Q1 First Quarterly Report

Three-Month Period Ended March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended
March 31, 2021

CONTENTS

GENERAL INFORMATION

The following is TFI International Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company", "TFI International" and "TFI" shall mean TFI International Inc., and shall include its independent operating subsidiaries. This MD&A provides a comparison of the Company's performance for its three-month period ended March 31, 2021 with the corresponding three-month period ended March 31, 2020 and it reviews the Company's financial position as of March 31, 2021. It also includes a discussion of the Company's affairs up to April 27, 2021, which is the date of this MD&A. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements as of March 31, 2021 and the audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2020.

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

The Company's unaudited consolidated condenses interim financial statements have been approved by its Board of Directors ("Board") upon recommendation of its audit committee on April 27, 2021. Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints for maintaining the confidentiality of certain information that, if published, would probably have an adverse impact on the competitive position of the Company.

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

FORWARD-LOOKING STATEMENTS

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

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

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

SELECTED FINANCIAL DATA AND HIGHLIGHTS

(unaudited) *(in thousands of U.S. dollars, except per share data)*		**Three months ended March 31**	
	2021	2020*	2019*
Revenue before fuel surcharge	**1,059,134**	829,099	825,531
Fuel surcharge	**89,673**	95,410	100,323
Total revenue	**1,148,807**	924,509	925,854
Adjusted EBITDA[1]	**176,197**	149,059	141,073
Operating income from continuing operations	**101,745**	87,328	78,861
Net income	**66,887**	55,788	48,894
Net income from continuing operations	**66,887**	55,788	48,894
Adjusted net income[1]	**73,637**	52,563	50,417
Net cash from continuing operating activities	**155,195**	137,177	120,467
Free cash flow from continuing operations[1]	**143,471**	129,135	107,176
Per share data			
EPS – diluted	**0.70**	0.65	0.56
EPS from continuing operations – diluted	**0.70**	0.65	0.56
Adjusted EPS – diluted[1]	**0.77**	0.61	0.58
Dividends	**0.23**	0.19	0.18
As a percentage of revenue before fuel surcharge			
Adjusted EBITDA margin[1]	**16.6%**	18.0%	17.1%
Depreciation of property and equipment	**3.9%**	5.1%	4.8%
Depreciation of right-of-use assets	**2.2%**	2.3%	2.2%
Amortization of intangible assets	**1.4%**	1.4%	1.4%
Operating margin from continuing operations [1]	**9.6%**	10.5%	9.6%
Adjusted operating ratio[1]	**90.8%**	90.9%	91.4%

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

Q1 Highlights

- First quarter operating income from continuing operations of $101.7 million increased 17% from $87.3 million the same quarter last year on continued strengthening transportation demand following the COVID-19 trough, strong organic growth in e-commerce parcel delivery, cost reductions enacted in response to the pandemic, strong execution across the organization, and an asset-light approach.
- Net income from continuing operations of $66.9 million increased 20% compared to $55.8 million in Q1 2020.
- Diluted earnings per share (diluted "EPS") from continuing operations of $0.70 increased 8% compared to $0.65 in Q1 2020.
- Adjusted net income[1], a non-IFRS measure, of $73.6 million increased 40% compared to $52.6 million in Q1 2020.
- Adjusted diluted EPS[1], a non-IFRS measure, of $0.77 increased 26% compared to $0.61 in Q1 2020.
- Net cash from continuing operating activities of $155.2 million increased 13% compared to $137.2 million in Q1 2020.
- Free cash flow from continuing operations[1], a non-IFRS measure, of $143.5 million increased 11% compared to $129.1 million in Q1 2020.
- The Company's reportable segments performed as follows:
  - Package and Courier operating income increased 58% to $18.3 million;
  - Less-Than-Truckload operating income increased 69% to $22.1 million;
  - Truckload operating income increased 8% to $50.0 million; and
  - Logistics operating income increased 52% to $29.1 million.
- Corporate operating loss of $17.8 million as compared to $2.9 million in Q1 2020.
- Corporate costs included an $8.4 million loss ($0.07 per share) related to the mark-to-market of the Company's cash settled deferred share units ("DSUs"), as the Company's stock price increased from $51.58 to $74.74 in the quarter, as compared to a $3.8 million gain ($0.03 per share) in Q1 2020, as well as approximately $1.0 million in transaction expenses related to the upcoming acquisition of UPS Freight.
- On March 15, 2021, the Board of Directors of TFI declared a quarterly dividend of $0.23, compared to the $0.19 (CAD $0.26) dividend declared in Q1 2020.
- During the quarter, TFI International agreed to acquire UPS Freight from United Parcel Service, Inc. (NYSE: UPS) with the transaction expected to close during Q2 2021. In addition, the Company completed the acquisition of Fleetway Transport Inc.
- During the quarter, TFI International completed its previously announced issuance and sale of an aggregate principal amount of $500 million of senior notes.

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

ABOUT TFI INTERNATIONAL

Services

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

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

Seasonality of operations

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

Human resources

As at March 31, 2021 the Company had 16,408 employees in TFI International's various business segments across North America. This compares to 16,768 employees as at March 31, 2020. The year-over-year decrease of 360 is attributable to business acquisitions that added 1,230 employees offset by rationalizations affecting 1,590 employees mainly in the Truckload segment. The Company believes that it has a relatively low turnover rate among its employees in Canada, and a normal turnover rate in the U.S. comparable to other U.S. carriers, and that its employee relations are very good.

Equipment

The Company believes it has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at March 31, 2021, the Company had 7,832 tractors, 25,354 trailers and 9,858 independent contractors. This compares to 7,634 tractors, 25,174 trailers and 9,988 independent contractors as at March 31, 2020

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Facilities

TFI International's head office is in Montréal, Québec and its executive office is in Etobicoke, Ontario. As at March 31, 2021, the Company had 366 facilities, as compared to 398 facilities as at March 31, 2020. Of these, 236 are located in Canada, including 153 and 83 in Eastern and Western Canada, respectively. The Company also had 118 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 22 facilities were added from business acquisitions, and terminal consolidation decreased the total number of facilities by 54, mainly in the Logistics segment. In Q1 2021, the Company closed 3 sites.

Customers

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

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

(For the year ended December 31, 2020)

CONSOLIDATED RESULTS

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

Q1 2021 business acquisitions

In line with its growth strategy, the Company acquired Fleetway Transport Inc. ("Fleetway") on February 1, 2021. Based out of Brantford, Ontario, Fleetway is a full service provider of truckload and heavy-haul transportation solutions and logistics services.

Revenue

For the three months ended March 31, 2021, total revenue was $1,148.8 million, up 24%, or $224.3 million, from Q1 2020. The increase was mainly attributable to the contribution from business acquisitions of $214.0 million and from an increase in revenue before fuel surcharge of $20.2 million from existing operations, partially offset by a decrease in fuel surcharge revenue of $9.9 million. The average exchange rate used to convert TFI International's revenue generated in CAD dollars increased this quarter (US$0.7899) compared to the same quarter last year (US$0.7455) resulting in a positive currency impact of $30.9 million.

Operating expenses from continuing operations

For the three months ended March 31, 2021, the Company's operating expenses from continuing operations increased by $209.9 million, to $1,047.1 million from $837.2 million in Q1 2020. The increase is attributable to business acquisitions of $203.4 million and to an increase of $6.5 million in existing operating expenses corresponding to the increase in total revenues before business acquisitions.

For the three months ended March 31, 2021, material and services expenses, net of fuel surcharge, increased by 5.0 percentage points of revenue before fuel surcharge compared to the same period last year due mainly to business acquisitions which accounted for 4.6 percentage points of the increase.

For the three months ended March 31, 2021, personnel expense increased 9% to $257.3 million from $236.8 million in Q1 2020. The increase can be attributed to the impact from business acquisitions of $18.5 million and a mark-to-market loss on DSUs of $8.4 million as the share price increased from $51.58 per share to $74.74, net of a reduction in personnel expenses from existing operations and a contribution of $6.5 million from the Canadian Emergency Wage Subsidy program.

Other operating expenses, which are primarily composed of costs related to office and terminal rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses, increased by $16.9 million for the three months ended March 31, 2021 as compared to the same period last year, attributable entirely to the impact from business acquisitions of $18.5 million.

For the three-month period ended March 31, 2021, the gain on sale of assets held for sale was $3.9 million, compared to $7.6 million in Q1 2020. One property was sold for proceeds of $6.1 million.

Operating income from continuing operations

For the three months ended March 31, 2021, TFI International's operating income from continuing operations rose by $14.4 million to $101.7 million as compared to $87.3 million in the same quarter in 2020. The operating margin from continuing operations as a percentage of revenue before fuel surcharge of 9.6% compared to 10.5% in Q1 2020. This decrease is due primarily to the acquisition of DLS (now "TFWW") in Q4 2020, which is included in the logistics segment, with TFWW having a lower margin profile than the Company's existing operations and to the mark-to-market loss on the DSUs of $8.4 million. All reportable segments reported margin increases except for the Logistics segment, which benefitted in Q1 2020 from a $4.0 million bargain purchase gain. Notably, the Less-Than-Truckload segment reported a margin increase of 7.1 percentage points.

Finance income and costs

(unaudited) ***(in thousands of U.S. dollars)***		**Three months ended March 31**
Finance costs (income)	**2021**	2020*
Interest expense on long-term debt	**9,872**	11,578
Interest expense on lease liabilities	**3,002**	3,179
Interest income and accretion on promissory note	**(569)**	(452)
Net change in fair value and accretion expense of contingent considerations	**259**	51
Net foreign exchange gain	**(38)**	(1,249)
Net change in fair value of interest rate derivatives	**—**	479
Others	**1,909**	756
Net finance costs	**14,435**	14,342

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

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended March 31, 2021 was $1.7 million lower than the same quarter last year. The decrease is mainly attributable to a lower average interest rate of 3.43% for the three months ended March 31, 2021 as compared to 3.79% the same period in the prior year, as the average debt for the period was similar to the prior year.

Net foreign exchange gain or loss and net investment hedge

The Company designates as a hedge a portion of its U.S. dollar denominated debt held against its net investments in U.S. operations. This accounting treatment allows the Company to offset the designated portion of foreign exchange gain (or loss) of its debt against the foreign exchange loss (or gain) of its net investments in U.S. operations and present them in other comprehensive income. Net foreign exchange gains or losses recorded in income or loss are attributable to the translation of the U.S. dollar portion of the Company's credit facilities not designated as a hedge and to the translation of other financial assets and liabilities denominated in currencies other than the functional currency. For the three-month period ended March 31, 2021, a gain of $2.9 million of foreign exchange variations (a gain of $2.5 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the three-month period ended March 31, 2020, a loss of $28.1 million of foreign exchange variations (a loss of $24.4 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge.

Net change in fair value of derivatives and cash flow hedge

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

The Company previously designated the interest rate derivatives as a hedge of the variable interest rate instruments. Therefore, the effective portion of changes in fair value of the derivatives was recognized in other comprehensive income. For the three-month period ended March 31, 2021, the Company did not have any cash flow hedge positions. For the three-month period ended March 31, 2020, a cumulative loss of $4.1 million on change in fair value of interest rate derivatives was recognized, of which $3.6 million was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge (a loss of $2.7 million net of tax).

Income tax expense

For the three months ended March 31, 2021, the Company's effective tax rate was 23.4%. The income tax expense of $20.4 million reflects a $2.7 million favorable variance versus an anticipated income tax expense of $23.1 million based on the Company's statutory tax rate of 26.5%. The favorable variance is mainly due to favorable variations from tax deductions and tax exempt income of $4.2 million partially offset by a negative variation of $1.0 million for non deductible expenses.

Net income and adjusted net income

(unaudited) *(in thousands of U.S. dollars, except per share data)*	**Three months ended March 31**	
	2021	2020*
Net income	**66,887**	55,788
Amortization of intangible assets related to business acquisitions, net of tax	**9,906**	7,937
Net change in fair value and accretion expense of contingent considerations, net of tax	**191**	37
Net change in fair value of derivatives, net of tax	**—**	352
Net foreign exchange (gain) loss, net of tax	**(28)**	(918)
Bargain purchase gain	**—**	(4,008)
Gain on sale of land and buildings and assets held for sale, net of tax	**(3,319)**	(6,625)
Adjusted net income[1]	**73,637**	52,563
Adjusted EPS – basic[1]	**0.79**	0.62
Adjusted EPS – diluted[1]	**0.77**	0.61

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

For the three months ended March 31, 2021, TFI International's net income was $66.9 million as compared to $55.8 million in Q1 2020. The Company's adjusted net income[1], a non-IFRS measure, which excludes items listed in the above table, was $73.6 million as compared to $52.6 million in Q1 2020, an increase of 40% or $21.1 million. Adjusted EPS, fully diluted, increased by $0.16 to $0.77 from $0.61 in Q1 2020.

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

SEGMENTED RESULTS

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

Selected segmented financial information

(unaudited) *(in thousands of U.S. dollars)*	Package and Courier	Less-Than-Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Three months ended March 31, 2021							
Revenue before fuel surcharge[1]	**131,523**	**131,626**	**424,567**	**378,392**	**—**	**(6,974)**	**1,059,134**
% of total revenue[2]	**13%**	**13%**	**41%**	**33%**			**100%**
Adjusted EBITDA[3]	**24,863**	**34,639**	**94,617**	**39,377**	**(17,299)**	**—**	**176,197**
Adjusted EBITDA margin[4]	**18.9%**	**26.3%**	**22.3%**	**10.4%**			**16.6%**
Operating income (loss)	**18,324**	**22,136**	**50,006**	**29,060**	**(17,781)**	**—**	**101,745**
Operating margin[4]	**13.9%**	**16.8%**	**11.8%**	**7.7%**			**9.6%**
Total assets less intangible assets	**182,277**	**402,509**	**1,194,462**	**257,802**	**438,835**	**—**	**2,475,885**
Net capital expenditures[5]	**1,044**	**3,096**	**5,708**	**4**	**20**	—	**9,872**
Three months ended March 31, 2020*							
Revenue before fuel surcharge[1]	104,128	134,310	397,526	200,063	—	(6,928)	829,099
% of total revenue[2]	13%	17%	48%	22%			100%
Adjusted EBITDA[3]	17,808	25,786	85,173	22,887	(2,595)	—	149,059
Adjusted EBITDA margin[4]	17.1%	19.2%	21.4%	11.4%			18.0%
Operating income (loss)	11,567	13,089	46,392	19,174	(2,894)	—	87,328
Operating margin[4]	11.1%	9.7%	11.7%	9.6%			10.5%
Total assets less intangible assets	164,235	373,012	1,123,493	171,538	112,464		1,944,742
Net capital expenditures[5]	8,662	4,675	3,596	102	29	—	17,064

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

[1] Includes intersegment revenue.
[2] Segment revenue including fuel surcharge and intersegment revenue to consolidated revenue including fuel surcharge and intersegment revenue.
[3] Refer to the section "Non-IFRS financial measures"
[4] As a percentage of revenue before fuel surcharge.
[5] Additions of rolling stock and equipment, net of proceeds from the sale of rolling stock and equipment and assets held for sale excluding property.

Package and Courier

(unaudited)			Three months ended March 31	
(in thousands of U.S. dollars)	2021	%	2020*	%
Total revenue	**145,965**		118,971	
Fuel surcharge	**(14,442)**		(14,843)	
Revenue	**131,523**	**100.0%**	104,128	100.0%
Materials and services expenses (net of fuel surcharge)	**61,057**	**46.4%**	46,049	44.2%
Personnel expenses	**38,380**	**29.2%**	33,999	32.7%
Other operating expenses	**7,245**	**5.5%**	6,293	6.0%
Depreciation of property and equipment	**3,038**	**2.3%**	2,659	2.6%
Depreciation of right-of-use assets	**3,245**	**2.5%**	3,345	3.2%
Amortization of intangible assets	**256**	**0.2%**	235	0.2%
Gain on sale of rolling stock and equipment	**(17)**	**-0.0%**	(18)	-0.0%
Gain on derecognition of right-of-use assets	**(5)**	**-0.0%**	(3)	-0.0%
Loss on sale of land and buildings and assets held for sale	**-**	**-**	2	0.0%
Operating income	**18,324**	**13.9%**	11,567	11.1%
Adjusted EBITDA	**24,863**	**18.9%**	17,808	17.1%
Return on invested capital[1]		**20.4%**		18.8%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.
[1] Refer to the section "Non-IFRS financial measures".

Operational data				
(unaudited)			Three months ended March 31	
(Revenue in U.S. dollars)	2021	2020*	Variance	%
Revenue per pound (including fuel)	**$0.46**	$0.37	$0.09	24.3%
Revenue per pound (excluding fuel)	**$0.41**	$0.32	$0.09	28.1%
Revenue per shipment (including fuel)	**$6.73**	$6.27	$0.46	7.3%
Tonnage (in thousands of metric tons)	**145**	147	(2)	-1.4%
Shipments (in thousands)	**21,700**	18,974	2,726	14.4%
Average weight per shipment (in lbs.)	**14.73**	17.08	(2.35)	-13.8%
Vehicle count, average	**1,039**	986	53	5.4%
Weekly revenue per vehicle (incl. fuel, in thousands of U.S. dollars)	**$10.81**	$9.28	$1.53	16.5%

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

Revenue

For the three months ended March 31, 2021, revenue increased by $27.4 million or 26%, from $104.1 million in Q1 2020 to $131.5 million in Q1 2021. This increase is attributable to a 28.1% increase in revenue per pound (excluding fuel surcharge) slightly offset by a 1.4% decrease in tonnage. The decrease in tonnage was the result of a 14.4% increase in shipments, partially attributable to softer revenues in the last two weeks of Q1 2020 due to the COVID-19 pandemic, offset by a 13.8% decrease in average weight per shipment. Decrease in weight per shipment is entirely attributable to pieces per shipment that continue to decrease as e-commerce residential deliveries continue to increase since the beginning of the COVID-19 pandemic. Market capacities continue to be tight, resulting in increased pricing and an ongoing shift towards higher quality freight, leading to strong yield improvement as reflected by the increase in revenue per pound and revenue per shipment.

Operating expenses

For the three months ended March 31, 2021, materials and services expenses, net of fuel surcharge revenue, increased $15.0 million or 33%, partly due to an $11.4 million increase in subcontractor costs and a $1.6 million increase in external labor, mostly required to manage higher volume in Quebec and Ontario sorting facilities. Personnel expenses increased $4.4 million, or 13%, stemming mostly from Express operations that were negatively impacted by a $2.6 million increase in pickup and delivery costs combined with a $2.3 million increase in sorting costs, also required to handle the additional volume. This increase in direct labor was slightly offset by $0.8 million of credits received under Canada Emergency Wage Subsidy. Other operating expenses increased $1.0 million or 15%, primarily due to higher real estate and IT costs.

Operating income

Operating income for the three months ended March 31, 2021 increased by 58% or $6.8 million compared to the first quarter of 2020 and the operating margin was 13.9% in the first quarter of 2021 compared to 11.1% for the same period in 2020. This year-over-year increase in operating income was driven primarily by strong organic revenue growth, combined with our constant focus on improving the quality of freight, which resulted in operating leverage.

The return on invested capital of 20.4% increased from 18.8% in the first quarter of 2020, due primarily to the increase in operating income.

Less-Than-Truckload

(unaudited)			Three months ended March 31	
(in thousands of U.S. dollars)	**2021**	**%**	2020*	%
Total revenue	**150,522**		155,332	
Fuel surcharge	**(18,896)**		(21,022)	
Revenue	**131,626**	**100.0%**	134,310	100.0%
Materials and services expenses (net of fuel surcharge)	**60,243**	**45.8%**	66,481	49.5%
Personnel expenses	**32,386**	**24.6%**	36,497	27.2%
Other operating expenses	**4,454**	**3.4%**	5,685	4.2%
Depreciation of property and equipment	**4,552**	**3.5%**	4,825	3.6%
Depreciation of right-of-use assets	**5,723**	**4.3%**	5,793	4.3%
Amortization of intangible assets	**2,237**	**1.7%**	2,079	1.5%
Gain on sale of rolling stock and equipment	**(63)**	**-0.0%**	(132)	-0.1%
Gain on derecognition of right-of-use assets	**(33)**	**-0.0%**	(7)	-0.0%
Gain on sale of land and buildings and assets held for sale	**(9)**	**-0.0%**	-	-
Operating income	**22,136**	**16.8%**	13,089	9.7%
Adjusted EBITDA	**34,639**	**26.3%**	25,786	19.2%
Return on invested capital		**15.4%**		11.9%

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

Operational data				
(unaudited)			Three months ended March 31	
(Revenue in U.S. dollars)	**2021**	2020*	Variance	%
Adjusted operating ratio	**83.2%**	90.3%		
Revenue per hundredweight (excluding fuel)	**$10.30**	$9.89	$0.41	4.1%
Revenue per shipment (including fuel)	**$254.69**	$247.74	$6.95	2.8%
Tonnage (in thousands of tons)	**639**	679	(40)	-5.9%
Shipments (in thousands)	**591**	627	(36)	-5.7%
Average weight per shipment (in lbs)	**2,162**	2,166	(4)	-0.2%
Average length of haul (in miles)	**757**	808	(51)	-6.3%
Vehicle count, average	**881**	976	(95)	-9.7%

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

Revenue

For the three months ended March 31, 2021, the LTL segment's revenue was $131.6 million, a $2.7 million, or 2%, decrease when compared to the same period in 2020. The decrease in revenue was due to a 5.9% decrease in tonnage partially offset by a 4.1% increase in revenue per hundredweight (excluding fuel). Revenue per hundredweight (excluding fuel) increased for a third consecutive quarter after hitting a low point in the second quarter of 2020. The decrease in tonnage is the result of a 5.7% decrease in shipments combined with a 0.2% decrease in average weight per shipment. Improvement in quality of shipments following the consolidation of two of our over-the-road divisions in the second quarter of 2020 is responsible for a major part of the decrease in shipment count. Slower volume from certain retail customers and the closure of malls in Ontario also drove a portion of the reduction of shipment count. Excluding the impact from business acquisitions, revenue was down $5.1 million, or 4%, when compared to the same period in 2020.

Operating expenses

For the three months ended March 31, 2021, materials and services expenses, net of fuel surcharge revenue, decreased $6.2 million, or 9%, mostly due to a $7.5 million decrease in sub-contractor cost attributable to a decrease in tonnage, partially offset by a $2.1 million reduction in fuel surcharge revenue. Personnel expenses decreased 11% year-over-year, attributable mostly to credits from the Canada Emergency Wage Subsidy of $2.7 million combined with a $1.2 million reduction in administrative salaries. Other operating expenses decreased $1.2 million in the first quarter of 2021, mainly due to a $0.7 million reduction in real estate cost, mostly related to the consolidation in our over-the-road operations.

Operating income

Operating income for the three months ended March 31, 2021 increased $9.0 million, or 69%, when compared to the same period in 2020. Almost half of the improvement in operating income, before business acquisition, relates to the consolidation in the over-the-road operations. As a percentage of revenue, operating income was 16.8% during the first quarter of 2021, versus 9.7% for the same period in 2020.

The return on invested capital of 15.4% increased from 11.9% in the first quarter of 2020, due primarily to the increase in operating income.

Truckload

(unaudited)			Three months ended March 31	
(in thousands of U.S. dollars)	**2021**	**%**	2020*	**%**
Total revenue	**474,606**		451,410	
Fuel surcharge	**(50,039)**		(53,884)	
Revenue	**424,567**	**100.0%**	397,526	100.0%
Materials and services expenses (net of fuel surcharge)	**181,334**	**42.7%**	165,926	41.7%
Personnel expenses	**137,625**	**32.4%**	135,376	34.1%
Other operating expenses	**14,614**	**3.4%**	13,451	3.4%
Depreciation of property and equipment	**33,101**	**7.8%**	34,374	8.6%
Depreciation of right-of-use assets	**10,324**	**2.4%**	7,001	1.8%
Amortization of intangible assets	**5,115**	**1.2%**	5,053	1.3%
Gain on sale of rolling stock and equipment	**(3,527)**	**-0.8%**	(2,379)	-0.6%
Gain on derecognition of right-of-use assets	**(96)**	**-0.0%**	(21)	-0.0%
Gain on sale of land and buildings and assets held for sale	**(3,929)**	**-0.9%**	(7,647)	-1.9%
Operating income	**50,006**	**11.8%**	46,392	11.7%
Adjusted EBITDA	**94,617**	**22.3%**	85,173	21.4%

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

Operational data			Three months ended March 31	
(unaudited)	**2021**	2020*	Variance	%
U.S. based Conventional TL				
Revenue (in thousands of U.S. dollars)	**155,619**	157,243	(1,624)	-1.0%
Adjusted operating ratio	**93.4%**	93.4%		
Total mileage (in thousands)	**81,286**	87,630	(6,344)	-7.2%
Tractor count, average	**2,854**	2,939	(85)	-2.9%
Trailer count, average	**10,856**	10,778	78	0.7%
Tractor age	**2.4**	2.0	0.4	20.0%
Trailer age	**7.3**	6.6	0.7	10.6%
Number of owner operators, average	**533**	438	95	21.7%
Return on invested capital	**5.5%**	5.7%		
Canadian based Conventional TL				
Revenue (in thousands of U.S. dollars)	**55,792**	52,390	3,402	6.5%
Adjusted operating ratio	**88.1%**	87.8%		
Total mileage (in thousands)	**22,151**	23,395	(1,244)	-5.3%
Tractor count, average	**624**	640	(16)	-2.5%
Trailer count, average	**2,748**	2,835	(87)	-3.1%
Tractor age	**2.6**	2.2	0.4	18.2%
Trailer age	**5.2**	5.5	(0.3)	-5.5%
Number of owner operators, average	**307**	308	(1)	-0.3%
Return on invested capital	**11.8%**	13.2%		
Specialized TL				
Revenue (in thousands of U.S. dollars)	**214,237**	188,826	25,411	13.5%
Adjusted operating ratio	**86.4%**	88.3%		
Tractor count, average	**2,307**	2,065	242	11.7%
Trailer count, average	**6,643**	5,986	657	11.0%
Tractor age	**3.8**	3.9	(0.1)	-2.6%
Trailer age	**12.8**	12.0	0.8	6.7%
Number of owner operators, average	**1,052**	1,154	(102)	-8.8%
Return on invested capital	**10.9%**	9.6%		

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

During Q1 2021, Fleetway was acquired and incorporated in the Truckload segment.

Revenue

For the three months ended March 31, 2021, TL revenue excluding fuel surcharge increased by $27.0 million or 7%, from $397.5 million in 2020 to $424.6 million in 2021. This increase is mainly due to business acquisitions' contribution of $38.4 million, offset by a decline in revenue from existing operations of $11.4 million. For conventional TL operations in the U.S., revenue declined by $1.6 million, or 1.0% compared to prior year period, mainly caused by the severe winter weather that impacted much of the U.S. in February. Revenue per mile improved by 6.8%, following the strong pricing and tight capacity in the U.S. market, and miles per tractor declined by 7.5%, attributable to unseated tractors resulting from limited driver availability. For conventional TL operations in Canada, revenues increased by $3.4 million, or 6.5% compared to the prior year period. The increase was due to a 4.5% improvement in revenue per tractor, due to revenue per mile improving by 8.4%, offset by a 3.6% decline in miles per tractor. For Specialized TL, revenue increased by $25.4 million, or 13.5%, compared to the prior year period.

Operating expenses

For the three months ended March 31, 2021, operating expenses, including business acquisition impact and net of fuel surcharge, increased by $23.4 million or 7%, from $351.1 million in 2020 to $374.6 million in 2021. Material and services expenses, net of fuel surcharge, increased by 9% compared to the first quarter of 2020. Personnel expenses and other operating expenses increased by 2% and 9% respectively in the first quarter year over year. Included in the personnel expense was $2.7 million from the Canadian Emergency Wage Subsidy, of which $2.1 million is accounted for in Specialized TL.

Gain on sale of property

For the three months ended March 31, 2021, a $3.8 million gain on sale of assets held for sale was recorded in the Truckload segment following the sale of one property for total consideration of $6.1 million (a gain of $7.6 million and proceeds of $10.6 million in 2020). This disposal is a result of management's continued efforts to improve efficiencies and benefit from economies of scale through the consolidation of operating locations.

Operating income

The TL segment's operating ratio was 88.2% for the three months ended March 31, 2021 as compared to 88.3% in 2020, and the segment delivered a $3.6 million, or 8%, increase in operating income. Operating income in the TL segment was $50.0 million for the three months ended March 31, 2021, up from $46.4 million in the same prior year period. The operating income in the first quarter of 2021 includes gains from the sale of assets held for sale of $3.9 million and gains on the sale of rolling stock and equipment of $3.5 million, as compared to $7.6 million and $2.4 million in the same prior year period, respectively, resulting in a negative variation in operating income of $2.5 million.

The return on invested capital for the U.S. based and Canadian Based Conventional TL was 5.5% and 11.8%, respectively compared to 5.7% and 13.4%, respectively for the same prior year period. The slightly decreases were due primarily to lower income on the same similar levels of assets deployed. The return on invested capital for the Specialized TL segment increased to 10.9% as compared to 9.6% in the same prior year period due primarily to an increase in operating income.

Logistics

(unaudited)			Three months ended March 31	
(in thousands of U.S. dollars)	**2021**	**%**	2020*	**%**
Total revenue	**385,378**		206,447	
Fuel surcharge	**(6,986)**		(6,384)	
Revenue	**378,392**	**100.0%**	200,063	100.0%
Materials and services expenses (net of fuel surcharge)	**286,438**	**75.7%**	142,764	71.4%
Personnel expenses	**28,849**	**7.6%**	26,369	13.2%
Other operating expenses	**23,985**	**6.3%**	8,623	4.3%
Depreciation of property and equipment	**412**	**0.1%**	621	0.3%
Depreciation of right-of-use assets	**3,495**	**0.9%**	3,015	1.5%
Amortization of intangible assets	**6,410**	**1.7%**	4,085	2.0%
Bargain purchase gain	**—**	**—**	(4,008)	-2.0%
Loss on sale of rolling stock and equipment	**2**	**0.0%**	4	0.0%
Gain on derecognition of right-of-use assets	**(259)**	**-0.1%**	(584)	-0.3%
Operating income	**29,060**	**7.7%**	19,174	9.6%
Adjusted EBITDA	**39,377**	**10.4%**	22,887	11.4%
Return on invested capital		**18.6%**		12.6%

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

Revenue

For the three months ended March 31, 2021, revenue increased by $178.3 million, or 89%, from $200.1 million in 2020 to $378.4 million in 2021. This increase is mainly due to the acquisition of DLS Worldwide during the fourth quarter of 2020. Excluding business acquisitions, revenue increased by $9.3 million, or 5% due to the strong performance of e-commerce activities in Canada and organic growth in existing U.S. operations.

Approximately 75% (2020 – 63%) of the Logistics segment's revenues in the quarter were generated from operations in the U.S. and approximately 25% (2020 – 37%) were generated from operations in Canada and Mexico.

Operating expenses

For the three months ended March 31, 2021, total operating expenses, net of fuel surcharge increased by $168.4 million, or 93%, from $180.9 million to $349.3 million. Excluding business acquisitions, total operating expenses, net of fuel surcharge, increased by $4.6 million or 2.5%. The U.S. last mile operations reduced personnel expenses by $2.4 million, equally from operating and administrative salary. The other operating expenses decreased by $1.5 million, of which $0.5 million was from a reduction in travel expenses and $0.6 million was from a reduction in professional fees.

Operating income

Operating income for the three months ended March 31, 2021 increased by $9.9 million, or 52%, from $19.2 million in the prior year period to $29.1 million. Excluding business acquisitions, organic operating margin increased by 180 basis point from 9.6% in 2020 to 11.4% in 2021, mainly as a result of better quality revenue, increased e-commerce volume and cost efficiency measures within last mile operations.

The return on invested capital increased to 18.6% from 12.6% in the same prior year period. This increase is due primarily to organic growth and operating margin expansion in existing operations.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

(unaudited) *(in thousands of U.S. dollars)*	Three months ended March 31 **2021**	2020*
Sources of cash:		
Net cash from continuing operating activities	**155,195**	137,177
Proceeds from sale of property and equipment	**17,000**	8,053
Proceeds from sale of assets held for sale	**6,491**	10,668
Net proceeds from long-term debt	**361,589**	—
Proceeds from the issuance of common shares	**—**	217,552
Others	**10,407**	20,051
Total sources	**550,682**	393,501
Uses of cash:		
Purchases of property and equipment	**37,369**	24,619
Business combinations, net of cash acquired	**19,019**	10,966
Net variance in cash and bank indebtedness	**401,499**	96,501
Net repayment of long-term debt	**—**	193,426
Repayment of lease liabilities	**24,161**	19,566
Dividends paid	**21,273**	16,092
Repurchase of own shares	**46,087**	31,619
Others	**1,274**	712
Total usage	**550,682**	393,501

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

Cash flow from continuing operating activities

For the three-month period ended March 31, 2021, net cash from continuing operating activities increased by 13% to $155.2 million from $137.2 million in 2020. This $18.0 million increase is attributable to an increase in net income of $11.1 million, $27.8 million from improvements in net change in working capital primarily attributable to working capital improvements in recently acquired businesses, net of an increase income taxes paid of $31.5 million. The increases in the taxes paid is attributable primarily to exceeding estimated performance in 2020, and greater tax installments made in for 2021 than 2020 due to higher expected profits.

Cash flow used in investing activities

Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods ended March 31, 2021 and 2020.

(unaudited) *(in thousands of U.S. dollars)*	Three months ended March 31 **2021**	2020*
Additions to property and equipment:		
Purchases as stated on cash flow statements	**37,369**	24,619
Non-cash adjustments	**(2,154)**	2,144
	35,215	26,763
Additions by category:		
Land and buildings	**7,980**	1,527
Rolling stock	**24,425**	20,403
Equipment	**2,810**	4,833
	35,215	26,763

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

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

In the normal course of activities, the Company constantly renews its rolling stock equipment generating regular proceeds and gain or loss on disposition. The following table indicates the proceeds and gains or losses from sale of property and equipment and assets held for sale by category for the three-month periods ended March 31, 2021 and 2020.

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31**	
	2021	2020*
Proceeds by category:		
Land and buildings	**6,128**	10,549
Rolling stock	**17,363**	8,155
Equipment	**—**	17
	23,491	18,721
Gains (losses) by category:		
Land and buildings	**3,823**	7,636
Rolling stock	**3,781**	2,538
Equipment	**(61)**	(4)
	7,543	10,170

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

Business acquisitions

For the three-month period ended March 31, 2021, cash used in business acquisitions totalled $19.0 million to acquire one business. Refer to the section of this report entitled "2021 business acquisitions" and further information can be found in note 5 of the March 31, 2021 unaudited condensed consolidated interim financial statements.

Cash flow used in financing activities

Common shares

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

Free cash flow from continuing operations

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31**	
	2021	2020*
Net cash from continuing operating activities	**155,195**	137,177
Additions to property and equipment	**(35,215)**	(26,763)
Proceeds from sale of property and equipment	**17,000**	8,053
Proceeds from sale of assets held for sale	**6,491**	10,668
Free cash flow from continuing operations	**143,471**	129,135

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

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

For the three-month period ended March 31, 2021, TFI International generated free cash flow from continuing operations of $143.5 million, compared to $129.1 million in 2020, which represents a year-over-year increase of $14.3 million, or 11%. This increase is mainly due to more net cash from continuing operating activities of $18.0 million, largely stemming from an increase in net income of $11.1 million, $27.8 million from improvements in net change in working capital, net of an increase income taxes paid of $31.5 million. The capital expenditures on rolling stock increased by $8.1 million as compared to the prior year quarter as a result of realizing delayed capital expenditures from 2020.

Free cash flow conversion, which measures the level of capital employed to generate earnings, improved for the three months ended March 31, 2021 to 94.4% from 88.6%, due to improved operating results compared to 2020 and lower net capital expenditures.

Based on the March 31, 2021 closing share price of $74.74, the free cash flow generated by the Company in the last twelve months ($559.6 million) represented a yield of 8.0%.

Financial position

(unaudited) *(in thousands of U.S. dollars)*	**As at March 31, 2021**	As at December 31, 2020	As at December 31, 2019*
Intangible assets	**1,755,255**	1,749,773	1,505,160
Total assets, less intangible assets	**2,475,885**	2,099,591	2,003,660
Long-term debt	**1,242,839**	872,544	1,343,307
Lease liabilities	**354,882**	355,986	355,591
Shareholders' equity	**1,800,598**	1,790,177	1,159,292

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

Compared to December 31, 2020, the Company's total assets and long-term debt increased, mainly as a result of the new debt of $500 million issued during the quarter. The proceeds of the new debt were partially used to repay existing revolver debt and the remaining amount is currently being held as cash.

As at March 31, 2021, the Company's working capital (accounts receivable, inventory and prepaids less accounts payable) was $133.9 million compared to $168.3 million as at December 31, 2020. The decrease in working capital is primarily attributable to improvements in working capital for recently acquired business acquisition.

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

The following table indicates the Company's contractual obligations with their respective maturity dates at March 31, 2021, excluding future interest payments.

(unaudited) *(in thousands of U.S. dollars)*	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Unsecured revolving facility – *June 2023*	**—**	—	—	—	—
Unsecured revolving facility – *November 2021*	**—**	—	—	—	—
Unsecured term loan – *June 2022*	**325,925**	—	325,925	—	—
Unsecured debenture – *December 2024*	**159,020**	—	—	159,020	—
Unsecured senior notes – *December 2026 to 2036*	**650,000**	—	—	—	650,000
Conditional sales contracts	**111,555**	37,026	58,853	15,349	327
Lease liabilities	**354,882**	88,927	132,741	65,113	68,101
Total contractual obligations	**1,601,382**	**125,953**	**517,519**	**239,482**	**718,428**

On January 13, 2021, the Company received $500 million in proceeds from new debt taking the form of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing interest between 3.15% and 3.50%.

The following table indicates the Company's financial covenants to be maintained under its credit facility. These covenants are measured on a consolidated rolling twelve-month basis and are calculated as prescribed by the credit agreement which, among other things, requires the exclusion of the impact of the new standard IFRS 16 Leases:

Covenants	***Requirements***	***As at March 31, 2021***
Funded debt-to- EBITDA ratio [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income tax, depreciation and amortization ("EBITDA"), including last twelve months adjusted EBITDA from business acquisitions]	< 3.50	1.94
EBITDAR-to-interest and rent ratio [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from business acquisitions) to interest and net rent expenses]	> 1.75	5.06

As at March 31, 2021, the Company had $28.1 million of outstanding letters of credit ($29.5 million on December 31, 2020).

As at March 31, 2021, the Company had $124.5 million of purchase commitments and $45.5 million of purchase orders that the Company intends to enter into a lease that is expected to materialize within a year (December 31, 2020 – $117.1 million and $44.1 million, respectively).

Dividends and outstanding share data

Dividends

The Company declared $21.4 million in dividends, or $0.23 per common share, in the first quarter of 2021. The Board of Directors approved a quarterly dividend of $0.23 per outstanding common share of the Company's capital, for an expected aggregate payment of $21.4 million to be paid on July 15, 2021 to shareholders of record at the close of business on June 30, 2021.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 14, 2020 and expires on October 13, 2021, the Company is authorized to repurchase for cancellation up to a maximum of 7,000,000 of its common shares under certain conditions. As at March 31, 2021, and since the inception of this NCIB, the Company has repurchased and cancelled 642,200 common shares.

For the three-month period ended March 31, 2021, the Company repurchased 642,200 common shares (as compared to 1,297,065 in the first quarter of 2020) at a weighted average price of $71.76 per share (as compared to $24.36 in the prior year period) for a total purchase price of $46.1 million (as compared to $31.6 million the prior year period).

Outstanding shares and share-based awards

A total of 93,235,500 common shares were outstanding as at March 31, 2021 (December 31, 2020 – 93,397,985). There was no material change in the Company's outstanding share capital between March 31, 2021 and April 27, 2021.

As at March 31, 2021, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 2,494,015 (December 31, 2020 – 2,982,514) of which 2,105,177 were exercisable (December 31, 2020 – 2,111,364). Each stock option entitles the holder to purchase one common share of the Company at an exercise price based on the volume-weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

As at March 31, 2021, the number of restricted share units (''RSUs'') granted under the Company's equity incentive plan to its senior employees was 377,519 (December 31, 2020 – 299,075). On February 8, 2021, the Board of Directors approved the grant of 78,122 RSUs under the Company's equity incentive plan. The RSUs will vest in February of the third year following the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

As at March 31, 2021, the number of performance share units (''PSUs'') granted under the Company's equity incentive plan to its senior employees was 224,927 (December 31, 2020 –147,121). On February 8, 2021, the Board of Directors approved the grant of 78,122 PSUs under the Company's equity incentive plan. The PSUs will vest in February of the third year following the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

Legal proceedings

The Company is involved in litigation arising from the ordinary course of business primarily involving claims for bodily injury and property damage. It is not feasible to predict or determine the outcome of these or similar proceedings. However, the Company believes the ultimate recovery or liability, if any, resulting from such litigation individually or in total would not materially adversely nor positively affect the Company's financial condition or performance and, if necessary, has been provided for in the financial statements.

OUTLOOK

The North American economy has continued its gradual recovery since the height of the Coronavirus (COVID-19) pandemic. As the economic rebound has broadened, the end markets that remained relatively strong last year or that quickly recovered, such as the transport of essential household goods, medical products and e-commerce, have since been joined by others such as business-to-business and transportation for the apparel and automotive industries. While there remains a degree of macro uncertainty and specific North American geographies are experiencing renewed COVID-19 outbreaks, broadening vaccine distribution and pent-up consumer and business spending have led most economists to project healthy GDP growth for 2021.

Although TFI International remained fully operational with uninterrupted service throughout the pandemic, management remains vigilant in its monitoring for new potential risks. These include potential additional waves of economic disruption caused by new Coronavirus variants that could result in renewed social distancing mandates and lockdowns, adversely impacting end markets served by TFI's operating companies and resulting in another round of declines in freight volumes. Additional uncertainties include driver availability, computer chip shortages affecting the automotive industry, and policy changes enacted by the new US presidential administration surrounding international trade, environmental mandates, tax and other matters.

Management believes the Company is well prepared to navigate changes in the economic landscape due to its focus on efficiency and its lean cost structure, partially reflecting cost reduction measures enacted in 2020 in response to the pandemic, as well as a longstanding focus on profitability, efficiency, and the rationalization of assets to avoid internal overcapacity. TFI is particularly well positioned to benefit from the expansion of e-commerce, which provides both growth and margin expansion opportunities for its P&C and Logistics business segments, and from potential growth and cost synergies related to its pending acquisition of UPS Freight, expected to close during the second quarter of 2021. In addition, the Company continues to have strong liquidity and a conservative balance sheet.

Management believes its decisions over the past year facilitated the rapid return to strong year-over-year growth, and that TFI's current positioning, which will be further enhanced by the pending acquisition of UPS Freight, should enable the Company to emerge even stronger when conditions normalize. Longer term, regardless of the operating environment, management's goal is to build shareholder value through consistent adherence to its operating principles, including the intense customer focus exhibited by its many dedicated professionals, its asset-light approach to the business, continual efforts to enhance efficiencies, and an effective strategy around industry consolidation.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

(unaudited) - (in millions of U.S. dollars, except per share data)	Q1'21	Q4'20	Q3'20*	Q2'20*	Q1'20*	Q4'19*	Q3'19*	Q2'19*
Total revenue	1,148.8	1,122.0	936.1	798.5	924.5	989.0	988.4	1,000.3
Adjusted EBITDA[1]	176.2	193.5	189.4	167.6	149.1	163.4	167.9	176.7
Operating income from continuing operations	101.7	117.1	117.0	95.1	87.3	94.1	99.9	120.6
Net income	66.9	86.3	83.1	50.5	55.8	56.7	62.5	65.6
EPS – basic	0.72	0.92	0.91	0.58	0.66	0.70	0.75	0.78
EPS – diluted	0.70	0.91	0.90	0.57	0.65	0.68	0.74	0.76
Net income from continuing operations	66.9	86.3	83.1	50.5	55.8	58.0	62.5	74.8
EPS from continuing operations – basic	0.72	0.92	0.91	0.58	0.66	0.71	0.76	0.89
EPS from continuing operations – diluted	0.70	0.91	0.90	0.57	0.65	0.70	0.74	0.87
Adjusted net income[1]	73.6	93.4	87.5	67.2	52.6	60.1	66.8	76.3
Adjusted EPS - diluted[1]	0.77	0.98	0.94	0.76	0.61	0.72	0.79	0.88

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar.
[1] Refer to the section "Non-IFRS financial measures".

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. The decline in Q2 2020 is due to COVID-19 related business interruptions.

NON-IFRS FINANCIAL MEASURES

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

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

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

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

Adjusted net income: Net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value and accretion expense of contingent considerations, net change in the fair value of derivatives, net foreign exchange gain or loss, impairment of intangible assets, bargain purchase gain, gain or loss on sale of land and buildings, assets held for sale and intangible assets, and loss from discontinued operations. In presenting an adjusted net income and adjusted EPS, the Company's intent is to help provide an understanding of what would have been the net income and earnings per share in a context of significant business combinations and excluding specific impacts and to reflect earnings from a strictly operating perspective. The amortization of intangible assets related to business acquisitions comprises amortization expense of customer relationships, trademarks and non-compete agreements accounted for in business combinations and the income tax effects related to this amortization. Management also believes, in excluding amortization of intangible assets related to business acquisitions, it provides more information on the amortization of intangible asset expense portion, net of tax, that will not have to be replaced to preserve the Company's ability to generate similar future cash flows. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring. See reconciliation on page 6.

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

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

Adjusted EBITDA: Net income from continuing operations before finance income and costs, income tax expense, depreciation, amortization, impairment of intangible assets, bargain purchase gain, and gain or loss on sale of land and buildings, assets held for sale and intangible assets.

Segmented adjusted EBITDA refers to operating income (loss) from continuing operations before depreciation, amortization, impairment of intangible assets, bargain purchase gain, and gain or loss on sale of land and buildings, assets held for sale and intangible assets. Management believes adjusted EBITDA to be a useful supplemental measure. Adjusted EBITDA is provided to assist in determining the ability of the Company to assess its performance.

Consolidated adjusted EBITDA reconciliation:

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31** 2021	2020*
Net income from continuing operations	**66,887**	55,788
Net finance costs	**14,435**	14,342
Income tax expense	**20,423**	17,198
Depreciation of property and equipment	**41,220**	42,569
Depreciation of right-of-use assets	**22,799**	19,160
Amortization of intangible assets	**14,371**	11,655
Bargain purchase gain	**—**	(4,008)
Loss on sale of land and buildings	**—**	1
Gain on sale of assets held for sale	**(3,938)**	(7,646)
Adjusted EBITDA	**176,197**	149,059

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

Segmented adjusted EBITDA reconciliation:

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31** 2021	2020*
Package and Courier		
Operating income	**18,324**	11,567
Depreciation and amortization	**6,539**	6,239
Loss on sale of land and buildings	**—**	1
Loss on sale of assets held for sale	**—**	1
Adjusted EBITDA	**24,863**	17,808
Less-Than-Truckload		
Operating income	**22,136**	13,089
Depreciation and amortization	**12,512**	12,697
Gain on sale of assets held for sale	**(9)**	—
Adjusted EBITDA	**34,639**	25,786
Truckload		
Operating income	**50,006**	46,392
Depreciation and amortization	**48,540**	46,428
Gain on sale of assets held for sale	**(3,929)**	(7,647)
Adjusted EBITDA	**94,617**	85,173
Logistics		
Operating income	**29,060**	19,174
Depreciation and amortization	**10,317**	7,721
Bargain purchase gain	**—**	(4,008)
Adjusted EBITDA	**39,377**	22,887
Corporate		
Operating loss	**(17,781)**	(2,894)
Depreciation and amortization	**482**	299
Adjusted EBITDA	**(17,299)**	(2,595)

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

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

Free cash flow: Net cash from continuing operating activities less additions to property and equipment plus proceeds from sale of property and equipment and assets held for sale. Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements. See reconciliation on page 13.

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

Free cash flow conversion reconciliation:

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31** **2021**	2020*
Net income from continuing operations	**66,887**	55,788
Net finance costs	**14,435**	14,342
Income tax expense	**20,423**	17,198
Depreciation of property and equipment	**41,220**	42,569
Depreciation of right-of-use assets	**22,799**	19,160
Amortization of intangible assets	**14,371**	11,655
Bargain purchase gain	**—**	(4,008)
Loss on sale of land and buildings	**—**	1
Adjusted EBITDA	**176,197**	149,059
Additions to rolling stock and equipment	**(27,235)**	(25,236)
Proceeds from sale of rolling stock and equipment	**17,363**	8,172
Adjusted EBITDA net of net rolling stock and equipment	**166,325**	131,995
Free cash flow conversion	**94.4%**	88.6%

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

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

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

Consolidated adjusted operating ratio reconciliation:

(unaudited) *(in thousands of U.S. dollars)*	**Three months ended March 31** **2021**	2020*
Operating expenses	**1,047,062**	837,181
Bargain purchase gain	**—**	4,008
Loss on sale of land and building	**—**	(1)
Gain on sale of assets held for sale	**3,938**	7,646
Adjusted operating expenses	**1,051,000**	848,834
Fuel surcharge revenue	**(89,673)**	(95,410)
Adjusted operating expenses, net of fuel surcharge revenue	**961,327**	753,424
Revenue before fuel surcharge	**1,059,134**	829,099
Adjusted operating ratio	**90.8%**	90.9%

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

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

(unaudited) *(in thousands of U.S. dollars)*	Three months ended March 31 2021	2020*
Less-Than-Truckload		
Total revenue	**150,522**	155,332
Total operating expenses	**128,386**	142,243
Operating income	**22,136**	13,089
Operating expenses	**128,386**	142,243
Gain on sale of land and buildings and assets held for sale	**9**	—
Adjusted operating expenses	**128,395**	142,243
Fuel surcharge revenue	**(18,896)**	(21,022)
Adjusted operating expenses, net of fuel surcharge revenue	**109,499**	121,221
Revenue before fuel surcharge	**131,626**	134,310
Adjusted operating ratio	**83.2%**	90.3%
Truckload		
Total revenue	**474,606**	451,410
Total operating expenses	**424,600**	405,018
Operating income	**50,006**	46,392
Operating expenses	**424,600**	405,018
Gain on sale of land and buildings and assets held for sale	**3,929**	7,647
Adjusted operating expenses	**428,529**	412,665
Fuel surcharge revenue	**(50,039)**	(53,884)
Adjusted operating expenses, net of fuel surcharge revenue	**378,490**	358,781
Revenue before fuel surcharge	**424,567**	397,526
Adjusted operating ratio	**89.1%**	90.3%
Truckload - Revenue before fuel surcharge		
U.S. based Conventional TL	**155,619**	157,243
Canadian based Conventional TL	**55,792**	52,390
Specialized TL	**214,237**	188,826
Eliminations	**(1,081)**	(933)
	424,567	397,526
Truckload - Fuel surcharge revenue		
U.S. based Conventional TL	**23,428**	25,792
Canadian based Conventional TL	**5,844**	6,557
Specialized TL	**20,822**	21,574
Eliminations	**(55)**	(39)
	50,039	53,884
Truckload - Operating income		
U.S. based Conventional TL	**10,259**	10,317
Canadian based Conventional TL	**6,622**	6,341
Specialized TL	**33,125**	29,734
	50,006	46,392
U.S. based Conventional TL		
Operating expenses**	**168,788**	172,718
Fuel surcharge revenue	**(23,428)**	(25,792)
Adjusted operating expenses, net of fuel surcharge revenue	**145,360**	146,926
Revenue before fuel surcharge	**155,619**	157,243
Adjusted operating ratio	**93.4%**	93.4%
Canadian based Conventional TL		
Operating expenses**	**55,014**	52,606
Fuel surcharge revenue	**(5,844)**	(6,557)
Adjusted operating expenses, net of fuel surcharge revenue	**49,170**	46,049
Revenue before fuel surcharge	**55,792**	52,390
Adjusted operating ratio	**88.1%**	87.8%
Specialized TL		
Operating expenses**	**201,934**	180,666
Gain on sale of assets held for sale	**3,929**	7,647
Adjusted operating expenses	**205,863**	188,313
Fuel surcharge revenue	**(20,822)**	(21,574)
Adjusted operating expenses, net of fuel surcharge revenue	**185,041**	166,739
Revenue before fuel surcharge	**214,237**	188,826
Adjusted operating ratio	**86.4%**	88.3%

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

Return on invested capital ("ROIC") : Management believes ROIC is a useful measure in the efficiency in the use of capital funds. The Company calculates ROIC as operating income net of exclusions, after tax, divided by the average invested capital. Operating income net of exclusions, after tax, is calculated as the trailing twelve months of operating income from continuing operations before bargain purchase gain, gain or loss on the sale of land and buildings and assets held for sale, and amortization, after tax using the statutory tax rate of the Company. Average invested capital is calculated as total assets net of trade and other payables, current taxes payable and provisions averaged between the beginning and ending balance over a twelve-month period.

Return on invested capital segment reconciliation:

(unaudited) *(in thousands of U.S. dollars)*	**2021**	As at March 31 2020
Package and Courier		
Operating income	**85,510**	78,007
Loss on sale of land and buildings	**—**	1
Gain on sale of assets held for sale	**(92)**	(842)
Amortization of intangible assets	**968**	923
Operating income, net of exclusions	**86,386**	78,089
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**63,494**	57,395
Intangible assets	**195,326**	175,419
Total assets, excluding intangible assets	**182,277**	164,235
less: Trade and other payables, income taxes payable and provisions	**(56,360)**	(39,507)
Total invested capital, current year	**321,243**	300,147
Intangible assets, prior year	**175,419**	185,092
Total assets, excluding intangible assets, prior year	**164,235**	170,830
less: Trade and other payables, income taxes payable and provisions, prior year	**(39,507)**	(44,920)
Total invested capital, prior year	**300,147**	311,002
Average invested capital	**310,695**	305,575
Return on invested capital	**20.4%**	18.8%
Less-Than-Truckload		
Operating income	**96,999**	74,561
Gain on sale of assets held for sale	**—**	(1,476)
Amortization of intangible assets	**8,550**	8,371
Operating income, net of exclusions	**105,549**	81,456
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**77,579**	59,870
Intangible assets	**189,601**	172,187
Total assets, excluding intangible assets	**402,509**	373,012
less: Trade and other payables, income taxes payable and provisions	**(66,457)**	(61,180)
Total invested capital, current year	**525,653**	484,019
Intangible assets, prior year	**172,187**	188,748
Total assets, excluding intangible assets, prior year	**373,012**	415,398
less: Trade and other payables, income taxes payable and provisions, prior year	**(61,180)**	(79,527)
Total invested capital, prior year	**484,019**	524,619
Average invested capital	**504,836**	504,319
Return on invested capital	**15.4%**	11.9%
Truckload - U.S. based Conventional TL		
Operating income	**51,800**	52,969
Gain on sale of assets held for sale	**(1,103)**	—
Amortization of intangible assets	**6,832**	9,624
Operating income, net of exclusions	**57,529**	62,593
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**42,284**	46,006
Intangible assets	**312,743**	316,165
Total assets, excluding intangible assets	**526,218**	554,866
less: Trade and other payables, income taxes payable and provisions	**(99,940)**	(74,585)
Total invested capital, current year	**739,021**	796,446
Intangible assets, prior year	**316,165**	325,629
Total assets, excluding intangible assets, prior year	**554,866**	557,172
less: Trade and other payables, income taxes payable and provisions, prior year	**(74,585)**	(72,988)
Total invested capital, prior year	**796,446**	809,813
Average invested capital	**767,734**	803,130
Return on invested capital	**5.5%**	5.7%

Return on invested capital segment reconciliation (continued):

(unaudited) *(in thousands of U.S. dollars)*	**As at March 31** **2021**	2020
Truckload - Canadian based Conventional TL		
Operating income	**28,620**	30,845
Gain on sale of land and buildings	**—**	(8)
Amortization of intangible assets	**2,067**	2,197
Operating income, net of exclusions	**30,687**	33,034
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**22,555**	24,280
Intangible assets	**98,009**	88,996
Total assets, excluding intangible assets	**124,663**	111,770
less: Trade and other payables, income taxes payable and provisions	**(23,672)**	(18,439)
Total invested capital, current year	**199,000**	182,327
Intangible assets, prior year	**88,996**	95,830
Total assets, excluding intangible assets, prior year	**111,770**	115,423
less: Trade and other payables, income taxes payable and provisions, prior year	**(18,439)**	(25,256)
Total invested capital, prior year	**182,327**	185,997
Average invested capital	**190,664**	184,162
Return on invested capital	**11.8%**	13.2%
Truckload - Specialized TL		
Operating income	**129,236**	116,602
Gain on sale of land and buildings	**—**	(1)
Gain on sale of assets held for sale	**(6,868)**	(19,457)
Amortization of intangible assets	**11,054**	10,302
Operating income, net of exclusions	**133,422**	107,446
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**98,065**	78,973
Intangible assets	**501,586**	412,778
Total assets, excluding intangible assets	**543,583**	456,858
less: Trade and other payables, income taxes payable and provisions	**(67,356)**	(55,237)
Total invested capital, current year	**977,813**	814,399
Intangible assets, prior year	**412,778**	417,711
Total assets, excluding intangible assets, prior year	**456,858**	477,220
less: Trade and other payables, income taxes payable and provisions, prior year	**(55,237)**	(61,742)
Total invested capital, prior year	**814,399**	833,189
Average invested capital	**896,106**	823,794
Return on invested capital	**10.9%**	9.6%
Logistics		
Operating income	**94,344**	53,204
Loss on sale of land and buildings	**5**	—
Amortization of intangible assets	**20,214**	17,359
Bargain purchase gain	**—**	(12,022)
Operating income, net of exclusions	**114,563**	58,541
Income tax	**26.5%**	26.5%
Operating income net of exclusions, after tax	**84,204**	43,028
Intangible assets	**455,572**	252,039
Total assets, excluding intangible assets	**257,802**	171,538
less: Trade and other payables, income taxes payable and provisions	**(159,050)**	(70,100)
Total invested capital, current year	**554,324**	353,477
Intangible assets, prior year	**252,039**	239,063
Total assets, excluding intangible assets, prior year	**171,538**	147,768
less: Trade and other payables, income taxes payable and provisions, prior year	**(70,100)**	(58,255)
Total invested capital, prior year	**353,477**	328,576
Average invested capital	**453,901**	341,027
Return on invested capital	**18.6%**	12.6%

RISKS AND UNCERTAINTIES

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

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

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

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

In addition to the regulatory regime applicable to operations in Canada, the Company is increasing its operations in the United States, and is therefore increasingly subject to rules and regulations related to the U.S. transportation industry, including regulation from various federal, state and local agencies, including the Department of Transportation ("DOT") (in part through the Federal Motor Carrier Safety Administration ("FMCSA")), the Environmental Protection Agency ("EPA") and the Department of Homeland Security. Drivers must, both in Canada and the United States, comply with safety and fitness regulations, including those relating to drug and alcohol testing, driver safety performance and hours of service. Weight and dimensions, exhaust emissions and fuel efficiency are also subject to government regulation. The Company may also become subject to new or more restrictive regulations relating to fuel efficiency, exhaust emissions, hours of service, drug and alcohol testing, ergonomics, on-board reporting of operations, collective bargaining, security at ports, speed limitations, driver training and other matters affecting safety or operating methods.

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

Under the CSA program, carriers are evaluated and ranked against their peers based on seven categories of safety-related data. The seven categories of safety-related data currently include Unsafe Driving, Hours-of-Service Compliance, Driver Fitness, Controlled Substances/Alcohol, Vehicle Maintenance, Hazardous Materials Compliance and Crash Indicator (such categories known as "BASICs"). Carriers are grouped by category with other carriers that have a similar number of safety events (i.e. crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile or score. If the Company were subject to any such interventions, this could have an adverse effect on the Company's business, financial condition and results of operations. As a result, the Company's fleet could be ranked poorly as compared to peer carriers. There is no guarantee that we will be able to maintain our current safety ratings or that we will not be subject to interventions in the future. The Company recruits first-time drivers to be part of its fleet, and these drivers may have a higher likelihood of creating adverse safety events under CSA. The occurrence of future deficiencies could affect driver recruitment in the United States by causing high-quality drivers to seek employment with other carriers or limit the pool of available drivers or could cause the Company's customers to direct their business away from the Company and to carriers with higher fleet safety rankings, either of which would materially adversely affect the Company's business, financial condition and results of operations. In addition, future deficiencies could increase the Company's insurance expenses. Additionally, competition for drivers with favorable safety backgrounds may increase, which could necessitate increases in driver-related compensation costs. Further, the Company may incur greater than expected expenses in its attempts to improve unfavorable scores.

In December 2015, the U.S. Congress passed a new highway funding bill called Fixing America's Surface Transportation Act (the "FAST Act"), which calls for significant CSA reform. The FAST Act directs the FMCSA to conduct studies of the scoring system used to generate CSA rankings to determine if it is effective in identifying high-risk carriers and predicting future crash risk. This study was conducted and delivered to the FMCSA in June 2017 with several recommendations to make the CSA program more fair, accurate and reliable. In June 2018, the FMCSA provided a report to the U.S. Congress outlining the changes it may make to the CSA program in response to the study. Such changes include the testing and possible adoption of a revised risk modeling theory, potential collection and dissemination of additional carrier data and revised measures for intervention thresholds. The adoption of such changes is contingent on the results of the new modeling theory and additional public feedback. Thus, it is unclear if, when and to what extent such changes to the CSA program will occur. The FAST Act is set to expire in September 2020, and the U.S. Congress has noted its intent to consider a multiyear highway measure that would update the FAST Act, which could lead to further changes to the CSA program. Any changes that increase the likelihood of the Company receiving unfavorable scores could materially adversely affect the Company's results of operations and profitability.

In December 2016, the FMCSA issued a final rule establishing a national clearinghouse for drug and alcohol testing results and requiring motor carriers and medical review officers to provide records of violations by commercial drivers of FMCSA drug and alcohol testing requirements. Motor carriers in the United States will be required to query the clearinghouse to ensure drivers and driver applicants do not have violations of federal drug and alcohol testing regulations that prohibit them from operating commercial motor vehicles. The final rule became effective on January 4, 2017, with a compliance date of January 6, 2020. In December 2019, however, the FMCSA announced a final rule pursuant to which the compliance date for state driver's licensing agencies for certain Drug and Alcohol Clearinghouse requirements were extended for three years. The December 2016 commercial driver's license rule initially required states to request information from the clearinghouse about individuals prior to issuing, renewing, upgrading or transferring a commercial driver's license. This new action will allow states to delay compliance with the requirement until January 2023.

In addition, other rules have been recently proposed or made final by the FMCSA, including (i) a rule requiring the use of speed-limiting devices on heavy-duty tractors to restrict maximum speeds, which was proposed in 2016, and (ii) a rule setting out minimum driver training standards for new drivers applying for commercial driver's licenses for the first time and to experienced drivers upgrading their licenses or seeking a hazardous materials endorsement, which was made final in December 2016 with a compliance date in February 2020 (FMCSA officials recently delayed implementation of the final rule by two years). In July 2017, the DOT announced that it would no longer pursue a speed limiter rule, but left open the possibility that it could resume such a pursuit in the future. In 2019 U.S. Congressional representatives proposed a similar rule related to speed limiting devices. The effect of these rules, to the extent they become effective, could result in a decrease in fleet production and/or driver availability, either of which could materially adversely affect the Company's business, financial condition and results of operations.

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

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

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

The U.S. National Highway Traffic Safety Administration, the EPA and certain U.S. states, including California, have adopted regulations that are aimed at reducing tractor emissions and/or increasing fuel economy of the equipment the Company uses. Certain of these regulations are currently effective, with stricter emission and fuel economy standards becoming effective over the next several years. Other regulations have been proposed in the United States that would similarly increase these standards. U.S. federal and state lawmakers and regulators have also adopted or are considering a variety of other climate-change legal requirements related to carbon emissions and greenhouse gas emissions. These legal requirements could potentially limit carbon emissions within certain states and municipalities in the United States. Certain of these legal requirements restrict the location and amount of time that diesel-powered tractors (like the Company's) may idle, which may force the Company to purchase on-board power units that do not require the engine to idle or to alter the Company's drivers' behavior, which might result in a decrease in productivity and/or an increase in driver turnover. All of these regulations have increased, and may continue to increase, the cost of new tractors and trailers and may require the Company to retrofit certain of its tractors and trailers, may increase its maintenance costs, and could impair equipment productivity and increase the Company's operating costs, particularly if such costs are not offset by potential fuel savings. The occurrence of any of these adverse effects, combined with the uncertainty as to the reliability of the newly-designed diesel engines and the residual values of the Company's equipment, could materially adversely affect the Company's business, financial condition and results of operations. Furthermore, any future regulations that impose restrictions, caps, taxes or other controls on emissions of greenhouse gases could adversely affect the Company's operations and financial results. The Company cannot predict the extent to which its operations and productivity will be impacted by any future regulations. The Company will continue monitoring its compliance with U.S. federal and state environmental regulations.

In March 2014, the U.S. Ninth Circuit Court of Appeals held that the application of California state wage and hour laws to interstate truck drivers is not pre-empted by U.S. federal law. The case was appealed to the U.S. Supreme Court, which denied certiorari in May 2015, and accordingly, the Ninth Circuit Court of Appeals decision stands. However, in December 2018, the FMCSA granted a petition filed by the American Trucking Associations determining that federal law pre-empts California's wage and hour laws, and interstate truck drivers are not subject to such laws. The FMCSA's decision has been appealed by labor groups and multiple lawsuits have been filed in U.S. federal courts seeking to overturn the decision, and thus it is uncertain whether it will stand. Current and future U.S. state and local wage and hour laws, including laws related to employee meal breaks and rest periods, may vary significantly from U.S. federal law. Further, driver piece rate compensation, which is an industry standard, has been attacked as non-compliant with state minimum wage laws. As a result, the Company, along with other companies in the industry, is subject to an uneven patchwork of wage and hour laws throughout the United States. In addition, the uncertainty with respect to the practical application of wage and hour laws are, in the future may be, resulting in additional costs for the Company and the industry as a whole, and a negative outcome with respect to any of the above-mentioned lawsuits could materially affect the Company. There is proposed federal legislation to solidify the pre-emption of state and local wage and hour laws applied to interstate truck drivers; however, passage of such legislation is uncertain. If U.S. federal legislation is not passed, the Company will either need to continue complying with the most restrictive state and local laws across its entire fleet in the United States, or revise its management systems to comply with varying state and local laws. Either solution could result in increased compliance and labor costs, driver turnover, decreased efficiency and increased risk of non-compliance. In April 2016, the Food and Drug Administration ("FDA") published a final rule establishing requirements for shippers, loaders, carriers by motor vehicle and rail vehicle, and receivers engaged in the transportation of food, to use sanitary transportation practices to ensure the safety of the food they transport as part of the FSMA. This rule sets forth requirements related to (i) the design and maintenance of equipment used to transport food, (ii) the measures taken during food transportation to ensure food safety, (iii) the training of carrier personnel in sanitary food transportation practices, and (iv) maintenance and retention of records of written procedures, agreements, and training related to the foregoing items. These requirements took effect for larger carriers in April 2017 and apply to the Company when it acts as a carrier or as a broker. If the Company is found to be in violation of applicable laws or regulations related to the FSMA or if the Company transports food or goods that are contaminated or are found to cause illness and/or death, the Company could be subject to substantial fines, lawsuits, penalties and/or criminal and civil liability, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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

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

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

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

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

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

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

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

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

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

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

The Company's industry is subject to cyclical pressures, and the Company's business is dependent on a number of factors that may have a material adverse effect on its results of operations, many of which are beyond the Company's control. The Company believes that some of the most significant of these factors include (i) excess tractor and trailer capacity in the transportation industry in comparison with shipping demand; (ii) declines in the resale value of used equipment; (iii) recruiting and retaining qualified drivers; (iv) strikes, work stoppages or work slowdowns at the Company's facilities or at customer, port, border crossing or other shipping-related facilities; (v) compliance with ongoing regulatory requirements; (vi) increases in interest rates, fuel taxes, tolls and license and registration fees; and (vii) rising healthcare costs in the United States.

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

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

- the Company may experience a reduction in overall freight levels, which may impair the Company's asset utilization;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between the Company's capacity and assets and customers' freight demand;
- the Company may be forced to accept more loads from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue generating miles to obtain loads;
- the Company may increase the size of its fleet during periods of high freight demand during which its competitors also increase their capacity, and the Company may experience losses in greater amounts than such competitors during subsequent cycles of softened freight demand if the Company is required to dispose of assets at a loss to match reduced freight demand;

- customers may solicit bids for freight from multiple trucking companies or select competitors that offer lower rates in an attempt to lower their costs, and the Company may be forced to lower its rates or lose freight; and
- lack of access to current sources of credit or lack of lender access to capital, leading to an inability to secure credit financing on satisfactory terms, or at all.

The Company is subject to cost increases that are outside the Company's control that could materially reduce the Company's profitability if it is unable to increase its rates sufficiently. Such cost increases include, but are not limited to, increases in fuel and energy prices, driver and office employee wages, purchased transportation costs, taxes, interest rates, tolls, license and registration fees, insurance premiums and claims, revenue equipment and related maintenance, and tires and other components. Strikes or other work stoppages at the Company's service centres or at customer, port, border or other shipping locations, deterioration of Canadian, U.S. or Mexican transportation infrastructure and reduced investment in such infrastructure, or actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state or heightened security requirements could lead to wear, tear and damage to the Company's equipment, driver dissatisfaction, reduced economic demand, reduced availability of credit, increased prices for fuel or temporary closing of the shipping locations or borders between Canada, the United States and Mexico. Further, the Company may not be able to appropriately adjust its costs and staffing levels to meet changing market demands. In periods of rapid change, it is more difficult to match the Company's staffing level to its business needs.

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

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

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

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

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

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

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

Currency Fluctuations. The Company's financial results are reported in U.S. dollars and a large portion of the Company's revenue and operating costs are realized in currencies other than the U.S. dollar, primarily the Canadian dollar. The exchange rates between these currencies and the U.S. dollar have fluctuated in recent years and will likely continue to do so in the future. It is not possible to mitigate all exposure to fluctuations in foreign currency exchange rates. The results of operations are therefore affected by movements of these currencies against the U.S. dollar.

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

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

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

The Company holds a fully-fronted policy of CAD $10 million limit per occurrence for automobile bodily injury, property damage and commercial general liability for its Canadian Insurance Program, subject to certain exceptions. The Company retains a deductible of US $2.25 million for certain U.S. subsidiaries on their primary US $5 million limit policies for automobile bodily injury and property damage, also subject to certain exceptions, and a 50% quota share deductible for the US $5 million limit in excess of US $5 million. The Company retains a deductible of US $1 million on its primary US $5 million limit policy for certain U.S. subsidiaries for commercial general liability. The Company retains deductibles of up to US $1 million per occurrence for workers' compensation claims. The Company's liability coverage has a total limit of US $100 million per occurrence for both its Canadian and U.S. divisions.

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

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

Employee Relations. Most of the Company's unionized employees are Canadian employees with a small number of unionized employees in the United States. Although the Company believes that its relations with its employees are satisfactory, no assurance can be given that the Company will be able to successfully extend or renegotiate the Company's current collective agreements as they expire from time to time or that additional employees in the United States will not attempt to unionize. If the Company fails to extend or renegotiate the Company's collective agreements, if disputes with the Company's unions arise, or if the Company's unionized or non-unionized workers engage in a strike or other work stoppage or interruption, the Company could experience a significant disruption of, or inefficiencies in, its operations or incur higher labor costs, which could have a material adverse effect on the Company's business, results of operations, financial condition and liquidity.

At the date hereof, the collective agreements between the Company and the vast majority of its unionized employees have been renewed. The Company's collective agreements have a variety of expiration dates, to the last of which is in September 2024. In a small number of cases, the expiration date of the collective agreement has passed; in such cases, the Corporation is generally in the process of renegotiating the agreement. The Company cannot predict the effect which any new collective agreements or the failure to enter into such agreements upon the expiry of the current agreements may have on its operations.

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

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

In addition, the Company and many other trucking companies suffer from a high turnover rate of drivers in the U.S. TL market. This high turnover rate requires the Company to continually recruit a substantial number of new drivers in order to operate existing revenue equipment. Driver shortages are exacerbated during periods of economic expansion, in which alternative employment opportunities, including in the construction and manufacturing industries, which may offer better compensation and/or more time at home, are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment, or the scarcity or growth of loans for students who seek financial aid for driving school. The lack of adequate tractor parking along some U.S. highways and congestion caused by inadequate highway funding may make it more difficult for drivers to comply with hours of service regulations and cause added stress for drivers, further reducing the pool of eligible drivers. The Company's use of team-driven tractors for expedited shipments requires two drivers per tractor, which further increases the number of drivers the Company must recruit and retain in comparison to operations that require one driver per tractor. The Company also employs driver hiring standards, which could further reduce the pool of available drivers from which the Company would hire. If the Company is unable to continue to attract and retain a sufficient number of drivers, the Company could be forced to, among other things, adjust the Company's compensation packages, increase the number of the Company's tractors without drivers or operate with fewer trucks and face difficulty meeting shipper demands, any of which could adversely affect the Company's growth and profitability.

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

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

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

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

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

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

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

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

Anticipated cost savings, synergies, revenue enhancements or other benefits from any acquisitions that the Company undertakes may not materialize in the expected timeframe or at all. The Company's estimated cost savings, synergies, revenue enhancements and other benefits from acquisitions are subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks. There can be no assurance that such assumptions will turn out to be correct and, as a result, the amount of cost savings, synergies, revenue enhancements and other benefits the Company actually realizes and/or the timing of such realization may differ significantly (and may be significantly lower) from the ones the Company estimated, and the Company may incur significant costs in reaching the estimated cost savings, synergies, revenue enhancements or other benefits. Further, management of acquired operations through a decentralized approach may create inefficiencies or inconsistencies.

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

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

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

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

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

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

Environmental Matters. The Company uses storage tanks at certain of its Canadian and U.S. transportation terminals. Canadian and U.S. laws and regulations generally impose potential liability on the present and former owners or occupants or custodians of properties on which contamination has occurred, as well as on parties who arranged for the disposal of waste at such properties. Although the Company is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on it, certain of the Company's current or former facilities have been in operation for many years and over such time, the Company or the prior owners, operators or custodians of the properties may have generated and disposed of wastes which are or may be considered hazardous. Liability under certain of these laws and regulations may be imposed on a joint and several basis and without regard to whether the Company knew of, or was responsible for, the presence or disposal of these materials or whether the activities giving rise to the contamination was legal when it occurred. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect the Company's ability to sell or rent that property. If the Company incurs liability under these laws and regulations and if it cannot identify other parties which it can compel to contribute to its expenses and who are financially able to do so, it could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the Company will not be required at some future date to incur significant costs or liabilities pursuant to environmental laws, or that the Company's operations, business or assets will not be materially affected by current or future environmental laws.

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

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

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

Key Personnel. The future success of the Company will be based in large part on the quality of the Company's management and key personnel. The Company's management and key personal possess valuable knowledge about the transportation and logistics industry and their knowledge of and relationships with the Company's key customers and vendors would be difficult to replace. The loss of key personnel could have a negative effect on the Company. There can be no assurance that the Company will be able to retain its current key personnel or, in the event of their departure, to develop or attract new personnel of equal quality.

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

Loan Default. The agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, contain certain restrictions and other covenants relating to, among other things, funded debt, distributions, liens, investments, acquisitions and dispositions outside the ordinary course of business and affiliate transactions. If the Company fails to comply with any of its financing arrangement covenants, restrictions and requirements, the Company could be in default under the relevant agreement, which could cause cross-defaults under other financing arrangements. In the event of any such default, if the Company failed to obtain replacement financing or amendments to or waivers under the applicable financing arrangement, the Company may be unable to pay dividends to its shareholders, and its lenders could cease making further advances, declare the Company's debt to be immediately due and payable, fail to renew letters of credit, impose significant restrictions and requirements on the Company's operations, institute foreclosure procedures against their collateral, or impose significant fees and transaction costs. If debt acceleration occurs, economic conditions may make it difficult or expensive to refinance the accelerated debt or the Company may have to issue equity securities, which would dilute share ownership. Even if new financing is made available to the Company, credit may not be available to the Company on acceptable terms. A default under the Company's financing arrangements could result in a materially adverse effect on its liquidity, financial condition and results of operations. As at the date hereof, the Company is in compliance with all of its debt covenants and obligations.

Credit Facilities. The Company has significant ongoing capital requirements that could affect the Company's profitability if the Company is unable to generate sufficient cash from operations and/or obtain financing on favorable terms. The trucking industry and the Company's trucking operations are capital intensive, and require significant capital expenditures annually. The amount and timing of such capital expenditures depend on various factors, including anticipated freight demand and the price and availability of assets. If anticipated demand differs materially from actual usage, the Company's trucking operations may have too many or too few assets. Moreover, resource requirements vary based on customer demand, which may be subject to seasonal or general economic conditions. During periods of decreased customer demand, the Company's asset utilization may suffer, and it may be forced to sell equipment on the open market or turn in equipment under certain equipment leases in order to right size its fleet. This could cause the Company to incur losses on such sales or require payments in connection with such turn ins, particularly during times of a softer used equipment market, either of which could have a materially adverse effect on the Company's profitability.

The Company's indebtedness may increase from time to time in the future for various reasons, including fluctuations in results of operations, capital expenditures and potential acquisitions. The agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, mature on various dates, ranging from 2021 to 2036. There can be no assurance that such agreements governing the Company's indebtedness will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favorable terms to the Company. The Company's ability to pay dividends to shareholders and ability to purchase new revenue equipment may be adversely affected if the Company is not able to renew the Credit Facility or the Term Loan or arrange refinancing of any indebtedness, or if such renewal or refinancing, as the case may be, occurs on terms materially less favorable to the Company than at present. If the Company is unable to generate sufficient cash flow from operations and obtain financing on terms favorable to the Company in the future, the Company may have to limit the Company's fleet size, enter into less favorable financing arrangements or operate the Company's revenue equipment for longer periods, any of which may have a material adverse effect on the Company's operations.

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

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

Tractor and trailer vendors may reduce their manufacturing output in response to lower demand for their products in economic downturns or shortages of component parts. A decrease in vendor output may have a materially adverse effect on the Company's ability to purchase a quantity of new revenue equipment that is sufficient to sustain its desired growth rate and to maintain a late model fleet. Moreover, an inability to obtain an adequate supply of new tractors or trailers could have a material adverse effect on the Company's business, financial condition, and results of operation.

The Company has certain revenue equipment leases and financing arrangements with balloon payments at the end of the lease term equal to the residual value the Company is contracted to receive from certain equipment manufacturers upon sale or trade back to the manufacturers. If the Company does not purchase new equipment that triggers the trade-back obligation, or the equipment manufacturers do not pay the contracted value at the end of the lease term, the Company could be exposed to losses equal to the excess of the balloon payment owed to the lease or finance company over the proceeds from selling the equipment on the open market.

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

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

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

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

Customer and Credit Risks. The Company provides services to clients primarily in Canada, the United States and Mexico. The concentration of credit risk to which the Company is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. Furthermore, no client accounted for more than 5% of the Company's total accounts receivable for the year ended December 31, 2020. Generally, the Company does not have long-term contracts with its major customers. Accordingly, in response to economic conditions, supply and demand factors in the industry, the Company's performance, the Company's customers' internal initiatives or other factors, the Company's customers may reduce or eliminate their use of the Company's services, or may threaten to do so in order to gain pricing and other concessions from the Company.

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

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

Information Systems. The Company depends heavily on the proper functioning, availability and security of the Company's information and communication systems, including financial reporting and operating systems, in operating the Company's business. The Company's operating system is critical to understanding customer demands, accepting and planning loads, dispatching equipment and drivers and billing and collecting for the Company's services. The Company's financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help the Company manage its business effectively. The Company receives and transmits confidential data with and among its customers, drivers, vendors, employees and service providers in the normal course of business.

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

Litigation. The Company's business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. The outcome of litigation is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by the Company's insurance, and there can be no assurance that the Company's coverage limits will be adequate to cover all amounts in dispute. For example, during the year ended December 31, 2019, the Company recognized a net loss on an accident claim of CAD $14.2 million (CAD $16.6 million net of CAD $2.4 million of tax recovery). In the United States, where the Company has growing operations, many trucking companies have been subject to class-action lawsuits alleging violations of various federal and state wage laws regarding, among other things, employee classification, employee meal breaks, rest periods, overtime eligibility, and failure to pay for all hours worked. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants. The Company may at some future date be subject to such a class-action lawsuit. In addition, the Company may be subject, and has been subject in the past, to litigation resulting from trucking accidents. The number and severity of litigation claims may be worsened by distracted driving by both truck drivers and other motorists. To the extent the Company experiences claims that are uninsured, exceed the Company's coverage limits, involve significant aggregate use of the Company's self-insured retention amounts or cause increases in future funded premiums, the resulting expenses could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Internal Control. Effective internal controls over financial reporting are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause the Company to fail to meet its reporting obligations. In addition and when required, any testing by the Company conducted in connection with section 404 of the U.S. Sarbanes-Oxley Act, or the subsequent testing by the Company's independent registered public accounting firm, may reveal deficiencies in the Company's internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retrospective changes to the Company's consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the Common Shares.

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include establishing the fair value of intangible assets related to business combinations, determining estimates and assumptions related to impairment tests for goodwill, and determining estimates and assumptions related to the evaluation of provisions for self-insurance and litigations. These estimates and assumptions are based on management's best estimates and judgments. Key drivers in critical estimates are as follows:

Fair value of intangible assets related to business combinations

- Projected future cashflows
- Acquisition specific discount rate
- Attrition rate established from historical trends

Impairment tests for goodwill

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

Self-Insurance and litigations

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

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

CHANGES IN ACCOUNTING POLICIES

Adopted during the period

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2021 and have been applied in preparing the unaudited condensed consolidated interim financial statements:

Interest Rate Benchmark Reform – Phase 2
(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These new standards did not have a material impact on the Company's unaudited condensed consolidated interim financial statements.

To be adopted in future periods

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2021, and have not been applied in preparing the unaudited condensed consolidated interim financial statements:

Classification of Liabilities as Current or Non-current
(Amendments to IAS 1)
Onerous Contracts – Cost of fulfilling a Contract
(Amendments to IAS 37)
Definition of Accounting Estimates (Amendments to IAS 8)

Further information can be found in note 3 of the March 31, 2021 unaudited condensed consolidated interim financial statements.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' National Instrument 52-109 and as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) Act, the Company has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Chief Financial Officer ("CFO") that, among other things, report on:

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

Disclosure controls and procedures ("DC&P")

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

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

Internal controls over financial reporting ("ICFR")

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

The control framework used to design the Company's IFCR 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 the Company's ICFR during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the first quarter ended
March 31, 2021

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(in thousands of U.S. dollars)	Note	**As at March 31, 2021**	As at December 31, 2020
Assets			
Cash and cash equivalents		**401,968**	4,297
Trade and other receivables		**590,201**	597,873
Inventoried supplies		**8,972**	8,761
Current taxes recoverable		**4,212**	7,606
Prepaid expenses		**26,523**	29,904
Assets held for sale		**1,848**	4,331
Current assets		**1,033,724**	652,772
Property and equipment	7	**1,083,232**	1,074,428
Right-of-use assets	8	**321,995**	337,285
Intangible assets	9	**1,755,255**	1,749,773
Other assets	10	**24,258**	23,899
Deferred tax assets		**12,676**	11,207
Non-current assets		**3,197,416**	3,196,592
Total assets		**4,231,140**	3,849,364
Liabilities			
Trade and other payables		**491,766**	468,238
Current taxes payable		**13,412**	33,220
Provisions	13	**14,250**	17,452
Other financial liabilities		**12,358**	4,031
Long-term debt	11	**37,026**	42,997
Lease liabilities	12	**88,927**	88,522
Current liabilities		**657,739**	654,460
Long-term debt	11	**1,205,813**	829,547
Lease liabilities	12	**265,955**	267,464
Employee benefits		**15,889**	15,502
Provisions	13	**32,768**	36,803
Other financial liabilities		**17,798**	22,699
Deferred tax liabilities		**234,580**	232,712
Non-current liabilities		**1,772,803**	1,404,727
Total liabilities		**2,430,542**	2,059,187
Equity			
Share capital	14	**1,125,243**	1,120,049
Contributed surplus	14, 16	**20,606**	19,783
Accumulated other comprehensive income		**(156,567)**	(154,723)
Retained earnings		**811,316**	805,068
Equity attributable to owners of the Company		**1,800,598**	1,790,177
Contingencies, letters of credit and other commitments	22		
Total liabilities and equity		**4,231,140**	3,849,364

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial statements.

TFI International Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands of U.S. dollars, except per share amounts)	Note	**Three months ended March 31, 2021**	Three months ended March 31, 2020*
Revenue		**1,059,134**	829,099
Fuel surcharge		**89,673**	95,410
Total revenue		**1,148,807**	924,509
Materials and services expenses	17	**665,920**	505,335
Personnel expenses	18	**257,272**	236,773
Other operating expenses		**53,427**	36,482
Depreciation of property and equipment	7	**41,220**	42,569
Depreciation of right-of-use assets	8	**22,799**	19,160
Amortization of intangible assets	9	**14,371**	11,655
Bargain purchase gain		**-**	(4,008)
Gain on sale of rolling stock and equipment		**(3,605)**	(2,525)
Gain on derecognition of right-of-use assets		**(404)**	(615)
Loss on sale of land and buildings		**-**	1
Gain on sale of assets held for sale		**(3,938)**	(7,646)
Total operating expenses		**1,047,062**	837,181
Operating income		**101,745**	87,328
Finance (income) costs			
Finance income	19	**(607)**	(1,701)
Finance costs	19	**15,042**	16,043
Net finance costs		**14,435**	14,342
Income before income tax		**87,310**	72,986
Income tax expense	20	**20,423**	17,198
Net income for the period attributable to owners of the Company		**66,887**	55,788
Earnings per share attributable to owners of the Company			
Basic earnings per share	15	**0.72**	0.66
Diluted earnings per share	15	**0.70**	0.65

* Recasted for change in presentation currency (see note 2d))

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands of U.S. dollars)	Three months ended March 31, 2021	Three months ended March 31, 2020*
Net income for the period attributable to owners of the Company	**66,887**	55,788
Other comprehensive income (loss)		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	**(4,337)**	(32,285)
Net investment hedge, net of tax	**2,493**	(24,377)
Changes in fair value of cash flow hedge, net of tax	**-**	(2,690)
Other comprehensive income for the period, net of tax	**(1,844)**	(59,352)
Total comprehensive income for the period attributable to owners of the Company	**65,043**	(3,564)

* Recasted for change in presentation currency (see note 2d))

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial statements.

TFI International Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
PERIODS ENDED MARCH 31, 2021 AND 2020 - (UNAUDITED)

(In thousands of U.S. dollars)	Note	Share capital	Contributed surplus	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain (loss)	Accumulated foreign currency translation differences & net investment hedge	Retained earnings	Total equity attributable to owners of the Company
Balance as at December 31, 2020		**1,120,049**	**19,783**	**(379)**	**-**	**(154,344)**	**805,068**	**1,790,177**
Net income for the period		**-**	**-**	**-**	**-**	**-**	**66,887**	**66,887**
Other comprehensive income (loss) for the period, net of tax		**-**	**-**	**-**	**-**	**(1,844)**	**-**	**(1,844)**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**(1,844)**	**66,887**	**65,043**
Share-based payment transactions	16	**-**	**2,511**	**-**	**-**	**-**	**-**	**2,511**
Stock options exercised	14, 16	**12,088**	**(1,681)**	**-**	**-**	**-**	**-**	**10,407**
Dividends to owners of the Company	14	**-**	**-**	**-**	**-**	**-**	**(21,443)**	**(21,443)**
Repurchase of own shares	14	**(6,897)**	**-**	**-**	**-**	**-**	**(39,190)**	**(46,087)**
Net settlement of restricted share units	14, 16	**3**	**(7)**	**-**	**-**	**-**	**(6)**	**(10)**
Total transactions with owners, recorded directly in equity		**5,194**	**823**	**-**	**-**	**-**	**(60,639)**	**(54,622)**
Balance as at March 31, 2021		**1,125,243**	**20,606**	**(379)**	**-**	**(156,188)**	**811,316**	**1,800,598**
Balance as at December 31, 2019*		678,915	19,549	(369)	487	(173,516)	634,226	1,159,292
Net income for the period		-	-	-	-	-	55,788	55,788
Other comprehensive income (loss) for the period, net of tax		-	-	-	(2,690)	(56,662)	-	(59,352)
Total comprehensive income (loss) for the year		-	-	-	(2,690)	(56,662)	55,788	(3,564)
Share-based payment transactions	16	-	1,640	-	-	-	-	1,640
Stock options exercised	14, 16	999	(185)	-	-	-	-	814
Issuance of shares	14	217,552	-	-	-	-	-	217,552
Dividends to owners of the Company	14	-	-	-	-	-	(16,165)	(16,165)
Repurchase of own shares	14	(10,089)	-	-	-	-	(21,530)	(31,619)
Total transactions with owners, recorded directly in equity		208,462	1,455	-	-	-	(37,695)	172,222
Balance as at March 31, 2020*		887,377	21,004	(369)	(2,203)	(230,178)	652,319	1,327,950

* Recasted for change in presentation currency (see note 2d))

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial statements.

TFI International Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands of U.S. dollars)	Note	**Three months ended March 31, 2021**	Three months ended March 31, 2020*
Cash flows from operating activities			
Net income for the period		**66,887**	55,788
Adjustments for			
Depreciation of property and equipment	7	**41,220**	42,569
Depreciation of right-of-use assets	8	**22,799**	19,160
Amortization of intangible assets	9	**14,371**	11,655
Share-based payment transactions	16	**2,511**	1,640
Net finance costs	19	**14,435**	14,342
Income tax expense	20	**20,423**	17,198
Bargain purchase gain		**-**	(4,008)
Gain on sale of property and equipment		**(3,605)**	(2,524)
Gain on derecognition of right-of-use assets		**(404)**	(615)
Gain on sale of assets held for sale		**(3,938)**	(7,646)
Provisions and employee benefits		**(6,911)**	1,248
		167,788	148,807
Net change in non-cash operating working capital	6	**39,129**	11,347
Cash generated from operating activities before the following		**206,917**	160,154
Interest paid		**(11,850)**	(14,631)
Income tax paid		**(39,872)**	(8,346)
Net cash from operating activities		**155,195**	137,177
Cash flows (used in) from investing activities			
Purchases of property and equipment	7	**(37,369)**	(24,619)
Proceeds from sale of property and equipment		**17,000**	8,053
Proceeds from sale of assets held for sale		**6,491**	10,668
Purchases of intangible assets	9	**(964)**	(553)
Business combinations, net of cash acquired	5	**(19,019)**	(10,966)
Others		**(115)**	19,237
Net cash (used in) from investing activities		**(33,976)**	1,820
Cash flows from (used in) financing activities			
Decrease in bank indebtedness		**(3,828)**	(3,270)
Proceeds from long-term debt	11	**505,320**	6,142
Repayment of long-term debt	11	**(10,781)**	(8,834)
Net decrease in revolving facilities	11	**(132,950)**	(190,734)
Repayment of lease liabilities	12	**(24,161)**	(19,566)
Decrease in other financial liabilities		**(185)**	(159)
Dividends paid		**(21,273)**	(16,092)
Repurchase of own shares	14	**(46,087)**	(31,619)
Proceeds from the issuance of common shares, net of expenses	14	**-**	217,552
Proceeds from exercise of stock options	14	**10,407**	814
Repurchase of own shares for restricted share unit settlement	14	**(10)**	-
Net cash from (used in) financing activities		**276,452**	(45,766)
Net change in cash and cash equivalents		**397,671**	93,231
Cash and cash equivalents, beginning of period		**4,297**	-
Cash and cash equivalents, end of period		**401,968**	93,231

* Recasted for change in presentation currency (see note 2d))

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

TFI International Inc. (the "Company") is incorporated under the *Canada Business Corporations Act*, and is a company domiciled in Canada. The address of the Company's registered office is 8801 Trans-Canada Highway, Suite 500, Montreal, Quebec, H4S 1Z6.

The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2021 and 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is involved in the provision of transportation and logistics services across the United States, Canada and Mexico.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Group.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on April 27, 2021.

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- investment in equity securities, derivative financial instruments and contingent considerations are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value in accordance with IFRS 2;
- the defined benefit pension plan liability is recognized as the net total of the present value of the defined benefit obligation less the fair value of the plan assets; and
- assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

These condensed consolidated interim financial statements are expressed in U.S. dollars, except where otherwise indicated.

c) Seasonality of interim operations

The activities conducted by the Group are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

d) Functional and presentation currency

The Company elected to change its presentation currency from Canadian dollars ("CAD" or "CDN$") to United States dollars ("U.S. dollars" or "USD") effective December 31, 2020. Management is of the view that financial reporting in USD provides a more relevant presentation of the group's financial position in comparison to its peers. The change in presentation currency is a voluntary change which is accounted for retrospectively. For comparative purposes, the historical condensed consolidated financial statements have been recast to U.S. dollars using the procedures outlined below:

- Condensed Consolidated Interim Statements of Income, Comprehensive Income, and Cash Flows have been translated into U.S. dollars using average foreign currency rates prevailing for the relevant periods.
- Assets and liabilities in the Condensed Consolidated Interim Statement of Financial Position have been translated into U.S. dollars at the closing foreign currency rates on the relevant balance sheet dates.

- Equity in the Condensed Consolidated Interim Statement of Financial Position and Condensed Consolidated Interim Statement of Changes in Equity, including foreign currency translation reserve and net investment hedge, retained earnings, share capital, contributed surplus and other reserves, have been translated into U.S. dollars using historical rates.
- Condensed Consolidated Interim Earnings per share and dividend disclosures have also been translated to U.S. dollars to reflect the change in presentation currency.

All information in these condensed consolidated interim financial statements is presented in USD unless otherwise specified.

The Company's functional currency remains Canadian dollar. Translation gains and losses from the application of the U.S. dollar as the presentation currency while the Canadian dollar is the functional currency are included as part of the cumulative foreign currency translation adjustment.

All financial information presented in U.S. dollars has been rounded to the nearest thousand.

e) Use of estimates and judgments

The preparation of the accompanying financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations, income tax provisions and the self-insurance 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 financial statements of future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied and described in the Group's 2020 annual consolidated financial statements.

3. Significant accounting policies

The accounting policies described in the Group's 2020 annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated in note 3. The accounting policies have been applied consistently by Group entities.

New standards and interpretations adopted during the period

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2021 and have been applied in preparing these condensed consolidated interim financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2021.

The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

- changes to contractual cash flows—a company does not have to derecognise the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting—a company does not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures—a company is required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments did not have a material impact on the Group's condensed consolidated interim financial statements.

New standards and interpretations not yet adopted

The following new standards are not yet effective, and have not been applied in preparing these condensed consolidated interim financial statements:

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

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The adoption of the amendments is not expected to have a material impact.

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

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying that the "costs of fulfilling a contract" comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property and equipment used in fulfilling the contract.

The adoption of the amendments is not expected to have a material impact.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8).* The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The extent of the impact of adoption of the amendments has not yet been determined

4. Segment reporting

The Group operates within the transportation and logistics industry in the United States, Canada and Mexico in different reportable segments, as described below. The reportable segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Group's CEO reviews internal management reports. The following summary describes the operations in each of the Group's reportable segments:

Package and Courier:	Pickup, transport and delivery of items across North America.
Less-Than-Truckload:	Pickup, consolidation, transport and delivery of smaller loads.
Truckload [(a)]:	Full loads carried directly from the customer to the destination using a closed van or specialized equipment to meet customers' specific needs. Includes expedited transportation, flatbed, tank, container and dedicated services.
Logistics:	Asset-light logistics services, including brokerage, freight forwarding and transportation management, as well as small package parcel delivery.

(a) The Truckload reporting segment represents the aggregation of the Canadian Conventional Truckload, U.S. Conventional Truckload, and Specialized Truckload operating segments. The aggregation of the segment was analyzed using management's judgment in accordance with IFRS 8. The operating segments were determined to be similar with respect to the nature of services offered and the methods used to distribute their services, additionally, they have similar economic characteristics with respect to long-term expected gross margin, levels of capital invested and market place trends.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating income or loss. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Operating income (loss)" in the consolidated statements of income. Segment's operating income or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.) PERIODS ENDED MARCH 31, 2021 AND 2020 – (UNAUDITED)

	Package and Courier	Less-Than-Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Three months ended March 31, 2021							
External revenue	**131,277**	**129,699**	**420,745**	**377,413**	**-**	**-**	**1,059,134**
External fuel surcharge	**14,416**	**18,828**	**49,463**	**6,966**	**-**	**-**	**89,673**
Inter-segment revenue and fuel surcharge	**272**	**1,995**	**4,398**	**999**	**-**	**(7,664)**	**-**
Total revenue	**145,965**	**150,522**	**474,606**	**385,378**	**-**	**(7,664)**	**1,148,807**
Operating income (loss)	**18,324**	**22,136**	**50,006**	**29,060**	**(17,781)**	**-**	**101,745**
Selected items:							
Depreciation and amortization	**6,539**	**12,512**	**48,540**	**10,317**	**482**	**-**	**78,390**
Gain on sale of assets held for sale	**-**	**9**	**3,929**	**-**	**-**	**-**	**3,938**
Intangible assets	**195,326**	**189,601**	**912,339**	**455,572**	**2,417**	**-**	**1,755,255**
Total assets	**377,603**	**592,110**	**2,106,801**	**713,374**	**441,252**	**-**	**4,231,140**
Total liabilities	**111,531**	**211,235**	**470,151**	**212,249**	**1,425,510**	**(134)**	**2,430,542**
Additions to property and equipment	**2,832**	**4,361**	**27,910**	**92**	**20**	**-**	**35,215**
Three months ended March 31, 2020*							
External revenue	103,267	132,840	393,971	199,021	-	-	829,099
External fuel surcharge	14,735	20,947	53,358	6,370	-	-	95,410
Inter-segment revenue and fuel surcharge	969	1,545	4,081	1,056	-	(7,651)	-
Total revenue	118,971	155,332	451,410	206,447	-	(7,651)	924,509
Operating income (loss)	11,567	13,089	46,392	19,174	(2,894)	-	87,328
Selected items:							
Depreciation and amortization	6,239	12,697	46,428	7,721	299	-	73,384
Loss on sale of land and buildings	(1)	-	-	-	-	-	(1)
Gain (loss) on sale of assets held for sale	(1)	-	7,647	-	-	-	7,646
Bargain purchase gain	-	-	-	4,008	-	-	4,008
Intangible assets	175,419	172,187	817,939	252,039	3,181	-	1,420,765
Total assets	339,534	545,199	1,941,552	423,577	115,645	-	3,365,507
Total liabilities	103,215	206,940	398,178	120,789	1,208,446	-	2,037,568
Additions to property and equipment	8,972	5,863	11,599	251	78	-	26,763

* Recasted for changes in presentation

Geographical information

Revenue is attributed to geographical locations based on the origin of service's location.

	Package and Courier	Less-Than-Truckload	Truckload	Logistics	Eliminations	Total
Three months ended March 31, 2021						
Canada	**145,965**	**133,134**	**202,348**	**67,230**	**(6,440)**	**542,237**
United States	**-**	**17,388**	**272,258**	**312,404**	**(1,224)**	**600,826**
Mexico	**-**	**-**	**-**	**5,744**	**-**	**5,744**
Total	**145,965**	**150,522**	**474,606**	**385,378**	**(7,664)**	**1,148,807**
Three months ended March 31, 2020						
Canada	118,971	136,019	190,002	57,119	(6,574)	495,537
United States	-	19,313	261,408	145,630	(1,077)	425,274
Mexico	-	-	-	3,698	-	3,698
Total	118,971	155,332	451,410	206,447	(7,651)	924,509

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

Segment assets are based on the geographical location of the assets.

	As at March 31, 2021	As at December 31, 2020
Property and equipment, right-of-use assets and intangible assets		
Canada	**1,836,967**	1,802,417
United States	**1,308,014**	1,342,720
Mexico	**15,501**	16,349
	3,160,482	3,161,486

5. Business combinations

a) Business combinations

In line with the Group's growth strategy, the Group acquired one business during 2021, which was not considered to be material. This transaction was concluded in order to add density in the Group's current network and further expand value-added services.

During the three months ended March 31, 2021, the business contributed revenue and net income of $3.2 million and $0.01 million respectively since the acquisition.

Had the Group acquired this business on January 1, 2021, as per management's best estimates, the revenue and net income for this entity would have been $4.9 million and $0.1 million, respectively. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisitions occurred on January 1, 2021.

During the three months ended March 31, 2021, transaction costs of nil have been expensed in other operating expenses in the consolidated statements of income in relation to the above-mentioned business acquisition.

As of the reporting date, the Group had not completed the purchase price allocation over the identifiable net assets and goodwill of the 2021 acquisition. Information to confirm fair value of certain assets and liabilities is still to be obtained for this acquisition. As the Group obtains more information, the allocation will be completed. The table below presents the purchase price allocation based on the best information available to the Group to date.

Identifiable assets acquired and liabilities assumed	Note	**March 31, 2021***
Cash and cash equivalents		**916**
Trade and other receivables		**2,936**
Inventoried supplies and prepaid expenses		**174**
Property and equipment	7	**9,895**
Right-of-use assets	8	**2,705**
Intangible assets	9	**5,715**
Trade and other payables		**(865)**
Income tax payable		**180**
Other non-current liabilities		**(6)**
Long-term debt	11	**(1,541)**
Lease liabilities	12	**(2,705)**
Deferred tax liabilities		**(2,969)**
Total identifiable net assets		**14,435**
Total consideration transferred		**23,391**
Goodwill	9	**8,956**
Cash		**19,935**
Contingent consideration		**3,456**
Total consideration transferred		**23,391**

* Includes non-material adjustments to prior year's acquisitions

The trade receivables comprise gross amounts due of $2.7 million, of which $0.3 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2021, nil is deductible for tax purposes.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

b) Goodwill

The goodwill is attributable mainly to the premium of an established business operation with a good reputation in the transportation industry, and the synergies expected to be achieved from integrating the acquired entity into the Group's existing business.

The goodwill arising in the business combinations has been allocated to operating segments as indicated in the table below, which represents the lowest level at which goodwill is monitored internally.

Operating segment	Reportable segment	**March 31, 2021***
Specialized Truckload	Truckload	**10,402**
Logistics	Logistics	**(1,446)**
		8,956

* Includes non-material adjustments to prior year's acquisitions for which purchase price allocations were completed.

c) Contingent consideration

The contingent consideration relates to a non-material business acquisition and is recorded in the original purchase price allocation. The fair value was determined using expected cash flows based on probability weighted scenario discounted at a rate of 6%. This consideration is contingent on achieving specified earning levels in the future periods. The maximum amount payable is $4.0 million in two years. At March 31, 2021, the fair value of the contingent arrangement is estimated at $3.5 million and is currently presented in other financial liabilities on the consolidated statements of financial position.

d) Adjustment to the provisional amounts of prior year's business combinations

The 2020 annual consolidated financial statements included details of the Group's business combinations and set out provisional fair values relating to the consideration paid and net assets acquired of DLS and various other non-material acquisitions. These acquisitions were accounted for under the provisions of IFRS 3.

As required by IFRS 3, the provisional fair values have been reassessed in light of information obtained during the measurement period following the acquisition. Consequently, the fair value of certain assets acquired, and liabilities assumed of DLS and the other non-material acquisitions in fiscal 2020 have been adjusted in 2021. No material adjustments were required to the provisional fair values for these prior period's business combinations and have been included with the acquisitions of 2021.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

6. Additional cash flow information

Net change in non-cash operating working capital

	Three months ended March 31, 2021	Three months ended March 31, 2020
Trade and other receivables	**11,098**	12,573
Inventoried supplies	**(191)**	1,374
Prepaid expenses	**3,549**	419
Trade and other payables	**24,673**	(3,019)
	39,129	11,347

7. Property and equipment

	Note	Land and buildings	Rolling stock	Equipment	**Total**
Cost					
Balance at December 31, 2020		314,804	1,267,617	134,234	**1,716,655**
Additions through business combinations	5	-	9,832	63	**9,895**
Other additions		7,980	24,425	2,810	**35,215**
Disposals		(17)	(28,517)	(700)	**(29,234)**
Transfer from right-of-use assets		-	21,412	-	**21,412**
Reclassification to assets held for sale		-	(632)	-	**(632)**
Effect of movements in exchange rates		2,707	1,906	1,539	**6,152**
Balance at March 31, 2021		**325,474**	**1,296,043**	**137,946**	**1,759,463**
Depreciation					
Balance at December 31, 2020		59,817	494,322	88,088	**642,227**
Depreciation for the period		2,016	36,368	2,836	**41,220**
Disposals		(15)	(15,186)	(638)	**(15,839)**
Transfer from right-of-use assets		-	5,746	-	**5,746**
Reclassification to assets held for sale		-	(579)	-	**(579)**
Effect of movements in exchange rates		526	1,813	1,117	**3,456**
Balance at March 31, 2021		**62,344**	**522,484**	**91,403**	**676,231**
Net carrying amounts					
At December 31, 2020		254,987	773,295	46,146	1,074,428
At March 31, 2021		**263,130**	**773,559**	**46,543**	**1,083,232**

As at March 31, 2021, $0.3 million is included in trade and other payables for the purchases of property and equipment (December 31, 2020 – $2.5 million).

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.) PERIODS ENDED MARCH 31, 2021 AND 2020 – (UNAUDITED)

8. Right-of-use assets

	Note	Land and buildings	Rolling stock	Equipment	Total
Cost					
Balance at December 31, 2020		452,106	191,164	2,290	**645,560**
Transfer to property and equipment		-	(21,412)	-	**(21,412)**
Other additions		11,591	7,221	26	**18,838**
Additions through business combinations	5	2,565	140	-	**2,705**
Derecognition*		(7,963)	(28)	(109)	**(8,100)**
Effect of movements in exchange rates		3,694	1,351	142	**5,187**
Balance at March 31, 2021		**461,993**	**178,436**	**2,349**	**642,778**
Depreciation					
Balance at December 31, 2020		232,541	74,503	1,231	**308,275**
Transfer to property and equipment		-	(5,746)	-	**(5,746)**
Depreciation		12,818	9,825	156	**22,799**
Derecognition*		(7,081)	(152)	(56)	**(7,289)**
Effect of movements in exchange rates		1,954	607	183	**2,744**
Balance at March 31, 2021		**240,232**	**79,037**	**1,514**	**320,783**
Net carrying amounts					
At December 31, 2020		219,565	116,661	1,059	337,285
At March 31, 2021		**221,761**	**99,399**	**835**	**321,995**

* Derecognized right-of-use assets include negotiated asset purchases and extinguishments resulting from accidents as well as fully amortized or end of term right-of-use assets.

9. Intangible assets

			Other intangible assets				
	Note	Goodwill	Customer relationships	Trademarks	Non-compete agreements	Information technology	**Total**
Cost							
Balance at December 31, 2020		1,523,626	574,942	86,402	14,688	25,748	**2,225,406**
Additions through business combinations*	5	8,956	3,144	528	2,043	-	**14,671**
Other additions		-	-	-	-	964	**964**
Extinguishments		-	-	-	-	(7)	**(7)**
Effect of movements in exchange rates		3,782	568	(40)	135	151	**4,596**
Balance at March 31, 2021		**1,536,364**	**578,654**	**86,890**	**16,866**	**26,856**	**2,245,630**
Amortization and impairment losses							
Balance at December 31, 2020		148,016	261,599	43,636	5,304	17,078	**475,633**
Amortization for the year		-	11,536	870	787	1,178	**14,371**
Extinguishments		-	-	-	-	(7)	**(7)**
Effect of movements in exchange rates		(310)	437	72	41	138	**378**
Balance at March 31, 2021		**147,706**	**273,572**	**44,578**	**6,132**	**18,387**	**490,375**
Net carrying amounts							
At December 31, 2020		1,375,610	313,343	42,766	9,384	8,670	1,749,773
At March 31, 2021		**1,388,658**	**305,082**	**42,312**	**10,734**	**8,469**	**1,755,255**

* Includes non-material adjustments to prior year's acquisitions

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

10. Other assets

	As at March 31, 2021	As at December 31, 2020
Security deposits	**3,222**	3,143
Investments in equity securities	**9,841**	9,727
Indemnification asset	**4,802**	4,736
Other	**6,393**	6,293
	24,258	23,899
Presented as :		
Non-current other assets	**24,258**	23,899

11. Long-term debt

	As at March 31, 2021	As at December 31, 2020
Non-current liabilities		
Unsecured revolving facilities	**-**	123,666
Unsecured term loan	**324,032**	321,852
Unsecured debenture	**158,364**	156,479
Unsecured senior notes	**648,888**	150,000
Conditional sales contracts	**74,529**	77,550
	1,205,813	829,547
Current liabilities		
Current portion of unsecured revolving facilities	**-**	7,461
Current portion of conditional sales contracts	**37,026**	35,536
	37,026	42,997

The table below summarizes changes to the long-term debt:

	Note	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Balance at beginning of period		**872,544**	1,343,307
Proceeds from long-term debt		**505,320**	6,142
Business combinations	5	**1,541**	-
Repayment of long-term debt		**(10,781)**	(8,834)
Net decrease in revolving facilities		**(132,950)**	(190,734)
Accretion of deferred financing fees		**312**	274
Effect of movements in exchange rates		**9,727**	(88,852)
Effect of movements in exchange rates - OCI hedge		**(2,874)**	28,086
Balance at end of period		**1,242,839**	1,089,389

The Group's revolving facilities have $970.6 million availability at March 31, 2021 (December 31, 2020 –$824.6 million) and an additional $199.8 million of credit availability (CAD $245 million and USD $5 million). The additional credit is available under certain conditions under the Group's syndicate bank agreement.

On January 13, 2021, the Group received $500 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing interest between 3.15% and 3.50%. These notes may be prepaid at any time prior to maturity dates, in part or in total, at 100% of the principal amount and the make-whole amount determined at the prepayment date with respect to such principal amount. The Group is subject to certain covenants regarding the maintenance of financial ratios. These are the same covenants as previously required by the Group's revolving credit facility agreement and described in note 26(f) of the 2020 annual consolidated financial statements. Deferred financing fees of $1.1 million were recognized on the increase.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.) PERIODS ENDED MARCH 31, 2021 AND 2020 – (UNAUDITED)

12. Lease liabilities

	As at March 31, 2021	As at December 31, 2020
Current portion of lease liabilities	**88,927**	88,522
Long-term portion of lease liabilities	**265,955**	267,464
	354,882	355,986

The table below summarizes changes to the lease liabilities:

	Note	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Balance at beginning of period		**355,986**	355,591
Business combinations	5	**2,705**	4,019
Additions		**18,838**	9,902
Derecognition*		**(1,215)**	(3,192)
Repayment		**(24,161)**	(19,566)
Effect of movements in exchange rates		**2,729**	(22,801)
Balance at end of period		**354,882**	323,953

* Derecognized lease liabilities include negotiated asset purchases and extinguishments resulting from accidents.

Extension options

Some real estate leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there are significant events or significant changes in circumstances within its control.

The lease liabilities include future lease payments of $14.8 million (December 31, 2020 – $21.1 million) related to extension options that the Group is reasonably certain to exercise.

The Group has estimated that the potential future lease payments, should it exercise the remaining extension options, would result in an increase in lease liabilities of $399.1 million (December 31, 2020 - $352.1 million).

The Group does not have a significant exposure to termination options and penalties.

Contractual cash flows

The total contractual cash flow maturities of the Group's lease liabilities are as follows:

	As at March 31, 2021
Less than 1 year	**99,570**
Between 1 and 5 years	**222,140**
More than 5 years	**75,510**
	397,220

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

13. Provisions

	Self insurance	Other	**Total**
As at March 31, 2021			
Current provisions	10,821	3,429	**14,250**
Non-current provisions	29,627	3,141	**32,768**
	40,448	**6,570**	**47,018**
As at December 31, 2020			
Current provisions	14,040	3,412	17,452
Non-current provisions	33,693	3,110	36,803
	47,733	6,522	54,255

Self-insurance provisions represent the uninsured portion of outstanding claims at period-end. Other provisions include mainly litigation provisions.

14. Share capital and other components of equity

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. Both common and preferred shares are without par value. All issued shares are fully paid.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the common shares are entitled to receive the remaining property of the Company upon its dissolution, liquidation or winding-up.

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the Directors who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets of the Company among its shareholders, the holders of the preferred shares of each series are entitled to receive, with priority over the common shares and any other shares ranking junior to the preferred shares of the Company, an amount equal to the redemption price for such shares, plus an amount equal to any dividends declared thereon but unpaid and not more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

During the first quarter of fiscal 2020, the Company completed an initial public offering on the New York Stock Exchange. The Company issued a total of 6,900,000 common shares, that were issued at a price of $33.35 per share for gross proceeds to the Company of $230,115,000. The Company incurred share issuance costs of approximately $13.2 million of which $12.6 million were recorded to share capital and $0.6 million were recognized in the consolidated statement of income.

The following table summarizes the number of common shares issued:

(in number of shares)	Note	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Balance, beginning of period		**93,397,985**	81,450,326
Repurchase and cancellation of own shares		**(642,200)**	(1,297,065)
Issuance of shares		**-**	6,900,000
Stock options exercised	16	**479,715**	72,623
Balance, end of period		**93,235,500**	87,125,884

The following table summarizes the share capital issued and fully paid:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Balance, beginning of period	**1,120,049**	678,915
Issuance of shares, net of expenses	**-**	217,552
Repurchase and cancellation of own shares	**(6,897)**	(10,089)
Cash consideration of stock options exercised	**10,407**	814
Ascribed value credited to share capital on stock options exercised	**1,681**	185
Issuance of shares on settlement of RSUs	**3**	-
Balance, end of period	**1,125,243**	887,377

Pursuant to the normal course issuer bid ("NCIB") which began on October 14, 2020 and ending on October 13, 2021, the Company is authorized to repurchase for cancellation up to a maximum of 7,000,000 of its common shares under certain conditions. As at March 31, 2021, and since the inception of this NCIB, the Company has repurchased and cancelled 642,200 shares.

During the three months ended March 31, 2021, the Company repurchased 642,200 common shares at a weighted average price of $71.76 per share for a total purchase price of $46.1 million relating to the NCIB. During the three months ended March 31, 2020, the Company repurchased 1,297,065 common shares at a weighted average price of $24.36 per share for a total purchase price of $31.6 million relating to a previous NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $39.2 million (2020 – $21.5 million) was charged to retained earnings as share repurchase premium.

15. Earnings per share

Basic earnings per share

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

(in thousands of dollars and number of shares)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Net income attributable to owners of the Company	**66,887**	55,788
Issued common shares, beginning of period	**93,397,985**	81,450,326
Effect of stock options exercised	**189,117**	10,413
Effect of repurchase of own shares	**(204,709)**	(252,840)
Effect of share issuance	**-**	3,450,000
Weighted average number of common shares	**93,382,393**	84,657,899
Earnings per share – basic (in dollars)	**0.72**	0.66

Diluted earnings per share

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

(in thousands of dollars and number of shares)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Net income attributable to owners of the Company	**66,887**	55,788
Weighted average number of common shares	**93,382,393**	84,657,899
Dilutive effect:		
Stock options and restricted share units	**2,121,110**	1,598,477
Weighted average number of diluted common shares	**95,503,503**	86,256,376
Earnings per share - diluted (in dollars)	**0.70**	0.65

As at March 31, 2021, 78,122 stock options were excluded from the calculation of diluted earnings per share (March 31, 2020 – 871,596) as these options were deemed to be anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period during which the options were outstanding.

16. Share-based payment arrangements

Stock option plan (equity-settled)

The Company offers a stock option plan for the benefit of certain of its employees. The maximum number of shares that can be issued upon the exercise of options granted under the current 2012 stock option plan is 5,979,201. Each stock option entitles its holder to receive one common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the grant date. The options vest in equal installments over three years and the expense is recognized following the accelerated method as each installment is fair valued separately and recorded over the respective vesting periods. The table below summarizes the changes in the outstanding stock options:

(in thousands of options and in dollars)	**Three months ended March 31, 2021**		Three months ended March 31, 2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**2,982**	**24.65**	4,422	21.56
Exercised	**(480)**	**22.19**	(73)	13.60
Forfeited	**(8)**	**23.70**	(3)	30.71
Balance, end of period	**2,494**	**25.13**	4,346	21.68
Options exercisable, end of period	**2,105**	**23.64**	3,571	20.11

The following table summarizes information about stock options outstanding and exercisable at March 31, 2021:

(in thousands of options and in dollars)	Options outstanding		Options exercisable
Exercise prices	Number of options	Weighted average remaining contractual life (in years)	Number of options
23.40	111	0.3	111
19.12	379	1.3	379
18.83	495	2.3	495
26.82	207	2.9	207
23.70	427	3.9	427
30.71	776	4.9	486
40.41	99	6.3	-
	2,494	3.4	2,105

Of the options outstanding at March 31, 2021, a total of 2,110,825 (December 31, 2020 - 2,502,339) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in the three months ended March 31, 2021 was $75.94 (March 31, 2020 – $24.99).

During the three months ended March 31, 2021, the Group recognized a compensation expense of $0.4 million (2020 - $0.5 million) with a corresponding increase to contributed surplus.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

No stock options were granted during the three months ended March 31, 2021 under the Company's stock option plan.

Deferred share unit plan for board members (cash-settled)

The Company offered a deferred share unit ("DSU") plan for its board members. Under this plan, until December 31, 2020, board members could elect to receive cash, DSUs or a combination of both for their compensation. The following table provides the number of DSUs related to this plan:

(in units)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Balance, beginning of period	**373,926**	348,031
Board members compensation	**-**	11,721
Dividends paid in units	**1,573**	2,039
Balance, end of period	**375,499**	361,791

For the three months ended March 31, 2021, the Group recognized, as a result of DSUs, a compensation expense of nil (March 31, 2020 - $0.3 million) with a corresponding increase to trade and other payables. In addition, in personnel expenses, the Group recognized a mark-to-market loss on DSUs of $8.4 million (March 31, 2020 – gain of $3.8 million).

Effective January 1, 2021, a new director compensation program was put in place. Quarterly cash amounts will be paid to the board members on the 2nd Thursday following each quarter. In addition, an equity portion of compensation will be awarded, comprised of restricted share units granted annually effective on the date of each Annual Meeting, with a vesting period of one year. For the three months ended March 31, 2021, the Group recognized, as a result of the director compensation plan, a compensation expense of $0.3 million.

As at March 31, 2021, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to $28.1 million (December 31, 2020 - $19.2 million).

Performance contingent restricted share unit and performance share unit plans (equity-settled)

The Company offers an equity incentive plan for the benefit of senior employees of the Group. In February 2020, upon the recommendation of the Human Resources and Compensation Committee, the Board approved the following changes to the long-term incentive plan ("LTIP") policy for designated eligible participants in 2020 and future years. Each participant's annual LTIP allocation will be split in two equally weighted awards of performance share units ("PSUs") and of restricted share units (''RSUs''). The PSUs are subject to both performance and time cliff vesting conditions on the third anniversary of the award whereas the RSUs will only be subject to a time cliff vesting condition on the third anniversary of the award. The performance conditions attached to the PSUs will be equally weighted between absolute earnings before interest and income tax and relative total shareholder return ("TSR"). For purposes of the relative TSR portion, there are two equally weighted comparisons: the first portion is compared against the TSR of a group of transportation industry peers and the second portion is compared against the S&P/TSX60 index.

RSUs awarded under the equity incentive plan prior to 2020 will vest in December of the second year from the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

Restricted share units

On February 8, 2021, the Company granted a total of 78,122 RSUs under the Company's equity incentive plan of which 51,328 were granted to key management personnel, at that date. The fair value of the RSUs is determined to be the share price fair value at the date of the grant and is recognized as a share-based compensation expense, through contributed surplus, over the vesting period. The fair value of the RSUs granted was $70.59 per unit.

The table below summarizes changes to the outstanding RSUs:

(in thousands of RSUs and in dollars)	**Three months ended March 31, 2021**		Three months ended March 31, 2020	
	Number of RSUs	**Weighted average grant date fair value**	Number of RSUs	Weighted average grant date fair value
Balance, beginning of period	**299**	**31.54**	239	28.08
Granted	**78**	**70.59**	145	32.41
Reinvested	**1**	**31.54**	1	28.08
Forfeited	**(1)**	**32.41**	-	-
Balance, end of period	**377**	**39.62**	385	29.71

The following table summarizes information about RSUs outstanding and exercisable as at March 31, 2021:

(in thousands of RSUs and in dollars)	RSUs outstanding	
Grant date fair value	Number of RSUs	Remaining contractual life (in years)
30.70	152	0.8
32.41	147	1.9
70.59	78	2.9
	377	1.7

For the three months ended March 31, 2021, the Group recognized, as a result of RSUs, a compensation expense of $1.3 million (March 31, 2020 - $0.8 million) with a corresponding increase to contributed surplus.

Of the RSUs outstanding at March 31, 2021, a total of 248,497 (December 31, 2020– 196,343) are held by key management personnel.

Performance share units

On February 8, 2021, the Company granted a total of 78,122 PSUs under the Company's equity incentive plan of which 51,328 were granted to key management personnel, at that date. The fair value of the PSUs is determined using a Monte Carlo simulation model. The share-based compensation expense is recognized, through contributed surplus, over the vesting period. The fair value of the PSUs granted was $89.64 per unit.

The table below summarizes changes to the outstanding PSUs:

(in thousands of PSUs and in dollars)	**Three months ended March 31, 2021**		Three months ended March 31, 2020	
	Number of PSUs	**Weighted average grant date fair value**	Number of PSUs	Weighted average grant date fair value
Balance, beginning of period	**147**	**32.41**	-	-
Granted	**78**	**89.64**	145	32.41
Reinvested	**1**	**32.41**	-	-
Forfeited	**(1)**	**32.41**	-	-
Balance, end of period	**225**	**52.25**	145	32.41

The following table summarizes information about PSUs outstanding and exercisable as at March 31, 2021:

(in thousands of PSUs and in dollars)		PSUs outstanding
Grant date fair value	Number of PSUs	Remaining contractual life (in years)
32.41	147	1.9
89.64	78	2.9
	225	2.2

For the three months ended March 31, 2021, the Group recognized, as a result of PSUs, a compensation expense of $0.8 million (March 31, 2020 – $0.3 million) with a corresponding increase to contributed surplus.

Of the PSUs outstanding at March 31, 2021, a total of 148,720 (December 31, 2020 - 96,984) are held by key management personnel.

17. Materials and services expenses

The Group's materials and services expenses are primarily costs related to independent contractors and vehicle operation expenses. Vehicle operation expenses consists primarily of fuel costs, repairs and maintenance, insurance, permits and operating supplies.

	Three months ended March 31, 2021	Three months ended March 31, 2020
Independent contractors	**520,953**	365,669
Vehicle operation expenses	**144,967**	139,666
	665,920	505,335

18. Personnel expenses

In 2020, the Canada Emergency Wage Subsidy ("CEWS") was established to enable Canadian employers to re-hire workers previously laid off, help prevent further job losses, and to better position themselves to resume normal operations following the COVID-19 pandemic declaration and crisis.

The program has been separated in 4-week claim periods spanning from March 15, 2020 to June 5, 2021. The CEWS for periods prior to July 5, 2020 provided a subsidy of 75% of employee wages to a maximum of CAD $847 (approximately USD $631) per employee per week for eligible Canadian employers. The subsidy available for periods after July 5, 2020 is determined on a sliding scale that is capped at specific rates per period.

To be eligible to receive the wage subsidy, a Canadian employer needed to have sustained a 30% decrease in revenues (15% for the first claim period) as compared to the same period in the previous year or to the average monthly sales recognized in January and February 2020 for the periods prior to July 5, 2020. For the following periods, any drop in qualifying revenues makes an employer entitled to the subsidy, in an amount determined on a sliding scale and in proportion to the decrease in the qualifying revenues.

During the three months ended March 31, 2021, certain legal entities within the Company qualified for the CEWS resulting in a $6.5 million subsidy (March 31, 2020 – nil) that is recorded and offset against personnel expenses, presented in short-term employee benefits, in the condensed consolidated interim statement of income.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

19. Finance income and finance costs

Recognized in income or loss:

Costs (income)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Interest expense on long-term debt and accretion of deferred financing fees	**9,872**	11,578
Interest expense on lease liabilities	**3,002**	3,179
Interest income and accretion on promissory note	**(569)**	(452)
Net change in fair value and accretion expense of contingent considerations	**259**	51
Net foreign exchange gain	**(38)**	(1,249)
Net change in fair value of interest rate derivatives	**-**	479
Other financial expenses	**1,909**	756
Net finance costs	**14,435**	14,342
Presented as:		
Finance income	**(607)**	(1,701)
Finance costs	**15,042**	16,043

20. Income tax expense

Income tax recognized in income or loss:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Current tax expense		
Current period	**26,384**	18,365
Adjustment for prior periods	**(3,245)**	281
	23,139	18,646
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(6,015)**	(816)
Variation in tax rate	**(51)**	(72)
Adjustment for prior periods	**3,350**	(560)
	(2,716)	(1,448)
Income tax expense	**20,423**	17,198

Reconciliation of effective tax rate:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Income before income tax		**87,310**		72,986
Income tax using the Company's statutory tax rate	**26.5%**	**23,137**	26.5%	19,341
Increase (decrease) resulting from:				
Rate differential between jurisdictions	**0.1%**	**87**	-3.3%	(2,429)
Variation in tax rate	**-0.1%**	**(51)**	-0.1%	(72)
Non deductible expenses	**1.2%**	**1,048**	1.7%	1,241
Tax deductions and tax exempt income	**-4.8%**	**(4,191)**	-3.0%	(2,212)
Adjustment for prior periods	**0.1%**	**105**	-0.4%	(279)
Multi-jurisdiction tax	**0.3%**	**288**	2.2%	1,608
	23.4%	**20,423**	23.6%	17,198

21. Financial instruments and financial risk management

At March 31, 2021, and December 31, 2020, there are no derivative financial instruments designated as effective cash flow hedge instruments.

a) Interest rate risk

The Group's intention is to minimize its exposure to changes in interest rates by maintaining a significant portion of fixed-rate interest-bearing long-term debt. This is achieved by entering into interest rate swaps. There are no interest rate derivatives at March 31, 2021 (December 31, 2020 – nil).

22. Contingencies, letters of credit and other commitments

a) Contingencies

There are pending operational and personnel related claims against the Group. In the opinion of management, these claims are adequately provided for in long-term provisions on the consolidated statements of financial position and settlement should not have a significant impact on the Group's financial position or results of operations.

b) Letters of credit

As at March 31, 2021, the Group had $28.1 million of outstanding letters of credit (December 31, 2020 - $29.5 million).

c) Other commitments

As at March 31, 2021, the Group had $124.5 million of purchase commitments (December 31, 2020 – $117.1 million) and $45.5 million of purchase orders for leases that the Group intends to enter into and that are expected to materialize within a year (December 31, 2020 – $44.1 million).

In addition, the Group has signed a definitive agreement to acquire UPS Freight, the Less-Than-Truckload and dedicated truckload divisions of United Parcel Service, Inc. for $800 million on a cash-free, debt-free basis before working capital and other adjustments, which is expected to close in the second quarter of 2021 subject to customary closing conditions including regulatory approvals.

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TFI International Inc. shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol TFII.

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National Bank of Canada
Royal Bank of Canada
Bank of America, N.A.
Bank of Montreal
Fédération des Caisses Desjardins du Québec
The Toronto Dominion Bank
JPMorgan Chase Bank N.A.
MUFG Bank Ltd.
Canadian Imperial Bank of Commerce
PNC Bank
Wells Fargo Bank, N.A.
Alberta Treasury Branches
Export Development Canada
Fonds de solidarité FTQ
Prudential Financial, Inc.
Guggenheim Investments
MetLife Investment Management, LLC
Barings, LLC
Voya Investment Management , LLC

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