ANDLAUER HEALTHCARE GROUP INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three month periods ended March 31, 2025 and 2024

May 1, 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 month periods ended March 31, 2025 and 2024 should be read in conjunction with Andlauer Healthcare Group Inc.'s unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2025 and 2024, along with the related notes thereto and the audited annual consolidated financial statements, related notes thereto and MD&A for the years ended December 31, 2024 and 2023. This MD&A is presented as of May 1, 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 "Q1 2025" are to the three months ended March 31, 2025; "Q1 2024" are to the three months ended March 31, 2024; "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; "Fiscal 2025" are to the year ending December 31, 2025; "Fiscal 2024" are to the year ending 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.

Statements regarding the anticipated benefits of the Transaction for the Company, shareholders and other stakeholders, including, plans, objectives, expectations and intentions of UPS or the Company; statements regarding the timing and receipt of shareholder, court and regulatory approvals in respect of the Transaction; anticipated timing of the special meeting to approve the Transaction; the satisfaction of the conditions

precedent to the Transaction; payment of dividends; the proposed timing and completion of the Transaction; the delisting from the TSX; and other statements that are not statements of historical facts are all considered to be forward-looking information.

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;
- the risk that the Transaction will not be completed on the terms and conditions, or on the timing, currently contemplated; that the Transaction may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required shareholder, court and regulatory approvals and other conditions to the closing of the Transaction or for other reasons; the risk that competing offers or acquisition proposals will be made; the negative impact that the failure to complete the Transaction, for any reason, could have on the price of the subordinate voting shares of AHG or on the business of AHG; the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the Transaction; risks relating to the Company's ability to retain and attract key personnel during and following the interim period; the possibility of litigation relating to the Transaction; credit, market, currency, operational, liquidity and funding

risks generally and relating specifically to the Transaction, including changes in economic conditions, interest rates or tax rates; 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 unaudited interim condensed consolidated financial statements as at and for the three month periods ended March 31, 2025 and 2024 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Under International Financial Reporting Standards ("IFRS"), additional disclosures are required in the annual financial statements and therefore, our unaudited interim condensed consolidated financial statements and accompanying notes should be read in conjunction with the notes to our audited annual consolidated financial statements for the years ended December 31, 2024 and 2023.

Our unaudited interim condensed consolidated financial statements have been prepared using consistent accounting policies and methods used in the preparation of our audited annual consolidated financial statements. The amounts below are expressed 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 Q1 2025 and Q1 2024, 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 life sciences (approximately 80% of revenue) and government/defense sectors (approximately 20% 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. Throughout Q1 2025, we have been integrating the operations of Boyle Transportation and Skelton USA, selecting and implementing best practices from each for an improved "AHG USA" while maintaining both brands.

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 nationwide 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, in 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 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.

Effective March 1, 2025, we entered into a joint venture (the "Joint Venture") to combine our packaging subsidiary, Nova Pack Ltd. ("Nova Pack"), with NowPac Inc. ("NowPac"), a privately-owned Toronto-based company specializing in contract packaging services for the healthcare sector. NowPac's technology and automation solutions provide the Joint Venture with packaging scalability to address a broader range of customer demands.

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.

Q1 2025 Compared to Q1 2024

Select highlights include the following:

- Effective March 1, 2025, we entered into a joint venture to combine our packaging subsidiary, Nova Pack, with NowPac, a privately-owned Toronto-based company specializing in contract packaging services for the healthcare sector;
- Revenue was $166.1 million in Q1 2025, compared to $161.1 million in Q1 2024;
- Operating income was $21.6 million in Q1 2025, compared to $21.2 million in Q1 2024;
- Net income, which includes a gain on the deconsolidation of Nova Pack of $5.0 million, was $20.2 million in Q1 2025, compared to $14.9 million in Q1 2024;
- Total comprehensive income for Q1 2025 was $20.0 million, compared to $20.5 million in Q1 2024;
- EBITDA, excluding the gain on deconsolidation of Nova Pack, was $40.0 million, compared to $39.6 million in Q1 2024; and
- EBITDA Margin, excluding the gain on deconsolidation of Nova Pack, was 24.1% in Q1 2025 compared to 24.6% in Q1 2024

Subsequent event

On April 23, 2025, we entered into a definitive agreement (the "Arrangement Agreement") with affiliates of UPS (collectively "UPS") under which UPS will acquire all of the issued and outstanding Shares of AHG for $55.00 per Share in cash (the "Transaction"). A copy of the Arrangement Agreement and a material change report regarding the Transaction are available on the Company's SEDAR+ profile at www.sedarplus.ca.

The completion of the Transaction will be subject to approval by the shareholders of AHG, court and applicable regulatory approvals or clearances, as well as other customary closing conditions. Subject to the satisfaction of the conditions set out in the Arrangement Agreement, the Transaction is expected to be completed in the second half of 2025.

If the Arrangement Agreement is terminated under certain circumstances, including, among other things, if the board of directors of AHG changes or withdraws its recommendation in respect of the Transaction at any time prior to the Transaction being approved by shareholders, a termination fee of $66 million is be payable by AHG to UPS. A reverse termination fee of $110 million is payable by UPS to the AHG if the Transaction is not completed in certain circumstances, including where certain of the required regulatory approvals are not received. Following the completion of the Transaction, it is expected that the Subordinate Voting Shares will be delisted from the TSX and that the Company will cease to be a reporting issuer in all applicable Canadian jurisdictions.

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 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 Q1 2025, fuel rates were approximately 2.6% higher than in Q1 2024.

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.

Gain on Deconsolidation of Subsidiary

Effective March 1, 2025, we entered into a Joint Venture to combine our packaging subsidiary, Nova Pack, with NowPac, a privately-owned Toronto-based company specializing in contract packaging services for the healthcare sector. Accuristix, the former sole shareholder of Nova Pack, contributed 50% of the issued and outstanding shares of Nova Pack to the shareholder of NowPac (the "JV Partner") as partial consideration for Nova Pack acquiring 100% of the issued and outstanding shares of NowPac. The remainder of the consideration was satisfied with cash of $5.8 million, which was funded from $6.1 million of cash and cash equivalents that remained in Nova Pack prior to deconsolidation. Accuristix recorded its investment in the Joint Venture at fair value of $15.0 million, comprising 50% of the fair value of the enterprise. Accuristix recognized a gain of $5.0 million on the deconsolidation of its investment in Nova Pack upon contributing such interest to the JV Partner.

Share of Profit of Equity-Accounted Joint Venture, Net of Tax

We evaluated whether we had control over the Joint Venture in accordance with IFRS 10 and concluded that we do not have control, as it is governed by a board composed of two members appointed by AHG and two members appointed by the JV Partner. Accordingly, we have accounted for the Joint Venture using the equity method of accounting. Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the investee.

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.

We contributed 50% of our shares of Nova Pack to the JV Partner as partial consideration for Nova Pack acquiring NowPac. In accordance with IFRS 10, this transaction was undertaken at fair value, which generated a gain on the deconsolidation of $5.0 million. For comparative purposes with other periods, we have presented EBITDA and EBITDA Margin excluding the gain on the deconsolidation in this MD&A.

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 Q1 2025 and Q1 2024 has been derived from our unaudited interim condensed consolidated financial statements and the related notes thereto. See "Reconciliation of Non-IFRS Measures" for quantitative reconciliations of net income to EBITDA.

Consolidated Statements of Income and Comprehensive Income (unaudited)

($CAD 000s)	Three Months Ended March 31,	
	2025	**2024**
Revenue		
Logistics & distribution	42,559	37,918
Packaging solutions	4,079	4,942
Healthcare logistics segment	46,638	42,860
Ground transportation	108,475	106,388
Air freight forwarding	8,362	7,995
Dedicated and last mile delivery	18,803	17,745
Intersegment revenue	(16,190)	(13,850)
Specialized transportation segment	119,450	118,278
Total revenue	**166,088**	**161,138**
Operating expenses		
Cost of transportation and services	84,769	82,466
Direct operating expense	26,633	26,273
Selling, general and administrative expenses	15,183	12,816
Depreciation & amortization	17,937	18,340
	144,522	139,895
Operating income	**21,566**	**21,243**
Gain on deconsolidation of subsidiary	5,020	-
Share of profit of equity-accounted joint venture, net of tax	292	-
Interest expense	(1,956)	(1,579)
Interest income	323	695
Other income	203	9
Income tax expense	(5,223)	(5,445)
Net income	**20,225**	**14,923**
Other comprehensive income		
Net income	20,225	14,923
Foreign currency translation adjustment	(212)	5,537
Total comprehensive income	**20,013**	**20,460**
Earnings per share		
Earnings per share – basic	$ 0.52	$ 0.36
Earnings per share – diluted	$ 0.51	$ 0.35
Earnings per share – basic, excluding gain on deconsolidation of subsidiary	$ 0.39	$ 0.36
Earnings per share – diluted, excluding gain on deconsolidation of subsidiary	$ 0.38	$ 0.35
Select financial metrics[1]		
EBITDA	45,018	39,592
EBITDA Margin	27.1%	24.6%
EBITDA, excluding gain on deconsolidation of subsidiary	39,998	39,592
EBITDA Margin, excluding gain on deconsolidation of subsidiary	24.1%	24.6%

[1] 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 (unaudited)

($CAD 000s)	As At March 31,	
	2025	**2024**
Select financial position data		
Total assets	712,631	687,173
Total non-current liabilities	133,004	114,040

Consolidated Statements of Changes in Equity (unaudited)

($CAD 000s)	Three Months Ended March 31,	
	2025	**2024**
Select financial data		
Dividends	4,702	4,132

Reconciliation of Non-IFRS Measures

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

($CAD 000s)	Three Months Ended March 31,	
	2025	**2024**
Net income	**20,225**	**14,923**
Income tax expense	5,223	5,445
Interest expense	1,956	1,579
Interest income	(323)	(695)
Depreciation and amortization	17,937	18,340
EBITDA[1]	**45,018**	**39,592**
Gain on deconsolidation of subsidiary	(5,020)	-
EBITDA[1] excluding gain on deconsolidation of subsidiary	**39,998**	**39,592**

[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.

Results of Operations

Three months ended March 31, 2025 compared with 2024

The following section provides an overview of our financial performance for Q1 2025 compared to Q1 2024.

Revenue

Revenue for Q1 2025 increased by 3.1% to $166.1 million, compared with $161.1 million in Q1 2024. The increase was exhibited in both our healthcare logistics and specialized transportation segments despite continued challenges in our US-based truckload business and the deconsolidation of Nova Pack as discussed herein.

Healthcare Logistics Segment

Revenue in our healthcare logistics segment for Q1 2025 was $46.6 million, an increase of 8.8%, or approximately $3.8 million, compared with Q1 2024. The increase in revenue for this segment was primarily driven by the factors set out below.

Logistics & Distribution

Logistics and distribution revenue for Q1 2025 was $42.6 million, an increase of 12.2%, or approximately $4.6 million, compared with Q1 2024. The increase was attributable to higher revenue from our Accuristix and LSU clients comprising a combination of larger shipments, generating increased transportation revenue, and planned rate increases which took effect in Q4 2024.

Packaging Solutions

Packaging revenue for Q1 2025 was $4.1 million, a decrease of 17.5%, or approximately $0.9 million, compared with Q1 2024. The decrease primarily reflects the deconsolidation of Nova Pack for the month of March in Q1 2025. Effective March 1, 2025, Nova Pack was deconsolidated when 50% of its shares were contributed to the JV Partner in partial consideration for the acquisition of NowPac.

Specialized Transportation Segment

Revenue in our specialized transportation segment for Q1 2025 was $119.5 million, an increase of 1.0%, or approximately $1.2 million, compared with Q1 2024. The increase in revenue for this segment was primarily driven by the factors set out below.

Ground Transportation

Ground transportation revenue for Q1 2025 was $108.5 million, an increase of 2.0%, or approximately $2.1 million, compared with Q1 2024. The increase was primarily attributable to organic growth in our Canadian transportation network, partially offset by a continued decline in revenue for our US-based truckload business. Ground transportation revenue, excluding fuel, in our Canadian network increased by approximately 8.7%. Ground transportation revenue, excluding fuel, in our US-based truckload business declined by $5.2 million, or 19.3%, in Q1 2025, compared with Q1 2024.

Air Freight Forwarding

Air freight forwarding revenue for Q1 2025 was $8.4 million, an increase of 4.6%, or approximately $0.4 million, compared to Q1 2024. The increase was in line with growth expectations for this product line.

Dedicated and Last Mile Delivery

Dedicated and last mile delivery revenue for Q1 2025 was $18.8 million, an increase of 6.0%, or approximately $1.1 million, compared with Q1 2024. The increase reflects organic growth from our existing customers.

Cost of Transportation and Services

Cost of transportation and services for Q1 2025 was $84.8 million, or 51.0% of revenue, compared with $82.5 million, or 51.2% of revenue, for Q1 2024. Our operating ratio is in line with revenue in Q1 2025, compared with Q1 2024. In Q1 2025, we continued to carry certain idle equipment costs in our U.S.-based truckload businesses arising from a lower volume of truckloads.

Direct Operating Expenses

Direct operating expenses were $26.6 million, or 16.0% of revenue, compared with $26.3 million, or 16.3% of revenue, for Q1 2024. The $0.4 million increase was primarily attributable to growth in our logistics and distribution product line.

Selling, General and Administrative Expenses

SG&A expenses for Q1 2025 were $15.2 million, or 9.1% of revenue, compared with $12.8 million, or 8.0% of revenue, for Q1 2024. The increase was attributable to increased legal and professional fees in connection with the Nova Pack Joint Venture, the Transaction, and other corporate development activities.

Depreciation and Amortization

Depreciation and amortization for Q1 2025 was $17.9 million, or 10.8% of revenue, compared with $18.3 million, or 11.4% of revenue for Q1 2024. Total depreciation and amortization expense is consistent as a percentage of our revenue at approximately 10% to 11%.

Gain on Deconsolidation of Subsidiary

Accuristix contributed 50% of the issued and outstanding shares of its wholly owned subsidiary, Nova Pack, and cash of approximately $6.1 million to JV Partner in exchange for Nova Pack acquiring 100% of the issued and outstanding shares of NowPac. Accuristix recorded its investment in the Joint Venture at fair value of approximately $15.0 million, comprising 50% of the fair value of the enterprise. Accuristix recognized a gain of $5.0 million on deconsolidation of its investment in Nova Pack upon contributing such interest to the JV Partner.

Share of Profit of Equity-Accounted Investee, Net of Tax

For Q1 2025, our 50% share of total comprehensive income, net of tax, for the Joint Venture, comprising results for the month of March 2025, was $0.3 million, compared with $nil for Q1 2024.

Interest Expense

Interest expense for Q1 2025 was $2.0 million compared with $1.6 million for Q1 2024. Interest expense related to leased facilities and equipment comprises the majority of interest expense; however, $0.7 million of interest expense for Q1 2025 was incurred in connection with our Credit Facilities, compared with $0.4 million in Q1 2024. The increase in interest expense related to our Credit Facilities was attributable to larger amounts drawn, on average, during Q1 2025, compared with Q1 2024, slightly offset by lower interest rates.

Interest Income

Interest income for Q1 2025 was $0.3 million compared with approximately $0.7 million in Q1 2024. Interest income is generated on our cash and cash equivalents balances.

Other Income

Other income was approximately $0.2 million in Q1 2025, compared with less than $0.1 million in Q1 2024. These amounts vary from quarter to quarter and are not material to our overall performance for Q1 2025 and Q1 2024.

Income Tax Expense

Income tax expense for Q1 2025 was $5.2 million, compared with $5.4 million in Q1 2024. Our effective tax rate was close to the statutory rate of 26.5% for Q1 2025 and Q1 2024 after adjusting for the gain on deconsolidation of Nova Pack and 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 Q1 2025 was $21.6 million, an increase of $0.4 million, or 1.5%, compared with $21.2 million for Q1 2024. The increase in operating income was primarily attributable to organic growth in our Canadian specialized transportation network and logistics and distribution product line, partially offset by lower contributions from our Boyle Transportation and Skelton USA operations.

Income before tax for the specialized transportation segment was $16.7 million for Q1 2025, compared with $16.4 million for Q1 2024. The increase was primarily attributable to growth in our Canadian specialized transportation businesses, partially offset by lower contributions from Boyle Transportation and Skelton USA. Operating income for our U.S.-based truckload business was approximately $3.6 million lower in Q1 2025, compared with Q1 2024.

Income before tax for the healthcare logistics segment was $9.9 million for Q1 2025, including the $5.0 million gain on deconsolidation of Nova Pack, compared with $3.9 million for Q1 2024. The increase excluding the gain on deconsolidation was primarily attributable to higher revenue from our logistics and distribution clients.

Net income for Q1 2025 was $20.2 million, including the gain on deconsolidation of Nova Pack, compared with $14.9 million in Q1 2024. Excluding the gain on deconsolidation, higher segment net income for our healthcare logistics operating segment primarily reflects increased revenue from our logistics and distribution clients, partially offset by the decrease in net income attributable to deconsolidating Nova Pack for the month of March 2025. Higher segment net income before eliminations for our specialized transportation segment was primarily attributable to organic growth in our Canadian specialized transportation business, partially offset by lower contributions from Boyle Transportation and Skelton USA.

Foreign Currency Translation Adjustment

Foreign exchange differences of $(0.2) million and $5.5 million have been recognized in other comprehensive income for Q1 2025 and Q1 2024, 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 March 31, 2025 and 2024, 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 $1.4350 during Q1 2025 and approximately $1.3488 during Q1 2024.

Total Comprehensive Income

Total comprehensive income was $20.0 million for Q1 2025 compared to $20.5 million for Q1 2024. 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, excluding the gain on deconsolidation of Nova Pack, for Q1 2025 was $40.0 million compared with $39.6 million for Q1 2024. The increase was due to the factors discussed above and primarily reflects organic growth in our Canadian specialized transportation network and healthcare logistics segment, partially offset by lower contributions from our US-based truckload businesses. EBITDA attributable to Boyle Transportation and Skelton USA was approximately $3.0 million lower in Q1 2025 compared to Q1 2024.

EBITDA Margin

EBITDA Margin, excluding the gain on deconsolidation of Nova Pack, for Q1 2025 was 24.1% compared with 24.6% for Q1 2024. The decrease was primarily attributable to lower margins in our US-based truckload businesses, partially offset by the strong performance of our Canadian specialized transportation network and logistics and distribution product line. 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 since Fiscal 2022 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.

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	Q1-25	Q4-24	Q3-24	Q2-24	Q1-24	Q4-23	Q3-23	Q2-23
Total revenue	166,088	168,293	159,600	161,446	161,138	169,067	156,754	157,357
Operating income	21,566	26,739	23,806	22,175	21,243	28,044	21,724	22,595
Net income	20,225	17,528	16,286	15,731	14,923	18,561	15,335	15,716
Total comprehensive income	20,013	32,452	13,116	18,067	20,460	13,540	20,147	10,677
EBITDA[1]	45,018	43,572	41,320	40,081	39,592	44,773	39,011	39,540
EBITDA[1] excluding the gain on deconsolidation of Nova Pack	39,998	43,572	41,320	40,081	39,592	44,773	39,011	39,540
Earnings per share – basic	$0.52	$0.45	$0.41	$0.38	$0.36	$0.45	$0.37	$0.37
Earnings per share - diluted	$0.51	$0.44	$0.41	$0.38	$0.35	$0.44	$0.36	$0.37
Earnings per share – basic (excluding the gain on deconsolidation of Nova Pack)	$0.39	$0.45	$0.41	$0.38	$0.36	$0.45	$0.37	$0.37
Earnings per share – diluted (excluding the gain on deconsolidation of Nova Pack)	$0.38	$0.44	$0.41	$0.38	$0.35	$0.44	$0.36	$0.37

[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 were approximately 2.6% higher in Q1 2025, compared with Q1 2024. 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 6% above levels experienced in Q3 2023. Average fuel prices increased by approximately 9.7% in Q3 2023 from Q2 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 and Q1 2025 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.

Effective March 1, 2025, we entered into the Joint Venture to combine our packaging subsidiary, Nova Pack, with NowPac. We contributed 50% of the issued and outstanding shares of Nova Pack and cash of approximately $6.1 million to the JV Partner in exchange for Nova Pack acquiring 100% of the issued and outstanding shares of NowPac.

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 March 31, 2025, there was $30.0 million drawn on the Revolving Credit Facility.

On July 2, 2024, we commenced the 2024 NCIB. As of March 31, 2025, a total of 339,234 Subordinate Voting Shares, for a total of approximately $13.2 million, have been purchased and cancelled pursuant to the 2024 NCIB. Of these, 72,700 Subordinate Voting Shares, for a total of approximately $2.8 million, were purchased during Q1 2025.

Working Capital

The following table presents our working capital position as at March 31, 2025 and 2024:

($CAD 000s)	**As at March 31,**	
	2025	**2024**
Cash and cash equivalents	44,103	68,158
Trade and other receivables	108,358	100,251
Income taxes receivable	4,053	1,126
Inventories	5,729	5,313
Prepaid expenses and other	8,008	5,804
Due from related parties	2	108
Revolving Credit Facility	(54,915)	(24,856)
Accounts payable and accrued liabilities	(47,604)	(40,308)
Current portion of lease liabilities	(32,744)	(27,944)
Working Capital	**34,990**	**87,652**

As at March 31, 2025, we had working capital of $35.0 million compared with working capital of $87.7 million as at March 31, 2024. 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 2024 NCIB, offset by ordinary fluctuations in working capital and a receivable balance for income taxes arising from tax installments remitted based on Fiscal 2023 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. The Credit Facilities are payable on March 1, 2026. Accordingly, both the Revolving Credit Facility and the Term facility have been classified as current liabilities on our balance sheet as at March 31, 2025. We intend to renew our Credit Facilities during Fiscal 2025. As at March 31, 2025, 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 March 31, 2025, 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 Q1 2025 were $6.8 million, compared with $8.0 for Q1 2024. 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 Q1 2025 were $6.1 million, compared with $7.6 million for Q1 2024. 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, and leasehold improvements for our new LSU facility in Boucherville, Quebec, which will replace the existing facility in Q3 2025.

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 Q1 2025 were $0.7 million, compared with $0.4 million in Q1 2024.

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 and Q1 2025 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 Q1 2025, we capitalized $0.5 million to intangible assets in connection with our new WMS. We also capitalized $0.1 million for software development for Boyle Transportation in Q1 2025.

Cash Flows

The following table presents cash flows for the three months ended March 31, 2025 and 2024 (unaudited):

($CAD 000s)	Three Months Ended March 31,	
	2025	2024
Cash flows		
Cash from Operating Activities	33,038	33,196
Cash (used in) Financing Activities	(16,024)	(17,409)
Cash (used in) Investing Activities	(13,400)	(8,029)
Effect of foreign currency translation[1]	6	660
Net change in cash	3,620	8,418
Select cash flow data		
Capital expenditures	(6,842)	(7,978)
Lease payments	(9,750)	(8,347)

[1] Comprises the effect of differences in exchange rates for U.S. dollar opening balance sheet cash balances on January 1, 2025 and 2024 versus March 31, 2025 and 2024 for Boyle Transportation and Skelton USA.

Cash Flow Generated From Operating Activities

Cash flow generated from operating activities for Q1 2025 totaled $33.0 million, compared with $33.2 million for Q1 2024. The stability in cash flows generated from operating activities relates principally to strong and stable margins impacted by normal fluctuations in trade accounts receivable, trade accounts payable and other working capital balances. During Fiscal 2024, we made income tax installments based on Fiscal 2023 income taxes, respectively, resulting in an over installment of income taxes for Fiscal 2024 due to reduced operating income from our US-based truckload businesses. Accordingly, we have $4.1 million and $1.1 million of income taxes receivable as at March 31, 2025 and 2024, respectively.

Cash Flow Used In Financing Activities

Cash flow used in financing activities for Q1 2025 totaled $16.0 million, compared with $17.4 million for Q1 2024. The decrease was primarily attributable to the net impact of our purchase of 159,350 Subordinate Voting Shares for $6.3 million pursuant to our 2023 NCIB in Q1 2024 as described below. During Q1 2025, we repurchased 72,700 Subordinate Voting Shares for $2.8 million under the 2024 NCIB. The remaining cash flows used in financing activities in Q1 2025 and Q1 2024 relate to ordinary course repayments of lease liabilities and dividends. In Q1 2025 and Q1 2024, we increased our quarterly dividend to $0.12 (from $0.11) 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 Q1 2025 totaled $13.4 million, compared with $8.0 million for Q1 2024. The increase is primarily attributable to $6.1 million of cash and cash equivalents which remained in Nova Pack prior to deconsolidation, of which $5.8 million was used as partial consideration in the formation of the Joint Venture, partially offset by lower normal course expenditures on property, plant and equipment and software development.

Contractual Obligations

As at March 31, 2025, we had the following contractual commitments:

- Outstanding letters of guarantee in the amount of $0.4 million (March 31, 2024 – $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 2025, for total lease commitments of $4.7 million (March 31, 2024 – $13.4 million); and
- Commitments to purchase fleet equipment expected to be delivered during Fiscal 2025 totaling $nil million (March 31, 2024 – $2.4 million).

Credit facilities

As at March 31, 2025, the aggregate amounts outstanding under the Credit Facilities were $25.0 million under the Term Facility (March 31, 2024 – $25.0 million) and $30.0 million under the Revolving Credit Facility (March 31, 2024 – $nil) before capitalized financing costs. The Credit Facilities will mature and be due and payable on March 1, 2026. Accordingly, the Revolving Credit Facility and the Term Facility have been classified as a current liability on our balance sheet as at March 31, 2025. We intend to renew our Credit Facilities during Fiscal 2025.

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 Q1 2025, facility lease liabilities are calculated using our average incremental borrowing rate of 5.03% (Q1 2024 – 5.55%). Equipment lease terms range from one to seven years. For Q1 2025, equipment lease liabilities are calculated using our average incremental borrowing rate of 5.21% (Q1 2024 – 5.70%) for our specialized transportation segment and 7.24% (Q1 2024 – 5.74%) for our healthcare logistics segment.

The following table summarizes our contractual obligations as at March 31, 2025 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	138,167	35,618	84,902	17,647
Equipment purchases and lease commitments	6,745	2,789	3,956	-
Other obligations	85,670	47,604	38,066	-
Total contractual obligations	**285,582**	**141,011**	**126,924**	**17,647**

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 Q1 2025, or as at March 31, 2025.

Related Party Transactions

Intercompany balances and transactions have been eliminated in our unaudited interim condensed consolidated financial statements for the three month periods ended March 31, 2025 and 2024.

During Q1 2025 and Q1 2024, 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.

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 52.9% of the issued and outstanding Shares and 81.8% 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.

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

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 Q1 2025, we paid $480 (Q1 2024 - $642) for leases of logistics and transportation equipment; and $773 (Q1 2024 - $547) 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.

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 Q1 2025, we paid $416 (Q1 2024 - $387) for this building. We expect to continue leasing this property.

Ready Staffing Solutions Inc.

Ready Staffing Solutions Inc. ("RSS"), a company partially 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 Q1 2025, we expensed $1,664 (Q1 2024 - $1,547) 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 Q1 2025, we expensed $46 (Q1 2024 - $52) for deliveries subcontracted to MCS. We expect to continue subcontracting deliveries to MCS. Similarly, in Q1 2025 we invoiced MCS for $45 (Q1 2024 - $51) for transportation services provided to MCS.

MA&S Developments Inc.

MA&S Developments Inc. is partially owned by AMG and rents a short-term parking facility in Mississippi for trucks and trailers to the Company. The Company also rents short-term parking from arm's length providers. During Q1 2025, the Company expensed $24 (Q1 2024 – nil) for short-term parking provided by MA&S Developments Inc.

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 Q1 2025, we purchased $27 (Q1 2024 - $nil) 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 Q1 2025, we recorded $1,326 (Q1 2024 – $1,269) 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 March 31,**	
	2025	**2024**
Accounts receivable		
Andlauer Properties and Leasing Inc.	13	13
1708998 Ontario Limited (Medical Courier Services)	19	19
Trade receivables due from related parties	32	32
Due from related parties		
Andlauer Management Group Inc.	2	8
Andlauer Properties and Leasing Inc.	-	100
Total due from related parties	**34**	**140**
Accounts payable and accrued liabilities		
Ready Staffing Solutions Inc.	512	399
1708998 Ontario Limited (Medical Courier Services)	16	31
Andlauer Properties and Leasing Inc.	110	79
Andlauer Management Group Inc.	-	9
Trade payables due to related parties	638	518
Due to related parties		
Andlauer Properties and Leasing Inc.	303	325
Total due to related parties	**941**	**843**

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.

Significant New Accounting Standards

Adopted During the Period

There were no new standards that became effective for periods beginning on or after January 1, 2025 that had a material impact on our unaudited interim condensed consolidated financial statements for Q1 2025.

In connection with the Joint Venture we entered into effective March 1, 2025, we concluded that we do not have control over the Joint Venture. Accordingly, we have accounted for the Joint Venture using the equity method of accounting. Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the investee.

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.

<u>Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)</u>

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 March 31, 2025, 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.

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 March 31, 2025, the Credit Facilities comprise CORRA loans drawn at an interest rate of 4.7%. 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 Q1 2025 and as at March 31, 2025 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 March 31, 2025, there were 18,377,054 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 876,137 options, each of which can be exercised or settled for one Subordinate Voting Share, 53,352 Restricted Share Units and 74,236 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 53.1% 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. In connection with the 2024 NCIB, we established an automatic securities purchase plan ("ASPP") with a designated broker that contained specified parameters regarding how our Subordinate Voting Shares may be purchased under the 2024 NCIB during self-imposed blackout periods. As a result of the announcement of the Transaction, our ASPP was terminated in accordance with its terms. The Arrangement Agreement restricts any further purchases under the Company's normal course issuer bid, which will formally terminate on July 1, 2025. As of May 1, 2025, a total of 339,234 Subordinate Voting Shares, comprising approximately 1.8% of the number of Subordinate Voting Shares outstanding, have been purchased and cancelled pursuant to the 2024 NCIB at an average price of $38.97 per share, for a total purchase price of approximately $13,221,381.

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 until the closing of the Transaction. Our Q1 2025 dividend, in the amount of $0.12 per Share, was paid on April 15, 2025 to shareholders of record as at March 31, 2025. 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 Q1 2025 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.

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