

TORONTO PORT AUTHORITY
(Doing Business as PortsToronto)

MANAGEMENT'S DISCUSSION & ANALYSIS – 2021
(In thousands of dollars)

April 26, 2022

Management's discussion and analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of the Toronto Port Authority, doing business as PortsToronto (the "Port Authority") for the years ended December 31, 2021 and 2020 and should be read in conjunction with the 2021 Audited Financial Statements (the "Financial Statements") and accompanying notes. All dollar amounts in this MD&A are in thousands of dollars.

The Port Authority presents its financial statements under International Financial Reporting Standards ("IFRS"). The accounting policies set out in Note 2 of the Financial Statements have been applied in preparing the Financial Statements for the year ended December 31, 2021, and in the comparative information presented in these Financial Statements for the year ended December 31, 2020.

The Port Authority continued to face serious economic challenges in 2021 due to the COVID-19 pandemic. The impact of the pandemic, as well as other issues that affected financial performance will be discussed in this MD&A.

Introduction

The Port Authority is a federal business enterprise continued pursuant to the *Canada Marine Act* as successor to The Toronto Harbour Commissioners.

The Port Authority is responsible for operating the lands and waterlots it owns and/or administers in the support of local, regional and national social and economic objectives, and for providing infrastructure and services to the marine and air transport sectors to facilitate these objectives.

The Port Authority operates based on the following four pillars of sustainability:

- Environmental
- People and Culture
- Community
- Economic Performance

The Port Authority is governed by a Board of Directors appointed by three levels of government pursuant to section 14(1) of the *Canada Marine Act*, and section 4.6 of the Port Authority's Letters Patent. At full complement, six directors are appointed by the Governor-in-Council, as nominated by the Minister of Transport in consultation with the user groups; one director is appointed by the Governor-in-Council as nominated by the Minister of Transport; one director is appointed by the Province of Ontario; and one director is appointed by the City of Toronto. There are four (4) Committees of the Board of Directors, namely the Audit & Finance Committee, the Governance & Human Resources Committee, the Communications & Outreach Committee and the Pension Committee. Ms. Amanda Walton is Chair of the Board as of the date of this Report.

(In thousands of dollars)

Operations

The Port Authority's main business units are Port Operations, the Outer Harbour Marina ("the Marina"), the Billy Bishop Toronto City Airport ("Billy Bishop Airport" or the "Airport") and Property & Other.

The Port Authority owns and operates a 52-acre port facility at 8 Unwin Avenue (the "Port Facility"), which includes a 126,000 square-foot warehouse (Warehouse 52). This site also houses Marine Terminal 51, which has been repurposed and converted to a film and production studio. Additionally, the Port Facility includes the Cruise Ship Terminal, which services the cruise ship industry and has been used as a filming location for film production and event space.

The Port Authority continues to promote mixed use at its Port Facility including bulk, general and project cargo handling and storage, as well as container packing and unpacking services. With its preferred location and a growing population in Toronto and surrounding areas, the Port Authority will continue to pursue additional opportunities for its Port Facility in 2022 and beyond.

In 2021, 2.296 million metric tonnes ("MT") of cargo moved through the Port of Toronto, tracking a solid 4% higher than the 2.208 million MT the Port handled in 2020, a year which was record-breaking for the Port. The year 2021 marked the 5th consecutive year that more than 2.2 million MT moved through the Port. There were 190 ship visits in 2021, bringing sugar, salt, cement, aggregate and steel directly to the heart of the City, bypassing many trade gateways disrupted by COVID-19, and reinforcing the Port of Toronto's important role in the national supply chain. In 2021, general cargo into the port totaled 185,573 metric tonnes (MT) which consisted of steel imports (183,493 MT) and project cargo (2,080 MT). Twenty-five ships brought in steel imports from around the world (including rail, rebar, steel plate and coils), representing an 18-year high. In 2021, the Port of Toronto also saw the arrival of three bridge spans from Nova Scotia via tug/barge for Waterfront Toronto's Port Lands Flood Protection project, and was critical in providing berthing for marine equipment in support of the new City of Toronto Ashbridge's Bay Sewer Treatment Plant Outfall Project.

Operations at the Marina remains positive and consistent. Demand for winter storage (which includes two heated indoor storage facilities) remained strong in the 2021-2022 winter season, and summer berthing renewals brought the Marina to a 100% occupancy level, with a long waiting list. Increases in outdoor activity due to the COVID-19 pandemic as well as lower interest rate financing opportunities continue to stimulate the recreational boating, with forecasts predicting increased consumer demand for larger boats. Further, new technology in both the power and sail categories is making it much easier for novice and intermediate boaters to operate larger boats. This is important as the Port Authority has an inventory of larger boat slips likely to be in even higher demand in the future.

Billy Bishop Airport had another difficult year in 2021 with the temporary cessation of scheduled carriers continuing up to the restart date for service of September 8, 2021. In 2021, the Airport saw 0.282 million business and leisure travelers, down from 0.389 million in 2020, and down significantly from 2019 when passenger numbers totaled 2.774 million.

The effects of COVID-19 on the local, national and global economies, as well as restrictions and advisories for domestic and international travel resulted in very low passenger numbers at the Airport in 2021. It is anticipated that with the increase in vaccination rates and easing of travel restrictions, the

(In thousands of dollars)

Port Authority will see a significant improvement in passenger volumes at Billy Bishop Airport in 2022.

The Port Authority is an important part of the Southern Ontario Gateway as one of five ports of significance in the province, while the Billy Bishop Toronto City Airport is one of the key members of the Southern Ontario Airport Network (SOAN) with the capability to provide international and regional service. In this regard, the Port Authority will remain an important gateway in the economic health of Southern Ontario.

Financial Considerations

Financial Results in 2021

The financial performance of the Port Authority has been severely impacted by the COVID-19 pandemic. In light of this, the Port Authority continued to take steps in 2021 necessary to preserve cash and protect resources. This was accomplished through general cost cutting, the deferral of capital projects and the management of human resources. Management continues to closely monitor cash reserves and forecasts in order to protect liquidity.

The material change in passenger levels and the resulting material adverse change in the Port Authority's financial condition, business and operations resulted in the Port Authority entering into amendments to its existing bank loan agreement in both 2020 and 2021. (Please see Note 8 in the accompanying Financial Statements).

Payments to Government Stakeholders

The Port Authority pays an annual charge on its gross revenue to the federal government based on the calculated gross revenue in each previous fiscal year. As part of its COVID-19 Economic Response Plan, the Government of Canada waived such portion of the Port Authority's gross revenue charge applicable to the operation of Billy Bishop Airport for the period of March to December 2020 and for the entirety of fiscal year 2021. This was in alignment with the relief provided by the federal government to National Airport System airport authorities. This relief was formalized in Supplementary Letters Patent issued to the Port Authority by the Minister of Transport on December 17, 2021. For 2021, the amount payable to the federal government was \$833 (\$1,036 in 2020).

In addition, the Port Authority pays payments-in-lieu of taxes ("PILTs") and realty taxes to the City of Toronto. The PILTs paid by the Port Authority in 2021 was \$3,293 (\$3,166 in 2020) whereas realty taxes collected and paid was \$2,301 (\$2,463 in 2020). The amounts accrued and paid/payable to the federal government and to the City of Toronto together total \$6,427 for 2021, and \$6,665 for 2020, representing 16.2% and 18.2% of the Port Authority's Operating Revenue in fiscal years 2021 and 2020, respectively.

(In thousands of dollars)

Key Financial Ratios:

Financial Liquidity

The financial liquidity of the Port Authority remains positive, with a Current Ratio (Current Assets divided by Current Liabilities) of 4.52 as at December 31, 2021. This is slightly lower than the Current Ratio as at December 31, 2020 of 4.79, a reflection of the impact of COVID-19.

Financial Performance

The financial performance ratio, although negative, improved in 2021 with a Loss/Margin (Net Loss divided by Gross Revenue) of -22.4%.The ratio was -34.5% in 2020.

Financial Leverage

As to financial leverage, the Port Authority's debt to equity ratio improved to 49.1% in 2021 as compared to 59.3% in 2020. This reflects the paying down of debt and the improvement in the Port Authority's equity, due to Other Comprehensive Income.

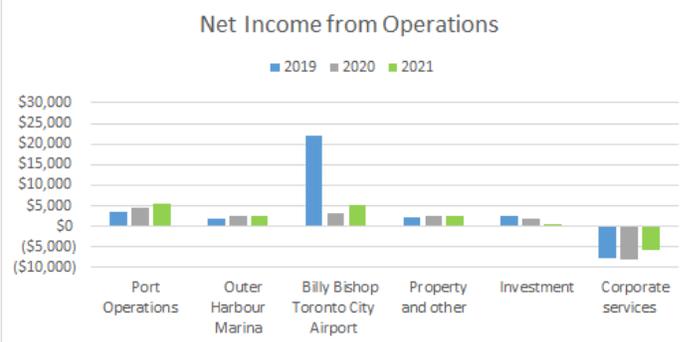
(In thousands of dollars)

Below are extracts from the Consolidated Statements of Operations, Consolidated Statement of Financial Position and gross increase in Capital assets:

Consolidated statement of operations

(In thousands of Canadian dollars)

	2019	2020	2021
Revenue			
Port	\$9,574	\$8,798	\$10,925
Marina	\$4,730	\$4,789	\$5,395
Airport	\$41,676	\$18,197	\$19,997
Property & Other	\$2,568	\$2,956	\$2,929
Investment	\$2,465	\$1,869	\$429
Corporate	\$0	\$0	\$0
Total	\$61,013	\$36,609	\$39,675
Expenses			
Port	\$6,209	\$4,439	\$5,470
Marina	\$2,912	\$2,340	\$2,995
Airport	\$19,553	\$15,172	\$15,006
Property & Other	\$440	\$449	\$463
Investment	\$0	\$0	\$0
Corporate	\$7,626	\$8,071	\$5,753
Total	\$36,740	\$30,471	\$29,687
Net Income from operations			
Port	\$3,365	\$4,359	\$5,455
Marina	\$1,818	\$2,449	\$2,400
Airport	\$22,123	\$3,025	\$4,991
Property & Other	\$2,128	\$2,507	\$2,466
Investment	\$2,465	\$1,869	\$429
Corporate	(\$7,626)	(\$8,071)	(\$5,753)
Total	\$24,273	\$6,138	\$9,988



Note: The above does not include Amortization, Payment-in-lieu of taxes, Interest expenses, Gross revenue charge and OCI



(In thousands of dollars)

Consolidated statement of financial position (Summarized version)

(In thousands of Canadian dollars)

	2021	2020
	\$	\$
Assets		
Current assets	83,343	92,590
Non-current assets	234,608	238,754
	317,951	331,344
Liabilities & Equity		
Current liabilities	18,451	19,339
Non-current liabilities	86,220	104,068
Equity	213,280	207,937
	317,951	331,344

Capital Assets - Gross Increase

(In thousands of Canadian dollars)

	2021	2020
	\$	\$
Port Operations	520	5,187
Outer Harbour Marina	116	512
Billy Bishop Toronto City Airport	3,567	7,032
Property & Other	527	1,163
Total	4,730	13,894

Financial Outlook for 2022

The COVID-19 pandemic has had a severe impact on the financial performance of the Port Authority over the last two years. This has been most evident at Billy Bishop Airport where an eighteen-month cessation of scheduled commercial carrier service dramatically reduced both aeronautical and non-aeronautical revenues. With scheduled carrier service restarting in September 2021, the Port Authority is confident there will be a significant improvement in financial performance in 2022. The Port, Marina and Property business units are also expected to have a strong 2022 and provide healthy returns to the organization. This is combined with an ongoing focus on cost control and efficiencies. Port Authority management will continue to gauge the level of success in 2022 and make the appropriate adjustments necessary in order to preserve cash resources and protect liquidity. The organization has many valuable assets and continues to operate to maximize these assets going forward. As a result, the Port Authority is optimistic that 2022 will be a solid year financially for the organization.