Medical Courier Services)	173	151
Med Express Ltd.	-	20
Contract labour services		
Ready Staffing Solutions Inc.	6,264	6,503
Equipment rent		
Andlauer Properties and Leasing Inc.	2,147	2,237
Facility rent		
Andlauer Properties and Leasing Inc.	2,257	2,239
9143-5271 Quebec Inc.	1,549	1,544
Maintenance services		
Logiserv Inc.	15	-
Travel services		
C-GHBS Inc.	142	58
Capital Expenditures		
Purchases of logistics and transportation equipment		
Logiserv Inc.	46	-

(In thousands of Canadian dollars, except shares, share price and earnings per share)

20. Related parties (continued)

	December 31, 2024	December 31, 2023
Trade receivables due from related parties		
Andlauer Properties and Leasing Inc.	$ 13	$ 13
1708998 Ontario Limited (Medical Courier Services)	13	41
	26	54
Due from related parties		
Andlauer Management Group Inc.	18	1
Total due from related parties	**$ 44**	**$ 55**

Trade payables due to related parties		
Ready Staffing Solutions Inc.	$ 181	$ 150
1708998 Ontario Limited (Medical Courier Services)	17	13
Andlauer Properties and Leasing Inc.	93	287
Andlauer Management Group Inc.	11	-
	302	450
Due to related parties		
Andlauer Properties and Leasing Inc.	291	206
Total due to related parties	**$ 593**	**$ 656**

Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's CEO, four named executive officers comprising key management and the Board of Directors.

Key management personnel compensation comprised the following for the years ended:

Key management compensation	December 31, 2024	December 31, 2023
Salaries and benefits	$ 4,046	$ 4,061
Share-based payment arrangements	516	196
Director deferred share units	580	593
Total key management compensation	**$ 5,142**	**$ 4,850**

(In thousands of Canadian dollars, except shares, share price and earnings per share)

21. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends and distributions to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Company monitors capital using a net leverage ratio, calculated as net debt divided by the last twelve months' earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company seeks to keep its net leverage ratio below 3.0 in the ordinary course of business.

	December 31, 2024	December 31, 2023
Total lease liabilities	$ 126,315	$ 103,081
Credit facilities	54,895	24,819
Less: cash and cash equivalents	(40,483)	(59,740)
Net debt	140,727	68,160
Last twelve months' net income	64,468	66,140
Last twelve months' interest income	(2,152)	(3,170)
Last twelve months' interest expense	7,585	8,207
Last twelve months' income tax expense	23,730	24,467
Last twelve months' depreciation and amortization	70,934	68,149
EBITDA	164,565	163,793
Net leverage ratio	0.86	0.42

SHAREHOLDER INFORMATION

Shares Outstanding (December 31, 2024)
Total Subordinate Voting Shares ("SVS"): 18,443,497
Total Multiple Voting Shares: 20,807,955

Stock Exchange Listing
Andlauer Healthcare Group's SVS are listed on the Toronto Stock Exchange under the symbol "AND"

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Registrar and Transfer Agent
TSX Trust Company

Auditor
KPMG LLP

Legal Counsel
Goodmans LLP

Annual General Meeting
Friday, May 2, 2025, at 10:00 a.m. (ET)
Goodmans LLP
Bay Adelaide Centre, West Tower
333 Bay Street, Suite 3400
Toronto

EXECUTIVE TEAM

Michael Andlauer
Chief Executive Officer

Peter Bromley, CPA, CA
Chief Financial Officer

Sandro Caccaro
President, Transportation

Dean Berg
President, Logistics

Bryan McMahon
Executive Vice President, Commercial and Specialty Solutions

BOARD OF DIRECTORS

Peter Jelley
Chair

Rona Ambrose [1,2,3]
Lead Director

Michael Andlauer
Director and Chief Executive Officer

Cameron Joyce [1]
Director

Joseph Schlett, CPA, CA [1,2,3]
Director

Evelyn Sutherland, FCPA, FCA [1,2*,3]
Director

Thomas Wellner [1,3*]
Director

1 Independent director
2 Member of Compensation, Nominating & Governance Committee
3 Member of the Audit Committee
* Denotes Committee Chair

PLATFORM OF COMPANIES

ATS Healthcare · ATS Dedicated · Accuristix Advancing Healthcare Logistics

Skelton Truck Lines · Crēdo · MEDDS

Nova Pack An Accuristix Company · LSU · Boyle We deliver security.

Andlauer HEALTHCARE GROUP

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