Cervus Equipment Corporation Management's Discussion + Analysis

FOR THE PERIOD FROM JANUARY 1, 2020 TO MARCH 31, 2020

Table of Contents

Management's Discussion & Analysis

Management's Discussion & Analysis ("MD&A") is provided to enable readers to assess the financial position and the results of the consolidated operations of Cervus Equipment Corporation ("Cervus" or the "Company") for the three months ended March 31, 2020. It was prepared as of May 13, 2020. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2020, and notes contained therein. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Cervus' functional and reporting currency is the Canadian dollar. Additional information relating to Cervus, including Cervus' 2019 Annual Report and Annual Information Form, is available on the Company's website at www.cervusequipment.com and on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A contains statements that are forward-looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. Actual results or events may differ materially from those forecast and from statements of the Company's plans or strategy that are made in this MD&A because of the risks and uncertainties associated with the Company's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or financial targets will be achieved or, if achieved, will result in an increase in the Company's share price. Refer to the section "Cautionary Note Regarding Forward-Looking Statements" in this MD&A for a more detailed discussion of the Company's use of forward-looking statements.

Key Performance Indicators and Non-GAAP Financial Measures

We have identified several non-GAAP financial measures which we believe are useful in assessing the past performance of the Company and several key performance indicators we will use to judge the effectiveness of our strategies and disciplines for progress and transformation over the next five years. However, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to the sections "Key Performance Indicators" and "Non-GAAP Financial Measures" for a more detailed discussion of these measures.

Company Overview

Corporate Profile

Cervus provides equipment solutions to customers in agriculture, transportation, and industrial markets across Canada, Australia, and New Zealand. Throughout its territories and across its diverse markets, Cervus dealerships are united in delivering sales and support of the market-leading equipment our customers depend on to earn a living. The Company operates 63 Cervus dealerships and is the authorized representative of leading Original Equipment Manufacturers ("OEMs") including: *John Deere* agricultural equipment; *Peterbilt* transportation equipment; and *Clark*, *Sellick, Doosan*, *JLG* and *Baumann* material handling equipment. Cervus operates an extensive product-support network including a fleet of mobile service vehicles and over 500 service bays. Cervus employs more than 1,500 people, a third of whom are technicians with specialized skills to perform equipment diagnostics, optimization, maintenance and repairs. The Company traces its beginnings to 1982. Its common shares are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

Reporting Segments

Cervus operates through three market-focused business segments along with a corporate segment, as described below:

Agriculture: 37 John Deere dealership locations with 15 operating in Alberta, 6 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

Transportation: 18 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships and 1 parts location operating in Ontario.

Industrial: 8 material handling and forklift equipment dealership locations with 5 operating in Alberta, 2 in Saskatchewan and 1 in Manitoba, representing the following brands: Clark, Sellick, Doosan, JLG and Baumann.

Corporate: We have centralized our corporate services including strategic business development, finance, information technology, human resources, accounting, payroll and other support functions at our head office, located in Calgary, Alberta.

Business Model

Throughout our territories and across our diverse markets, Cervus dealerships are united by our business model of marketing and selling equipment solutions (also known as "wholegoods") and delivering uptime to our customers as they use that equipment ("product support"). Product support involves the provision of preventative maintenance, repairs, parts, rentals, training, storage, telematics and other ancillary services customers need to operate their equipment, achieve efficient cost of ownership and maximize utilization. Our delivery of product support, combined with best in class equipment, is valued by our customers as it improves productivity, operational uptime, re-sale value and ultimately their profitability.

First Quarter Consolidated Results

($ thousands, except per share amounts)	Three month periods ended March 31 2020	% Change Compared to 2019	2019
Equipment revenue	**182,497**	13%	161,241
Product support revenue	**74,380**	1%	73,557
Total revenue	**256,877**	9%	234,798
Cost of sales	**(213,343)**	11%	(192,076)
Gross profit	**43,534**	2%	42,722
Total other (expense) income	**(3,286)**	(397%)	1,105
Equipment commissions	**(2,693)**	19%	(2,271)
G&A expenses	**(37,819)**	(7%)	(40,850)
(Loss) income from operating activities	**(264)**	(137%)	706
Net finance costs	**(3,291)**	15%	(2,850)
(Loss) before income tax expense	**(3,555)**	66%	(2,144)
Income tax recovery (expense)	**852**	249%	(570)
(Loss) for the period	**(2,703)**		(2,714)
EBITDA[1]	**5,267**	(24%)	6,893
Ratios			
Gross profit margin as a % of revenue	**16.9%**		18.2%
Total SG&A as a % of gross profit	**93.1%**		100.9%
(Loss) income per share			
Basic	**(0.17)**		(0.17)
Diluted	**(0.17)**		(0.17)
Basic - Adjusted[1]	**0.02**		(0.20)
Reconciliation of adjusted income (loss) before income tax expense:			
(Loss) income before income tax expense	**(3,555)**	66%	(2,144)
Adjustments:			
Unrealized foreign exchange loss (gain) included in other income	**4,077**	(782%)	(598)
Adjusted income (loss) before income tax expense[1]	**522**	119%	(2,742)

(1) Described in the section titled "Non-GAAP Measures".

First Quarter Overview

The Company generated a $3.2 million increase in adjusted income before tax in the current quarter, a significant improvement compared to the $2.7 million adjusted loss in the first quarter of 2019. Increased earnings were achieved in the face of continued agriculture headwinds in Western Canada such as rail disruptions, China's ongoing trade embargo, a late start to seeding activity and the onset of COVID-19.

Cervus is realizing the benefits of prior year restructuring and process improvement actions that resulted in accelerated equipment sales, stable product support revenue, and sustainable cost reductions across all segments. The significant factors in achieving this result are summarized below, with additional detail provided in the segment results which follow.

Revenue

New equipment revenue increased 21% in the first quarter of 2020 compared to the same quarter of 2019. The growth in new equipment sales was supported by stable used equipment sales and product support revenue, leading to a total revenue increase of 9% in the quarter, compared to the first quarter of 2019.

Agriculture new equipment revenue increased 15%, as customers accelerated planned purchases to avoid price increases, tied to the weakening Canadian dollar. Our used equipment sales set a Cervus record in the first quarter of 2019, and this record was matched by the used equipment sales in the first quarter of 2020, enabled by the increased inventory discipline and accountability implemented last year.

In our Transportation segment, new equipment revenue increased 46% for the quarter, as production backlogs experienced last year were not a factor in the first quarter of 2020.

Product support revenue improved 5% in Agriculture, offset by a 2% decline in Transportation and Industrial. Demand in our Agriculture segment was supported by producers preparing for a busy seeding season, however all divisions were negatively impacted in the final half of the quarter by COVID-19 and the significant instability in the oil and gas sector.

Gross Profit

Gross profit increased 2% or $0.8 million in the quarter, resulting from the increase in new equipment revenue and stable product support overall. The decrease in gross profit margin, as a percent of revenue, reflects the sales mix impact of equipment sales comprising a larger percentage of overall revenue in the quarter.

General and Administrative ("G&A") Expenses and Net Finance Costs

G&A expenses, which exclude sales commissions, decreased 7% or $3.0 million in the quarter, resulting from sustainable personnel cost reductions related to the Agriculture restructuring undertaken in 2019 and improved management oversight of discretionary expenses across all segments.

Net finance costs increased $0.4 million for the quarter, tied to the increase in new equipment inventory in our Transportation segment quarter over quarter, as extended factory lead-times in 2019 reduced on ground inventory in the prior year.

Income

Income before income tax fell by $1.4 million in the quarter. Adjusted income before income tax increased $3.2 million for the quarter, primarily the result of increased equipment revenue, combined with decreased G&A expenses. Adjusted income before income tax excludes the $4.7 million increase in unrealized foreign exchange loss related to fluctuations in US dollar denominated floorplan, primarily in our Transportation segment.

Balance Sheet

Inventory

Total inventory was $370 million at March 31, 2020, a decrease of $6 million from March 31, 2019. The overall decrease in inventory includes a $35 million and $8 million decrease in used and new Agriculture equipment inventory, respectively. This is partly offset by a $37 million increase in new equipment inventory in the Transportation segment, as factory backlogs experienced last year have abated, and the trucks ordered are now on hand.

Shareholder Distributions

A quarterly dividend of $0.11 per share was declared to shareholders of record as at March 31, 2020.

Business Segment Results

The Company has four reportable segments, as outlined in the 'Company Overview', and presented in Note 13 of the accompanying unaudited condensed interim consolidated financial statements.

Corporate expenses consist of certain overheads and shared services provided to the divisions, along with public company costs, salaries, share-based compensation, office and administrative costs relating to corporate employees and officers, and interest cost on general corporate borrowings.

Summary of First Quarter Business Segment Results

Below is a summary of Cervus' segment results for the three months ended March 31, 2020 and 2019.

Three months ended March 31, 2020 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**182,497**	134,129	43,717	4,651	-
Product support revenue	**74,380**	33,638	33,663	7,079	-
Gross profit	**43,534**	25,163	14,249	4,122	-
Total other (loss) income	**(3,286)**	234	(3,609)	89	-
Selling, general and administrative expense	**(40,512)**	(21,945)	(12,457)	(4,097)	(2,013)
Net finance costs	**(3,291)**	(1,873)	(1,136)	(52)	(230)
(Loss) income before income tax expense	**(3,555)**	1,579	(2,953)	62	(2,243)
Unrealized foreign exchange loss included in other income	**4,077**	-	3,890	187	
Adjusted income (loss) before income tax expense[(1)]	**522**	1,579	937	249	(2,243)

Three months ended March 31, 2019 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**161,241**	123,154	31,584	6,503	-
Product support revenue	**73,557**	32,046	34,312	7,199	-
Gross profit	**42,722**	24,446	13,847	4,429	-
Total other income	**1,105**	14	680	208	203
Selling, general and administrative expense	**(43,121)**	(23,702)	(12,997)	(4,248)	(2,174)
Net finance costs	**(2,850)**	(1,760)	(767)	(67)	(256)
(Loss) income before income tax expense	**(2,144)**	(1,002)	763	322	(2,227)
Unrealized foreign exchange (gain) included in other income	**(598)**	-	(564)	(34)	
Adjusted (loss) income before income tax expense[(1)]	**(2,742)**	(1,002)	199	288	(2,227)

(1) Described in the section titled "Non-GAAP Measures".

Agriculture Segment Results

($ thousands)	2020	% Change Compared to 2019	2019
	Three month periods ended March 31		
Equipment			
New equipment	**84,456**	15%	73,446
Used equipment	**49,673**	(0%)	49,708
Total equipment revenue	**134,129**	9%	123,154
Product support revenue	**33,638**	5%	32,046
Total revenue	**167,767**	8%	155,200
Cost of sales	**(142,604)**	9%	(130,754)
Gross profit	**25,163**	3%	24,446
Total other income	**234**	1571%	14
Equipment commissions	**(2,147)**	24%	(1,727)
G&A expenses	**(19,798)**	(10%)	(21,975)
Income from operating activities	**3,452**	355%	758
Net finance costs	**(1,873)**	6%	(1,760)
Income (loss) before income tax expense	**1,579**	258%	(1,002)
EBITDA(1)	**6,687**	63%	4,094
Ratios			
Gross profit margin as a % of revenue	**15.0%**		15.8%
Total SG&A as a % of gross profit	**87.2%**		97.0%
Reconciliation of adjusted income (loss) before income tax expense:			
Income (loss) before income tax expense	**1,579**	258%	(1,002)
Adjusted income (loss) before income tax expense(1)	**1,579**	258%	(1,002)

(1) Described in the section titled "Non-GAAP Measures".

Revenue and Gross Profit

Agriculture new equipment revenue increased 15%, as customers accelerated planned purchases to avoid price increases, due to the weakening Canadian dollar. Used equipment revenue in the quarter matched the record first quarter revenue reported in 2019. Our used equipment inventory turnover for the trailing twelve-month period ended March 31, 2020 improved to 1.89 times, compared to 1.78 times at December 31, 2019.[1]

Product support revenue increased 5% in the quarter, as producers prepare for a difficult spring season following the incomplete harvest in 2019.

Gross profit increased 3% in the quarter, resulting from the increase in new equipment revenue, and growth in product support. The decrease in gross profit margin, as a percent of revenue, reflects the sales mix impact of equipment sales comprising a larger percentage of overall revenue in the quarter.

[1] Described in the section titled "Non-GAAP Measures"

SG&A and Net Finance Costs

Restructuring initiatives in the second half of 2019 and increased discipline in the management of discretionary expenses, resulted in a 10% decrease in G&A expenses in the quarter.

Net finance costs increased $0.1 million quarter over quarter. Managing floorplan to utilize certain interest-free periods provided by manufacturers reduced interest otherwise payable on John Deere floor plans from $0.9 million to $0.2 million in the quarter.

Income

Income before income tax increased $2.6 million in the quarter, primarily the result of increased equipment revenue, combined with the decrease in G&A expenses. Income before income tax is the same as adjusted income before income tax in the quarter, as unrealized foreign exchange did not impact our Agricultural segment.

Of the $2.6 million increase in income before income tax, $2.0 million relates to our Canadian Agriculture operations, and $0.6 million is from our Australia and New Zealand Agriculture operations.

Transportation Segment Results

($ thousands)	2020	% Change Compared to 2019	2019
	Three month periods ended March 31		
Equipment			
New equipment	**42,144**	46%	28,835
Used equipment	**1,573**	(43%)	2,749
Total equipment revenue	**43,717**	38%	31,584
Product support revenue	**33,663**	(2%)	34,312
Total revenue	**77,380**	17%	65,896
Gross profit	**14,249**	3%	13,847
Total other (loss) income	**(3,609)**	(631%)	680
Equipment commissions	**(389)**	23%	(316)
G&A expenses	**(12,068)**	(5%)	(12,681)
(Loss) income from operating activities	**(1,817)**	(219%)	1,530
Net finance costs	**(1,136)**	48%	(767)
(Loss) income before income tax expense	**(2,953)**	(487%)	763
EBITDA[1]	**(469)**	(114%)	3,302
Ratios			
Gross profit margin as a % of revenue	**18.4%**		21.0%
Total SG&A as a % of gross profit	**87.4%**		93.9%
Reconciliation of adjusted income before income tax expense:			
(Loss) income before income tax expense	**(2,953)**	(487%)	763
Adjustments:			
Unrealized foreign exchange loss (gain) included in other income	**3,890**	(790%)	(564)
Adjusted income before income tax expense[1]	**937**	371%	199

(1) Described in the section titled "Non-GAAP Measures".

Revenue and Gross Profit

As factory backlogs eased in the second half of 2019, inventory orders were produced and delivered to Cervus. Many vocational customers purchase trucks in the first and second quarter in preparation for the summer construction season. The 46% increase in new equipment revenue reflects our ability to meet this demand from inventory in the current quarter, compared to the first quarter of 2019 when equipment deliveries from the factory were delayed.

Product support revenue decreased 2% in the quarter, reflecting the accelerating impact of COVID-19 through the quarter, along with the impact of additional upheaval in the oil and gas sector on our Saskatchewan operations.

Gross profit increased 3% in the quarter, resulting from the increase in new equipment revenue. The decrease in gross profit margin as a percent of revenue, reflects this shift in sales mix.

G&A and Net Finance Costs

G&A expenses decreased 5% in the quarter, the result of improved discipline in the management of discretionary expenses.

The increase in net finance costs of $0.4 million in the quarter was driven by the increase in new equipment inventory, when compared to the first quarter of 2019. At March 31, 2020, approximately 6% (March 31, 2019 – 23%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest-free periods in place.

Income

Adjusted income before income tax increased $0.7 million in the quarter, primarily the result of increased equipment revenue, combined with the decrease in G&A expenses. Net loss before income tax increased $3.7 million in the quarter, which includes $4.4 million of unrealized foreign exchange.

The increased unrealized foreign exchange loss in the quarter was due to the depreciation of the Canadian dollar, relative to the US dollar. Most of our floorplan in the Transportation segment is payable in US dollars and exchanges rate fluctuations result in unrealized foreign exchange gains or losses period to period.

Industrial Segment Results

($ thousands)	Three month periods ended March 31 2020	% Change Compared to 2019	2019
Equipment			
New equipment	**3,503**	(34%)	5,325
Used equipment	**1,148**	(3%)	1,178
Total equipment revenue	**4,651**	(28%)	6,503
Product support revenue	**7,079**	(2%)	7,199
Total revenue	**11,730**	(14%)	13,702
Gross profit	**4,122**	(7%)	4,429
Total other income	**89**	(57%)	208
Equipment commissions	**(157)**	(31%)	(228)
G&A expenses	**(3,940)**	(2%)	(4,020)
Income from operating activities	**114**	(71%)	389
Net finance costs	**(52)**	(22%)	(67)
Income before income tax expense	**62**	(81%)	322
EBITDA[(1)]	**816**	(33%)	1,222
Ratios			
Gross profit margin as a % of revenue	**35.1%**		32.3%
Total SG&A as a % of gross profit	**99.4%**		95.9%
Reconciliation of adjusted income before income tax expense:			
Income before income tax expense	**62**	(81%)	322
Adjustments:			
Unrealized foreign exchange loss (gain) included in other income	**187**	(650%)	(34)
Adjusted income before income tax expense[(1)]	**249**	(14%)	288

(1) Described in the section titled "Non-GAAP Measures".

Revenue and Gross Profit

Equipment revenue decreased 28% in the quarter, as the collapse of oil prices in March compounded an already prolonged period of reduced resource related activity in Western Canada. These headwinds limited equipment demand in the quarter. Product support revenue also decreased 2% in the quarter, as COVID-19 related restrictions prevented our training activity and the ability to complete routine scheduled maintenance at some customers' sites.

Gross profit decreased 7% in the quarter, as a result of the factors discussed above. The increase in gross profit margin, as a percent of revenue, reflects the shift in sales mix towards higher margin product support revenues.

G&A and Net Finance Costs

G&A expenses decreased 2% in the quarter and net finance costs decreased $0.1 million compared to the first quarter of 2019. At March 31, 2020, approximately 45% (March 31, 2019 – 35%) of the Industrial segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest-free periods in place.

Income

Adjusted income before income tax was unchanged in the quarter, while increased unrealized foreign exchange losses decreased income before income tax by $0.3 million in the quarter.

Outlook (see "Cautionary Note Regarding Forward-Looking Statements")

The following provides an overview of our market outlook as it relates to the Company's operations, by segment, at time of writing. The Company's three operational segments are subject to broad market forces in addition to the underlying economic factors specific to the industries they serve. Further, the geographical diversity of the Company's operations may temper or accelerate broader market forces in their significance region to region.

COVID-19 Impact

COVID-19 has had an unprecedented impact on the global economy, and at this time, there is no clear consensus regarding the likely duration of the virus or the short and long-term implications of the pandemic. In turn, there remains uncertainty regarding the virus' ultimate impact on our customers, and by extension, the Company and the industries in which we operate. We note that the first quarter results do not fully reflect the impact of COVID-19, as the national response to the virus was primarily limited to March 2020.

With the pandemic ongoing at the time of writing, challenging conditions are expected to hinder Canada's economic activity, with the brunt of the impact anticipated to be felt in the second quarter of the year.[2] Forecasts from both RBC and TD predict that the eventual easing of social distancing measures and the profound policy action will set the stage for a slow recovery in the second half of 2020.[3]

The Company's operations have been designated as essential services, essential for food production and the transportation of essential goods in the supply chain, necessary for everyday life. Cervus is committed to supporting our customers through these trying times, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

The majority of our branches remain active and operational, and we have sufficient equipment inventory in all our segments to meet our customer demand. Our OEM's have responsibly managed their production through this pandemic, supplemented by our own sizable on-site inventory that we have enhanced as part of our business continuity plan.

To the extent that some of our operations are experiencing reduced activity, the Company is taking proactive measures as part of its business continuity plan to manage spending during the downturn. These actions include temporary layoffs, workshare programs and reduced workweeks which allow for bringing employees back to full-time work as soon as conditions warrant. The Cervus executive and Corporate employees have also engaged in a salary reduction program through this period, while the Board of Directors have initiated a 25% reduction in their retainer through the remainder of 2020.

Agriculture

Agriculture, particularly in Western Canada, remains the driving variable in the Company's results. Canadian producers manage complex, capital intensive businesses, and are heavily influenced by seasonal weather conditions, commodity prices, and input costs. Our Canadian customers entered 2020 following a year of reduced farm income, higher input costs, lower commodity prices, uncertainty associated with international trade and a second consecutive challenging harvest; all of which is compounded in 2020 by rail disruptions and the broader economic implications of the COVID-19 pandemic.

The above factors have weighed on farmer sentiment in 2020, reinforcing producer's caution towards capital commitments. In addition, the rapid strengthening of the US dollar relative to the Canadian dollar increases the price of new equipment for our customers. This increase in the price of new equipment provides support for the relative value of used equipment. Further, the actions we took to rebalance our inventory in 2019 have improved our ability to match our inventory to market demand, while limiting prolonged exposure to inventory carrying costs and valuation risk. Deferral of equipment purchases by producers may provide additional opportunities for parts, service and other solutions as we support the equipment population in our market.

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[2] TD Economics, *Canadian Quarterly Economic Forecast,* March 2020, https://economics.td.com/ca-quarterly-economic-forecast

[3] RBC Economics, *A Downturn Like No Other*, April 2020, http://www.rbc.com/economics/economic-reports/quarterly-economic-update.html

In the short-term, farmers are focused on the collection of crops remaining in the field from the 2019 growing season and avoiding any prolonged delay to Spring seeding. While the stronger US dollar increases the cost of equipment, it also supports Canadian crop prices and farmers have benefited from reduced input costs such as lower cost for fuel and reduced interest rates. Despite the broad economic uncertainty, producers are moving forward in preparing and planting a crop and continue to require and expect the product support and equipment uptime to complete this task.

In Australia, our operations continue with the necessary adjustments to comply with social distancing requirements. In New Zealand activity has been significantly curtailed as part of the national restrictions in place, however these restrictions have begun to ease by the end of April 2020.

Transportation

The outlook for the truck market has been diminished by the COVID-19 pandemic. PACCAR, the owner of Peterbilt trucks, reported an increase in market share in the first quarter of 2020, but acknowledged it is difficult to estimate 2020 truck industry retail sales in North America due to the uncertainty presented by the virus.[4]

The effects of COVID-19 are expected to lead to wide-ranging contractions in economic activity and output across Ontario's key industries over the next quarter.[5] Consumer activity has been disrupted, while at time of writing, construction related activity is halted or slowed. While lower fuel prices have reduced transportation input costs, this is not anticipated to offset the short-term decrease in transportation demand until underlying economic activity resumes. Cervus will navigate this market by continuing to service the base level of ongoing transportation activity, while accelerating actions already underway to deliver internal efficiencies.

Our Saskatchewan operations are more closely linked to the oil and gas sector than our Ontario dealerships. The collapse in the price of oil, combined with a general decrease in economic activity related to COVID-19, has resulted in a slowing of business in this region.

Industrial

Our Industrial segment is also largely dependent on the general economic conditions in Alberta and Saskatchewan, and both provinces are closely tied to the broader economic impacts underpinned by the oil and gas sector.

The collapse in the price of oil, combined with a general decrease in economic activity related to COVID-19, is set to weigh on these provinces, who were already enduring a period of curtailed capital investment in the oil and gas sector. In addition, complying with social distancing requirements has negatively impacted certain of our product support offerings, such as training and preventative maintenance that is generally performed on-site at customer locations. A foundational level of demand will continue as consumer and industrial staples continue to move, and our dealerships are active in the support of these customers while action is being taken to manage costs through the pandemic.

[4] PACCAR, *PACCAR Achieves Good Quarterly Revenues and Profits. Parts Sales and Aftermarket Support Drives Results*, April 2020, www.paccar.com
[5] TD Economics, *Provincial Economic Forecast*, March 2020, https://economics.td.com/provincial-economic-forecast

Key Performance Indicators

The Company's objective is to create shareholder value through accelerated profitability, underpinned by a disciplined approach to capital allocation and balance sheet management. In late 2019, we established targets for the key performance indicators that are critical to measuring success and execution against the Company's strategy. The table below sets out the key performance indicators and includes our five-year targets for 2024. The historical results for these measures have been provided for comparative purposes. We believe the achievement of these targets will contribute to an increase in total shareholder return over the next five years.

Due to the seasonal nature of our Agriculture business and the volatility of global economic events impacting our business, key performance indicators may not accrue uniformly quarter over quarter or year over year.

Key Performance Indicators **Three Month Periods Ended March 31**	**2018**	**2019**	**2020**	**Annual Objective by 2024**
Return On Invested Capital ("ROIC")(1)				
Consolidated	11.3%	13.7%	-0.1%	**> 20%**
Average Product Support Gross Profit Growth				
Consolidated	2.5%	12.0%	-8.2%	**8% - 10%**
Agriculture	-6.5%	22.3%	-14.5%	**8% - 10%**
Transportation	10.2%	1.0%	-1.6%	**8% - 10%**
Industrial	18.9%	10.6%	-2.5%	**8% - 10%**
Absorption				
Agriculture	68%	74%	69%	**95% - 100%**
Transportation	106%	98%	100%	**110% - 115%**
Industrial	104%	91%	91%	**110% - 115%**
Equipment Inventory Turnover(1)(2)				
Agriculture	1.78	1.77	1.89	**> 2.5**
Transportation	3.17	3.45	2.51	**> 3.5**
Industrial	2.60	2.87	2.59	**> 3.5**

(1) – ROIC and Equipment Inventory Turnover is calculated on a trailing twelve month basis.

(2) - Agriculture equipment inventory turnover is calculated based on used equipment only as most new equipment inventory is on consignment. Transportation and Industrial equipment inventory turnover is calculated based on new and used equipment.

A discussion of the underlying material assumptions and risks that might impact the achievement of these targets is provided in the section "Cautionary Note Regarding Forward-Looking Statements". In addition, achievement of the targets may be impacted by the risks identified in the section "Business Risks and Uncertainties".

These key performance indicators do not have a standard meaning under IFRS and, therefore, may not be comparable to similar terms used by other companies. These measures are identified and further described under the section "Non-GAAP Financial Measures."

The calculation and rationale for each of these key metrics are as follows.

Return on Invested Capital

Return on invested capital ("ROIC'") is a measure we use to evaluate the effectiveness of capital deployed. We use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment will create shareholder value. We will also use this measure to assess past acquisitions, capital investments and the Company as a whole to determine if shareholder value is being achieved by these uses of capital. The calculation of ROIC is further identified and described under the section "Non-GAAP Financial Measures."

Product Support Gross Profit Growth

Our customers value the ability of our dealerships to provide best in class equipment along with operational uptime through efficient product support, that enhances the profitability of their businesses. Customer relationships are built and maintained through the equipment's useful life, and our product support capabilities are a key factor in a customer's purchasing decision. Growth in this stable and profitable area of our business will serve to reduce cyclicality of income, while also enhancing customer affinity for Cervus and our OEM partners.

In assessing Product Support Gross Profit Growth, the Company includes the activities performed for the benefit of our other departments. This internal activity is excluded from reported product support revenues under GAAP, however, management assesses the overall product support activity when evaluating the use of the Company's resources. The calculation of Product Support Gross Profit Growth is further identified and described under the section "Non-GAAP Financial Measures."

Absorption Percentage

Absorption is an operating measure commonly used in the dealership industry as an indicator of sustainable performance and profitability relative to cost structure. Absorption measures the extent product support gross profit of a dealership covers (or absorbs) the operating costs of the dealership, excluding equipment sales commissions, carrying costs of equipment inventory and corporate expenses. When 100% absorption is achieved, all the gross profit from the sale of equipment, after sales commissions and inventory carrying costs, directly impacts operating profit.

Absorption is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption may not be comparable to similar measures presented by other issuers that operate in the dealership industry. The calculation of absorption is further identified and described under the section "Non-GAAP Financial Measures."

Equipment Inventory Turnover

In our wholegoods' departments, managing inventory levels to meet market demand must be balanced by maintaining the sale of inventory we carry, which we measure using equipment inventory turnover. As our largest asset, equipment inventory levels have a direct impact on overall asset levels, and therefore our capital requirements and ROIC performance.

Equipment inventory turnover is a key metric for the Company, specifically, for used equipment held primarily in our Agriculture segment. Used equipment carries additional risks relative to new inventory, including potential obsolescence compared to features available in new models, exposure to changes in the comparative cost of new equipment, and the ability to correctly estimate reconditioning costs. Therefore, focusing on used inventory turnover reflects the market demand for the used inventory we carry, along with the average period of time used equipment is exposed to fluctuating market factors prior to sale.

We calculate the ratio as trailing twelve-month equipment cost of sales divided by the quarterly average inventory for the most recent four quarters. The calculation of inventory turnover is further identified and described under the section "Non-GAAP Financial Measures."

Cash Flow

Cervus' primary sources and uses of cash flow for the three months ended March 31, 2020 and 2019 are as follows:

Three month periods ended March 31 ($ thousands)	2020	2019	Increase (Decrease) in Cash
Net loss	(2,703)	(2,714)	11
Effect of non-cash items in net earnings & changes in working capital	9,346	(15,436)	24,782
Cash provided from (used in) operating activities	6,643	(18,150)	24,793
Cash (used in) investing activities	(1,194)	(3,211)	2,017
Cash provided from financing activities	8,699	17,566	(8,867)
Net increase (decrease) in cash	**14,148**	**(3,795)**	**17,943**
Effect of foreign exchange on cash	2,379	251	2,128
Cash, beginning of period	7,946	6,106	1,840
Cash, end of period	**24,473**	**2,562**	**21,911**

Operating Activities

The principal factors in the $25 million increase in operating cash flow quarter over quarter were:

- A $17 million increase in cash from changes in inventory and floorplan payables. [6]
- A $2.4 million increase in cash from changes in trade and other receivables and liabilities.

The changes in non-cash working capital have been summarized in the table below:

Three month periods ended March 31 ($ thousands)	2020	2019	Increase (Decrease) in Cash
Changes in non-cash working capital:			
Inventory	**(54,287)**	(50,676)	(3,611)
Floorplan	**49,360**	28,515	20,845
Trade and other receivables	**(10,159)**	5,128	(15,287)
Trade and other liabilities	**16,890**	(826)	17,716
Total change in non-cash working capital	**1,804**	(17,859)	19,663

Investing Activities

The $2.0 million decrease in cash used in investing activities quarter over quarter was primarily attributable to a $2.0 million decrease in cash used to purchase property and equipment, due to the prior period including rebuilding of the Agriculture Rosthern property as a result of a fire.

Financing Activities

The $9 million decrease in cash provided from financing activities was primarily attributable to a reduction in inventory and related borrowings quarter over quarter.

[6] Refer to the section "Adjusted Free Cash Flow" for additional discussion of the impact of floorplan facilities on non-cash working capital.

Adjusted Free Cash Flow

The Company has defined adjusted free cash flow as cash flow from operating activities before changes in non-cash working capital, less sustaining capital expenditures, excluding acquisition or disposals of dealerships and real estate (refer to "Non-GAAP Measures").

Reconciliation of Adjusted Free Cash Flow **Three Month Periods Ended March 31** **($ thousands)**	**2020**	**2019**	**Increase (Decrease) in Cash**
Cash flow provided by (used in) operating activities	6,643	(18,150)	24,793
(-) Changes in non-cash working capital	(1,804)	17,859	(19,663)
(-) Purchase of property and equipment	(1,635)	(3,641)	2,006
(+) Purchase of dealerships & real estate	546	1,710	(1,164)
(+) Proceeds on disposal of property and equipment	375	327	48
(-) Proceeds on disposal of dealerships & real estate	-	-	-
Adjusted Free Cash Flow(1)	**4,125**	**(1,895)**	**6,020**

(1) - Described in the section titled "Non-GAAP Measures".

Adjusted free cash flow is a measure used by management in forecasting and determining available resources for future capital expenditure, repayment of debt, funding future growth and dividends to shareholders.

We exclude changes in non-cash working capital in the calculation of adjusted free cash flow, as this amount can vary significantly based on seasonal sales trends, strategic decisions regarding inventory levels and inventory financing decisions. As well, the Company seeks to optimize the financing of inventory between OEM floor plans facilities and the Syndicated credit facility. However, floor plan facilities are included in non-cash working capital, while the Syndicated credit facility is included in financing activities due to the committed term of the facility. In periods where a portion of inventory is financed through OEM floor plan facilities, operating cash flow increases, while cash provided from financing activities decreases.

Accordingly, we review adjusted free cash flow to remove the significant impact that these factors can have on reported cash flow from operating activities.

Sustaining property and equipment expenditures are necessary to maintain the Company's operations, and we believe that these capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future free cash and is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow.

Product Support Revenue by Segment

The below table shows product support revenue by segment for the three months ended March 31, 2020 and 2019:

Summary of First Quarter Product Support Revenue

Three months ended March 31, 2020 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**49,914**	22,228	25,063	2,623
Service	**20,606**	10,390	7,842	2,374
Rental and other	**3,860**	1,020	758	2,082
Total product support revenue	**74,380**	33,638	33,663	7,079

Three months ended March 31, 2019 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**48,865**	20,584	25,466	2,815
Service	**20,197**	10,103	7,894	2,200
Rental and other	**4,495**	1,359	952	2,184
Total product support revenue	**73,557**	32,046	34,312	7,199

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2020	December 31, 2019
Current assets	**479,029**	402,507
Total assets	**690,138**	615,723
Current liabilities	**334,782**	264,156
Long-term financial liabilities	**129,526**	117,454
Shareholders' equity	**220,136**	227,138
Working capital(1)	**144,247**	138,351
Working capital ratio(1)	**1.43**	1.52

(1) - Described in the section titled "Non-GAAP Measures".

Working Capital

Cervus' working capital increased by $6 million to $144 million at March 31, 2020, when compared to $138 million at December 31, 2019. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at March 31, 2020, the Company had the ability to floor plan an additional $18 million of inventory and held $458 million of undrawn floor plan capacity.

Liquidity

The Company's ability to maintain sufficient liquidity is driven by revenue, gross profit, and judicious allocation of resources. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based on the use of cash and cash equivalents related to the seasonal nature of our business and funding potential future business acquisitions. Cash resources can typically be restored by accessing floor plan monies from unencumbered equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

The Company expects that continued cash flows from operations in 2020, together with currently available cash on hand and credit facilities, will be sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months.

Inventories

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our Agriculture equipment sales come with a trade-in and a limited portion of our Transportation sales come with a trade-in. Our Industrial equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and Industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere, whereas in the other two segments, we purchase the new equipment from manufacturers. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

At March 31, 2020, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. For the three months ended March 31, 2020, the Company recognized inventory valuation adjustments through cost of goods sold expense of $0.4 million (March 30, 2019 - $0.3 million).

Inventory by segment as at March 31, 2020, compared to December 31, 2019, is as follows:

($ thousands)	March 31, 2020	December 31, 2019	Increase/ (Decrease)
Agriculture			
New	**72,662**	72,991	(329)
Used	**126,125**	113,691	12,434
Parts and other	**31,684**	30,614	1,070
Total inventory	**230,471**	217,296	13,175
Transportation			
New	**104,519**	70,785	33,734
Used	**3,830**	3,964	(134)
Parts and other	**22,496**	20,135	2,361
Total inventory	**130,845**	94,884	35,961
Industrial			
New	**6,360**	5,249	1,111
Used	**1,193**	1,100	93
Parts and other	**1,232**	1,090	142
Total inventory	**8,785**	7,439	1,346
Total inventory	**370,101**	319,619	50,482

Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2019, may be limited. Therefore, we have provided inventory by segment for the period ended March 31, 2020, compared to March 31, 2019. A summary of the movement is as follows:

($ thousands)	March 31, 2020	March 31, 2019	Increase/ (Decrease)
Agriculture			
New	**72,662**	80,266	(7,604)
Used	**126,125**	161,418	(35,293)
Parts and other	**31,684**	32,058	(374)
Total inventory	**230,471**	273,742	(43,271)
Transportation			
New	**104,519**	67,352	37,167
Used	**3,830**	3,698	132
Parts and other	**22,496**	22,138	358
Total inventory	**130,845**	93,188	37,657
Industrial			
New	**6,360**	7,235	(875)
Used	**1,193**	1,007	186
Parts and other	**1,232**	1,263	(31)
Total inventory	**8,785**	9,505	(720)
Total inventory	**370,101**	376,435	(6,334)

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at March 31, 2020 are as follows:

	March 31, 2020				December 31, 2019			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,095**	**37,095**	**9,600**	**75,400**	122,735	25,788	9,600	87,347
Capital facilities	**(a)**	**9,248**				9,367		
Floor plan facilities and rental equipment term loan financing	**(b)**	**246,855**				190,670		
Total borrowing		**293,198**				225,825		

(a) For capital facilities, the amount available under the facilities is limited to the pre-approved credit limit of $9.3 million (December 31, 2019 - $9.4 million). The Company has unencumbered assets available for financing which are estimated at $7 million as at March 31, 2020 (December 31, 2019 - $7 million).

(b) For floorplan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $458 million (December 31, 2019 - $449 million) or the available unencumbered assets which are estimated at $18 million as at March 31, 2020 (December 31, 2019 - $17 million).

Operating and Other Bank Credit Facilities

At March 31, 2020, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four-year term but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at March 31, 2020, there was $35 million drawn on the facility and $9.6 million had been utilized for outstanding letters of credit to John Deere.

We believe that the credit facilities available to the Company are sufficient to meet our revenue targets and working capital requirements for 2020.

During the third quarter of 2019, the definition of Cervus' fixed charge coverage ratio under the Syndicated credit facility was amended to exclude certain restructuring costs in the determination of adjusted EBITDA and to exclude share purchases under the Normal Course Issuer Bid ("NCIB") from shareholder distributions for the period in which purchases under the NCIB are suspended.

The Company must meet certain financial covenants as part of its current credit facilities. As at the date of this report, the Company is in compliance with all its covenants as follows:

	March 31, 2020	December 31, 2019
Total liabilities to net worth ratio[1] (not exceeding 4.0:1.0)	**3.16**	2.64
Fixed charge coverage ratio[2] (greater than or equal to 1.10:1.00)	**1.90**	1.57
Asset coverage ratio[3] (greater than 3.0:1.0)	**5.14**	6.24

(1) – Calculated using an adjusted liability value over an adjusted equity value. Full definitions of adjusted liabilities and adjusted equity are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

(2) – Calculated as an adjusted EBITDA figure over the sum of interest expense, scheduled principal payments, operating lease payments and distributions paid to shareholders in the twelve months prior to the calculation date. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

(3) – Calculated as net tangible total assets less consolidated debt excluding floorplan plan liabilities, plus debt due under the credit facility over the amount due under the credit facility. Full definitions of this calculation are defined in the Syndicate Credit Agreement filed as a material document on SEDAR.

Capital Facilities

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union. The Company's financial covenants under its mortgages with Farm Credit Canada were amended to align with certain of the Company's financial covenants under its committed operating facility, discussed above.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, Wells Fargo Equipment Finance Company, ECN Capital Corp., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At March 31, 2020, floor plan payables related to inventories were $238 million.

Floor plan payables at March 31, 2020 represented approximately 64% of our inventories (December 31, 2019 – 57%). Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available by its key suppliers.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest-free periods. Total Agriculture segment interest otherwise payable on John Deere floor plans approximates $0.9 million for three months ended March 31, 2020 (March 31, 2019 – $1.0 million). This amount was offset by rebates applied during the three months ended March 31, 2020, of $0.6 million (March 31, 2019 - $0.9 million). At March 31, 2020, approximately 45% (March 31, 2019 – 35%) of the Industrial segment's and 6% (March 31, 2019 – 23%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest-free periods in place.

Outstanding Share Data

As of the date of this MD&A, there are 16 million common shares and 0.6 million deferred share units outstanding. As at March 31, 2020 and 2019, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2020	March 31, 2019
Basic weighted average number of shares outstanding	**15,478**	15,546
Dilutive impact of deferred share plan	**-**	-
Diluted weighted average number of shares outstanding	**15,478**	15,546

Normal Course Issuer Bid ("NCIB")

For the three months ended March 31, 2020, no shares had been repurchased under the September 2019 Bid.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the Board of Directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the three months ended March 31, 2020:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2020	0.1100	1,714	119	1,595
Total	**0.1100**	**1,714**	**119**	**1,595**

As of the date of this MD&A, all dividends as described above were paid (see "Capital Resources – Cautionary Note Regarding Dividends").

Dividend Reinvestment Plan ("DRIP")

The DRIP was implemented to allow shareholders to reinvest quarterly dividends and receive Cervus shares. For shareholders who elect to participate, their periodic cash dividends are automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares for the ten trading days preceding the applicable record date. Eligible shareholders can participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. ("CDS"), or directly where they hold the certificates personally.

During the three months ended March 31, 2020, 0.1 million (March 31, 2019 – 0.1 million) common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2020 dividends declared and paid through March 31, 2020, are considered to be eligible dividends for tax purposes on the date paid.

Cautionary Note Regarding Dividends (see "Note Regarding Forward-Looking Statements")

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations, and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company's common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

Summary of Quarterly Results

Sales activity for the Agriculture segment is normally highest between April and September during growing seasons in Canada. The growing seasons for New Zealand and Australia have not materially impacted results. Activity in the Transportation sector generally increases in winter months, while the Industrial sector generally slows in the winter months. As a result, income or losses may not accrue uniformly from quarter to quarter.

($ thousands, except per share amounts)	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenues	**256,877**	259,549	317,082	327,605
(Loss) income	**(2,703)**	(7,048)	(1,675)	2,817
Gross profit	**43,534**	36,901	42,847	46,879
Gross profit margin	**16.9%**	14.2%	13.5%	14.3%
EBITDA[(1)]	**5,267**	838	8,228	11,981
(Loss) income per share:				
Basic	**(0.17)**	(0.46)	(0.11)	0.18
Diluted	**(0.17)**	(0.46)	(0.11)	0.17
Adjusted income (loss) per share[(1)]				
Basic	**0.02**	(0.50)	(0.10)	0.15
Diluted	**0.02**	(0.50)	(0.10)	0.14
Weighted average shares outstanding				
Basic	**15,478**	15,344	15,326	15,445
Diluted	**15,478**	15,344	15,326	16,394

($ thousands, except per share amounts)	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenues	234,798	300,247	392,499	408,584
(Loss) income	(2,714)	5,031	12,180	9,515
Gross profit	42,722	51,999	59,882	57,848
Gross profit margin	18.2%	17.3%	15.3%	14.2%
EBITDA[(1)]	6,893	13,367	21,284	19,383
(Loss) income per share:				
Basic	(0.17)	0.32	0.78	0.61
Diluted	(0.17)	0.31	0.74	0.58
Adjusted (loss) income per share[(1)]				
Basic	(0.20)	0.35	0.74	0.61
Diluted	(0.20)	0.33	0.71	0.58
Weighted average shares outstanding				
Basic	15,546	15,593	15,679	15,672
Diluted	15,546	16,393	16,498	16,483

(1) - Described in the section titled "Non-GAAP Measures".

Off-Balance Sheet Arrangements

In the normal course of business, we enter agreements that include indemnities in favour of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our directors, officers, and employees and those of our subsidiaries, in accordance with our governing legislation, our constating documents and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2020, payments in arrears by such customers aggregated $1.3 million (December 31, 2019 - $1.4 million). In addition, the Company is responsible for assuming the net residual value of all customer lease obligations held with Deere Credit, at the maturity of the contract, should the customer not elect to buy out the equipment at maturity. At March 31, 2020, the net residual value of such leases aggregated $307 million (December 31, 2019 - $316 million).

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company may owe Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $2.1 million at March 31, 2020 (December 31, 2019 - $2.3 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of $9.6 million (December 31, 2019 - $9.6 million). The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

Transactions with Related Parties

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers. The Company contributes to the deferred share plan on behalf of directors, and to the employee share purchase plan on behalf of executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement.

Business Risks and Uncertainties

The Company's business risks and uncertainties, other than those related to the COVID-19 pandemic discussed below, in the "Outlook" section, and throughout this MD&A, remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2019, as filed on SEDAR at www.sedar.com.

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, Australia and New Zealand, the countries where the Company operates, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. In addition, global oil prices have declined significantly due to a collapse in demand due to COVID-19. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

Any estimate of the length and severity of these developments is subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The risks and uncertainties disclosed in our December 31, 2019 MD&A could be particularly exacerbated by unprecedented conditions such as the COVID-19 pandemic and the recent commodity price challenges. Such risks include, but are not limited to:

a. a material reduction in demand for, or profitability of, our products or services, particularly in the areas of our business that are more tied to the economic activity associated with the oil and gas sector;
b. increased risk of non-payment of accounts receivable and customer defaults;
c. issues delivering the Company's products and services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel and supply chain disruptions;
d. risk that certain of the Company's locations may suffer temporary closures should employees within the location contract COVID-19;
e. the negative impact on global debt and equity capital markets, including the trading price of the Company's securities; and
f. the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic.

Any of these risks, and others, could have a material adverse effect on our business, operations, capital resources and/or financial results of operations.

The majority of the Company's operations are concentrated in the agricultural and distribution sectors of the economy, both of which are critical and essential components of the supply chain, especially during the current COVID-19 pandemic. Management has implemented business continuity plans and are committed to supporting our customers through these trying times, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

We have taken precautions such as remote work from home initiatives, disinfecting high touch areas, and physical distancing in our interactions with each other and customers. Complying with the recommendation of health authorities for the isolation of certain individuals is strictly enforced across Cervus. Additional measures have also been taken to ensure that information technology, including remote access, is secure.

Critical Accounting Estimates and Judgments

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Management reviews its estimates and judgments on an ongoing basis. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2019, as filed on SEDAR at www.sedar.com.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019.

The uncertainty of estimates and judgments increases in periods of high market volatility and rapid unprecedented change, which is currently occurring due to impacts of COVID-19. Management considered material accounting estimates such as its inventory provision and the going concern assessment in light of the current situation. Estimates at March 31, 2020 could change materially as the impact of the COVID-19 pandemic and its impact on the economy and the clients the Company serves continues to evolve

Changes in Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2019 and as described in Note 3 in those financial statements.

Responsibility of Management and Board

Disclosure Controls

Management, under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109. Disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is: (i) recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that the Company's disclosure controls and procedures were effective as at March 31, 2020.

Internal Controls over Financial Reporting

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as defined by National Instrument 52-109. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as at March 31, 2020, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013). Based on that evaluation, the CEO and the CFO concluded that the Company's internal control over financial reporting was effective as at March 31, 2020.

There have been no changes in the design of the Company's internal control over financial reporting during 2020 that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

Cautionary Note Regarding Forward-Looking Statements

Statements made by the Company in this report, in other filings with Canadian securities regulators and in other communications include forward-looking statements within the meaning of applicable securities laws ("forward-looking statements"). These statements include, but are not limited to, statements about the Company's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Company's businesses or the economies of the countries where the Company operates. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to general economic conditions, the industries and customers served by the Company, its principal equipment partners, currency exchange rates, funding requirements, fluctuating interest rates, legislative and regulatory developments, changes in accounting standards, and competition as well as those factors discussed under the heading "Business Risks and Uncertainties" herein and in the Company's annual MD&A for the year ended December 31, 2019, filed on SEDAR at www.sedar.com.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business, economic and market conditions and trends. Although the Company believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Company in making forward-looking statements. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

The most recent quarterly dividend payment of $0.11 per share was made to the shareholders of record as of March 31, 2020, on April 15, 2020. See "Capital Resources - Cautionary Note Regarding Dividends" for a cautionary note regarding future dividends.

The material assumptions and risks that were made in establishing the Company's key performance indicator targets for the fiscal year 2024 remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2019, as filed on SEDAR at www.sedar.com.

Additional GAAP Financial Measures

This MD&A contains certain financial measures considered additional GAAP measures, where the Company considers such information to be useful to the understanding of the Company's results. These measures are identified and defined below:

Gross Profit

Gross profit refers to the Company's total revenue less costs directly attributed to generating the related sales revenue. This additional IFRS measure is identified in our financial statements on the statement of comprehensive income. Gross profit provides a measure to assess the Company's profitability and efficiency of revenue generated, prior to considering selling, general and administrative expenses.

Gross profit margin is the percentage resulting from dividing Gross Profit from a transaction by the revenue generated by the same transaction.

Income (Loss) from Operating Activities

Income from operating activities refers to income (loss), excluding: general interest expense recognized outside of cost of goods sold, interest income, share of profit (loss) from equity investees, and income tax. This additional IFRS measure is identified in our financial statements on the statement of comprehensive income. Income from operating activities is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and the effects of earnings from equity investees.

Non-GAAP Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

Working Capital

Working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.

Adjusted Free Cash Flow

Adjusted free cash flow is a measure used by management to evaluate its performance. Adjusted free cash flow is considered relevant because it provides an indication of how much cash generated by operations before changes in non-cash working capital is available after deducting sustaining capital expenditures. Although we consider this measure to be adjusted free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, reinvestment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that adjusted free cash flow may not actually be available for growth or distribution of the Company. References to "Adjusted free cash flow" are to cash provided by (used in) operating activities (before changes in non-cash working capital balances) less sustaining capital expenditures. The reconciliation of adjusted free cash flow is presented in the Adjusted Free Cash Flow section of this MD&A.

Adjusted Income (Loss)

Adjusted income (loss) is provided to aid in the comparison of the Company's results from one period, to the Company's results from another period. The Company calculates adjusted income (loss) as follows:

	Three month periods ended March 31	
($ thousands, except per share amounts)	**2020**	**2019**
Loss for the period	**(2,703)**	(2,714)
Adjustments:		
Unrealized foreign exchange loss (gain)[1]	**4,077**	(598)
Tax impact of adjustments	**(1,060)**	161
Adjusted income (loss) for the period	**314**	(3,151)
Adjusted income (loss) per share:		
Basic	**0.02**	(0.20)
Diluted	**0.02**	(0.20)

Adjusted Income (Loss) Before Income Tax Expense

Three Months Ended March 31, 2020

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands) **Three months ended March 31, 2020**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
(Loss) income before income tax expense	**(3,555)**	1,579	(2,953)	62	(2,243)
Adjustments:					
Unrealized foreign exchange loss[1]	**4,077**	-	3,890	187	-
Adjusted income (loss) before income tax expense	**522**	1,579	937	249	(2,243)

Three months ended March 31, 2019

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands) **Three months ended March 31, 2019**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
(Loss) income before income tax expense	**(2,144)**	(1,002)	763	322	(2,227)
Adjustments:					
Unrealized foreign exchange (gain)[1]	**(598)**	-	(564)	(34)	-
Adjusted (loss) income before income tax expense	**(2,742)**	(1,002)	199	288	(2,227)

(1) – Unrealized foreign exchange gains and losses are due to changes in fair value of our US dollar forward contracts and from period close translation of floorplan payables and cash denominated in US dollars. The unrealized foreign currency gains and losses are treated as an adjustment to the Company's adjusted income calculation as these foreign currency gains and losses are not realized until settlement. Until settlement occurs, there may be large fluctuations period to period on movement of the foreign exchange rate, making comparison of operating performance period over period difficult.

EBITDA

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as earnings before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have reconciled net income as determined in accordance with IFRS to EBITDA, as follows:

Three Months Ended March 31, 2020

EBITDA ($ thousands) **Three months ended March 31, 2020**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net (loss) income	**(2,703)**	1,579	(2,953)	62	(1,391)
Add:					
Interest	**3,552**	1,984	1,136	80	352
Income taxes	**(852)**	-	-	-	(852)
Depreciation and Amortization	**5,270**	3,124	1,348	674	124
EBITDA[1]	**5,267**	6,687	(469)	816	(1,767)
EBITDA margin[2]	**2.1%**	4.0%	-0.6%	7.0%	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**5,267**	6,687	(469)	816	(1,767)
Adjustments:					
Unrealized foreign exchange loss	**4,077**	-	3,890	187	-
Adjusted EBITDA[1]	**9,344**	6,687	3,421	1,003	(1,767)

Three months ended March 31, 2019

EBITDA ($ thousands) **Three months ended March 31, 2019**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net (loss) income	**(2,714)**	(1,002)	763	322	(2,797)
Add:					
Interest	**3,294**	1,894	919	92	389
Income taxes	**570**	-	-	-	570
Depreciation and Amortization	**5,743**	3,202	1,620	808	113
EBITDA[1]	**6,893**	4,094	3,302	1,222	(1,725)
EBITDA margin[2]	**2.9%**	2.6%	5.0%	8.9%	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**6,893**	4,094	3,302	1,222	(1,725)
Adjustments:					
Unrealized foreign exchange (gain)	**(598)**	-	(564)	(34)	-
Adjusted EBITDA[1]	**6,295**	4,094	2,738	1,188	(1,725)

(1) – EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to income (loss), EBITDA is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expense.

Adjusted EBITDA is defined as profit before interest, taxes, depreciation, and amortization, adjusted for unrealized (gains) losses from foreign currency, sale of real estate, dealerships and insurance proceeds received in excess of building cost.

(2) - EBITDA Margin is calculated as EBITDA divided by gross revenue.

Return on Invested Capital

Return on invested capital ("ROIC") is a measure we use to evaluate the effectiveness of capital deployed. We use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment will create shareholder value. We will also use this measure to assess past acquisitions, capital investments and the Company as a whole to determine if shareholder value is being achieved by these uses of capital.

ROIC is calculated as trailing twelve months earnings before income tax excluding unrealized (gains) losses from foreign currency, plus finance costs less floorplan interest expense, divided by 4 quarter average total invested capital. Total invested capital is calculated as average net debt plus book value of equity.

The reconciliation of ROIC is presented in the table below.

Reconciliation of Return On Invested Capital	**2020**	**2019**				**2018**			
($ thousands, except as noted)	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Net (loss) income before tax	**(3,555)**	(8,807)	(2,308)	2,811	(2,144)	7,642	15,820	13,582	(2,941)
(+) Unrealized foreign exchange loss (gain)	**4,077**	(831)	207	(625)	(598)	1,256	(730)	38	635
(+) Finance costs	**3,449**	3,188	3,598	3,233	3,037	1,684	1,696	1,629	1,343
(-) Floorplan interest expense	**(1,383)**	(1,210)	(1,139)	(1,050)	(1,009)	(1,129)	(1,234)	(1,268)	(1,035)
Adjusted Earnings (Loss) Before Interest and Tax	**2,588**	**(7,660)**	**358**	**4,369**	**(714)**	**9,453**	**15,552**	**13,981**	**(1,998)**
Shareholders' equity	**220,136**	227,138	232,742	237,885	240,747	243,700	240,018	230,502	223,806
(+) Long-term debt	**44,544**	33,370	31,621	75,691	45,995	25,123	39,263	30,346	27,354
(+) Current portion of long-term debt	**10,199**	9,795	11,204	12,048	13,488	13,964	7,976	8,958	10,485
(-) Cash	**(24,473)**	(7,946)	(7,146)	(10,256)	(2,562)	(6,106)	(8,810)	(1,930)	(3,236)
Total Invested Capital	**250,406**	**262,357**	**268,421**	**315,368**	**297,668**	**276,681**	**278,447**	**267,876**	**258,409**
Adjusted (Loss) Earnings Before Interest and Tax - trailing 12 months	**(346)**	(3,647)	13,466	28,660	38,273	36,988	33,640	31,967	29,775
Total Invested Capital - 4 quarter average	**274,138**	285,954	289,535	292,041	280,168	270,353	264,694	263,322	262,544
Return On Invested Capital - trailing 12 months	**-0.1%**	**-1.3%**	**4.7%**	**9.8%**	**13.7%**	**13.7%**	**12.7%**	**12.1%**	**11.3%**

Product Support Gross Profit Growth and Absorption

Product Support Gross Profit Growth

Our customers value the ability of our dealerships to provide best in class equipment along with operational uptime through efficient product support, that enhances the profitability of their businesses. Customer relationships are built and maintained through the equipment's useful life, and our product support capabilities are a key factor in a customer's purchasing decision. Growth in this stable and profitable area of our business will serve to reduce cyclicality of income, while also enhancing customer affinity for Cervus and our OEM partners.

In assessing Product Support Gross Profit Growth, the Company includes the activities performed for the benefit of its other departments. This internal activity is excluded from reported product support revenues under GAAP, however, management assesses the overall product support activity when evaluating the use of the Company's resources.

Product Support Gross Profit Growth is calculated as the change from prior period product support revenue divided by product support cost of sales, adjusted to include internal product support activity benefiting wholegoods that is eliminated on consolidation, as internal work is performed on trade-in equipment to make it available for re-sale.

Absorption Percentage

Absorption is an operating measure commonly used in the dealership industry as an indicator of sustainable performance and profitability relative to cost structure. Absorption measures the extent product support gross profit of a dealership covers (or absorbs) the operating costs of the dealership, excluding equipment sales commissions, carrying costs of equipment inventory and corporate expenses. When 100% absorption is achieved, all the gross profit from the sale of equipment, after sales commissions and inventory carrying costs, directly impacts operating profit.

Absorption is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption may not be comparable to similar measures presented by other issuers that operate in the dealership industry.

Absorption is calculated as product support gross profit, divided by total operating costs. Total operating costs is calculated as total SG&A expenses plus net finance costs, less equipment commissions expense, amortization of intangibles, and floorplan interest expense.

Reconciliation of Product Support Gross Profit Growth and Absorption

The reconciliation of consolidated and segmented Product Support Gross Profit Growth and Absorption are presented in the tables below.

Consolidated

Reconciliation of Product Support Gross Profit Dollars Growth % and Absorption - Consolidated	**2020**	**2019**					**2018**				
($ thousands, except as noted)	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**74,380**	**325,641**	80,498	88,445	83,141	73,557	**304,591**	76,175	82,249	79,759	66,408
(+) Product support revenues - internal activity	**5,198**	**33,898**	7,094	8,725	9,966	8,113	**37,806**	7,828	9,940	11,149	8,889
Product support revenues - total	**79,578**	**359,539**	87,592	97,170	93,107	81,670	**342,397**	84,003	92,189	90,908	75,297
Product support cost of sales - reported	**47,216**	**202,935**	50,692	55,068	51,963	45,212	**190,412**	47,892	51,154	49,830	41,536
(+) Product support cost of sales - internal activity	**2,497**	**16,151**	3,457	4,223	4,562	3,909	**17,974**	3,999	4,521	4,764	4,690
Product support cost of sales - total	**49,713**	**219,086**	54,149	59,291	56,525	49,121	**208,386**	51,891	55,675	54,594	46,226
Product Support Gross Profit	**29,865**	**140,453**	**33,443**	**37,879**	**36,582**	**32,549**	**134,011**	**32,112**	**36,514**	**36,314**	**29,071**
Product support gross profit dollars growth ($)	**(2,684)**	**6,442**	1,331	1,365	268	3,478	**6,966**	2,670	1,687	1,887	722
Product Support Gross Profit Growth (%)	**-8.2%**	**4.8%**	**4.1%**	**3.7%**	**0.7%**	**12.0%**	**5.5%**	**9.1%**	**4.8%**	**5.5%**	**2.5%**
Total SG&A expenses	**40,512**	**171,278**	43,261	42,499	42,397	43,121	**171,324**	43,534	44,169	43,409	40,212
(-) Equipment commissions expense	**(2,693)**	**(11,974)**	(2,962)	(3,366)	(3,376)	(2,271)	**(13,541)**	(2,849)	(4,375)	(3,978)	(2,339)
(-) Amortization of intangibles	**(887)**	**(4,655)**	(984)	(1,169)	(1,251)	(1,251)	**(4,255)**	(1,086)	(747)	(1,211)	(1,211)
(+) Net finance costs	**3,291**	**12,368**	3,036	3,423	3,059	2,850	**5,477**	1,241	1,565	1,479	1,192
(-) Floorplan interest expense	**(1,383)**	**(4,408)**	(1,210)	(1,139)	(1,050)	(1,009)	**(4,638)**	(1,129)	(1,234)	(1,263)	(1,012)
Total Operating Costs	**38,840**	**162,608**	**41,141**	**40,248**	**39,779**	**41,441**	**154,367**	**39,711**	**39,378**	**38,436**	**36,842**
Absorption	**77%**	**86%**	**81%**	**94%**	**92%**	**79%**	**87%**	**81%**	**93%**	**94%**	**79%**

Agriculture

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Agriculture	2020	2019					2018				
($ thousands, except as noted)	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**33,638**	**159,287**	40,474	47,551	39,216	32,046	**143,097**	35,670	42,162	38,114	27,151
(+) Product support revenues - internal activity	**3,171**	**25,043**	4,782	6,639	7,370	6,252	**28,316**	5,857	7,528	8,091	6,840
Product support revenues - total	**36,809**	**184,330**	45,256	54,190	46,586	38,298	**171,413**	41,527	49,690	46,205	33,991
Product support cost of sales - reported	**21,236**	**95,842**	24,178	28,258	24,557	18,849	**88,088**	21,808	25,363	24,065	16,852
(+) Product support cost of sales - internal activity	**1,443**	**11,576**	2,280	3,119	3,248	2,929	**13,065**	2,855	3,324	3,255	3,631
Product support cost of sales - total	**22,679**	**107,418**	26,458	31,377	27,805	21,778	**101,153**	24,663	28,687	27,320	20,483
Product Support Gross Profit	**14,130**	**76,912**	**18,798**	**22,813**	**18,781**	**16,520**	**70,260**	**16,864**	**21,003**	**18,885**	**13,508**
Product support gross profit dollars growth ($)	**(2,390)**	**6,652**	1,934	1,810	(104)	3,012	**2,267**	1,839	781	587	(940)
Product Support Gross Profit Growth (%)	**-14.5%**	**9.5%**	**11.5%**	**8.6%**	**-0.6%**	**22.3%**	**3.3%**	**12.2%**	**3.9%**	**3.2%**	**-6.5%**
Total SG&A expenses	**21,945**	**95,674**	23,511	24,847	23,614	23,702	**97,097**	24,154	25,967	24,545	22,431
(-) Equipment commissions expense	**(2,147)**	**(9,217)**	(2,301)	(2,710)	(2,479)	(1,727)	**(10,750)**	(2,214)	(3,629)	(3,076)	(1,831)
(-) Amortization of intangibles	**(579)**	**(3,098)**	(640)	(818)	(820)	(820)	**(2,680)**	(781)	(632)	(633)	(634)
(+) Net finance costs	**1,873**	**7,182**	1,654	2,102	1,666	1,760	**2,045**	360	605	567	513
(-) Floorplan interest	**(611)**	**(2,272)**	(479)	(701)	(505)	(588)	**(2,351)**	(664)	(632)	(549)	(506)
Total Operating Costs	**20,481**	**88,269**	**21,745**	**22,720**	**21,477**	**22,328**	**83,361**	**20,855**	**21,679**	**20,854**	**19,973**
Absorption	**69%**	**87%**	**86%**	**100%**	**87%**	**74%**	**84%**	**81%**	**97%**	**91%**	**68%**

Transportation

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Transportation	2020	2019					2018				
($ thousands, except as noted)	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**33,663**	**136,296**	33,157	33,462	35,365	34,312	**133,587**	33,452	33,028	34,385	32,722
(+) Product support revenues - internal activity	**1,569**	**6,881**	1,910	1,608	2,053	1,310	**7,459**	1,431	1,947	2,491	1,590
Product support revenues - total	**35,232**	**143,177**	35,067	35,070	37,418	35,622	**141,046**	34,883	34,975	36,876	34,312
Product support cost of sales - reported	**22,203**	**90,553**	22,691	22,669	22,700	22,493	**87,085**	22,237	21,833	21,836	21,179
(+) Product support cost of sales - internal activity	**824**	**3,649**	984	866	1,079	720	**3,958**	864	990	1,260	844
Product support cost of sales - total	**23,027**	**94,202**	23,675	23,535	23,779	23,213	**91,043**	23,101	22,823	23,096	22,023
Product Support Gross Profit	**12,205**	**48,975**	**11,392**	**11,535**	**13,639**	**12,409**	**50,003**	**11,782**	**12,152**	**13,780**	**12,289**
Product support gross profit dollars growth ($)	**(204)**	**(1,028)**	(390)	(617)	(141)	120	**3,484**	526	739	1,078	1,141
Product Support Gross Profit Growth (%)	**-1.6%**	**-2.1%**	**-3.3%**	**-5.1%**	**-1.0%**	**1.0%**	**7.5%**	**4.7%**	**6.5%**	**8.5%**	**10.2%**
Total SG&A expenses	**12,457**	**51,315**	13,134	12,279	12,905	12,997	**50,036**	12,431	12,122	13,063	12,420
(-) Equipment commissions expense	**(389)**	**(1,945)**	(494)	(449)	(686)	(316)	**(2,065)**	(436)	(552)	(688)	(390)
(-) Amortization of intangibles	**(204)**	**(1,116)**	(225)	(243)	(324)	(324)	**(1,171)**	(261)	5	(458)	(457)
(+) Net finance costs	**1,136**	**3,455**	1,081	779	828	767	**2,444**	497	629	772	546
(-) Floorplan interest	**(765)**	**(2,063)**	(720)	(423)	(521)	(399)	**(2,244)**	(445)	(592)	(707)	(500)
Total Operating Costs	**12,235**	**49,646**	**12,776**	**11,943**	**12,202**	**12,726**	**47,000**	**11,786**	**11,612**	**11,982**	**11,619**
Absorption	**100%**	**99%**	**89%**	**97%**	**112%**	**98%**	**106%**	**100%**	**105%**	**115%**	**106%**

Industrial

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Industrial	**2020**	**2019**					**2018**				
($ thousands, except as noted)	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**7,079**	**30,058**	6,867	7,432	8,560	7,199	**27,907**	7,053	7,059	7,260	6,535
(+) Product support revenues - internal activity	**458**	**1,974**	402	478	543	551	**2,031**	540	465	567	459
Product support revenues - total	**7,537**	**32,032**	7,269	7,910	9,103	7,750	**29,938**	7,593	7,524	7,827	6,994
Product support cost of sales - reported	**3,777**	**16,540**	3,823	4,141	4,706	3,870	**15,239**	3,847	3,958	3,929	3,505
(+) Product support cost of sales - internal activity	**230**	**926**	193	238	235	260	**951**	280	207	249	215
Product support cost of sales - total	**4,007**	**17,466**	4,016	4,379	4,941	4,130	**16,190**	4,127	4,165	4,178	3,720
Product Support Gross Profit	**3,530**	**14,566**	**3,253**	**3,531**	**4,162**	**3,620**	**13,748**	**3,466**	**3,359**	**3,649**	**3,274**
Product support gross profit dollars growth ($)	**(90)**	**818**	(213)	172	513	346	**1,215**	305	167	222	521
Product Support Gross Profit Growth (%)	**-2.5%**	**6.0%**	**-6.1%**	**5.1%**	**14.1%**	**10.6%**	**9.7%**	**9.7%**	**5.2%**	**6.5%**	**18.9%**
Total SG&A expenses	**4,097**	**16,351**	4,419	3,750	3,934	4,248	**15,045**	4,001	3,795	3,858	3,391
(-) Equipment commissions expense	**(157)**	**(813)**	(167)	(207)	(211)	(228)	**(726)**	(200)	(195)	(214)	(118)
(-) Amortization of intangibles	**(104)**	**(441)**	(119)	(108)	(107)	(107)	**(404)**	(44)	(120)	(120)	(120)
(+) Net finance costs	**52**	**232**	35	60	70	67	**(23)**	5	7	(21)	(14)
(-) Floorplan interest	**(7)**	**(73)**	(11)	(15)	(25)	(23)	**(43)**	(20)	(10)	(7)	(6)
Total Operating Costs	**3,881**	**15,256**	**4,157**	**3,480**	**3,661**	**3,957**	**13,849**	**3,742**	**3,477**	**3,496**	**3,133**
Absorption	**91%**	**95%**	**78%**	**101%**	**114%**	**91%**	**99%**	**93%**	**97%**	**104%**	**104%**

Equipment Inventory Turnover

In our wholegoods' departments, managing inventory levels to meet market demand must be balanced by maintaining the sale of inventory we carry, which we measure using equipment inventory turnover. As our largest asset, equipment inventory levels have a direct impact on overall asset levels and therefore our capital requirements and ROIC performance. Equipment inventory turnover is a key metric for the Company; specifically, for used equipment held primarily in our Agriculture segment, as discussed in the section 'Key Performance Indicators'.

We calculate the ratio as trailing twelve-month equipment cost of sales divided by the quarterly average inventory for the most recent four quarters. The reconciliation of equipment inventory turnover is presented in the table below.

Reconciliation of Equipment Inventory Turnover ($ thousands, except as noted)	**2020**	**2019**				**2018**			
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Agriculture									
Used equipment cost of sales - trailing 12 months	**268,402**	**268,665**	265,767	265,530	282,314	**276,640**	257,899	232,120	223,561
Average used equipment inventory - last four quarters	**142,219**	**151,042**	161,519	164,101	159,385	**155,219**	147,714	138,769	125,688
Used Equipment Inventory Turnover - trailing 12 months	**1.89**	**1.78**	**1.65**	**1.62**	**1.77**	**1.78**	**1.75**	**1.67**	**1.78**
Transportation									
Total equipment cost of sales - trailing 12 months	**193,667**	**182,295**	185,841	198,287	208,982	**215,761**	200,331	182,164	162,352
Average total equipment inventory - last four quarters	**77,147**	**67,823**	59,749	54,854	60,647	**64,102**	62,939	59,416	51,168
Total Equipment Inventory Turnover - trailing 12 months	**2.51**	**2.69**	**3.11**	**3.61**	**3.45**	**3.37**	**3.18**	**3.07**	**3.17**
Industrial									
Total equipment cost of sales - trailing 12 months	**18,021**	**19,593**	21,120	19,756	20,248	**17,422**	15,971	15,188	13,817
Average total equipment inventory - last four quarters	**6,947**	**7,035**	7,454	7,596	7,056	**6,387**	5,480	5,068	5,307
Total Equipment Inventory Turnover - trailing 12 months	**2.59**	**2.79**	**2.83**	**2.60**	**2.87**	**2.73**	**2.91**	**3.00**	**2.60**

Unaudited Condensed Interim Consolidated Financial Statements of

CERVUS EQUIPMENT CORPORATION

For the three month periods ended March 31, 2020 and 2019

The accompanying notes are an integral part of these consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019

($ thousands)	Note	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 24,473**	$ 7,946
Accounts receivable and other assets		**84,456**	74,942
Inventories	5	**370,101**	319,619
Total current assets		**479,030**	402,507
Non-current assets			
Other long-term assets		**12,123**	13,599
Property and equipment		**139,202**	138,705
Intangible assets		**37,017**	38,015
Goodwill		**22,766**	22,897
Total non-current assets		**211,108**	213,216
Total assets		**$ 690,138**	$ 615,723
Liabilities			
Current liabilities			
Trade and other liabilities		**$ 77,814**	$ 63,183
Floor plan payables	6	**238,198**	182,379
Current portion of term debt	6	**10,199**	9,795
Current portion of lease obligation		**8,571**	8,799
Total current liabilities		**334,782**	264,156
Non-current liabilities			
Term debt	6	**44,544**	33,370
Lease obligation		**84,982**	84,084
Deferred income tax liability	7	**5,694**	6,975
Total non-current liabilities		**135,220**	124,429
Total liabilities		**470,002**	388,585
Equity			
Shareholders' capital	8	**87,115**	83,740
Deferred share plan		**6,268**	10,271
Other reserves		**5,202**	5,195
Accumulated other comprehensive loss		**(2,100)**	(136)
Retained earnings		**123,651**	128,068
Total equity		**220,136**	227,138
Total liabilities and equity		**$ 690,138**	$ 615,723

Approved by the Board:

"Peter Lacey" Director "Wendy Henkelman" Director

The accompanying notes are an integral part of these consolidated financial statements.

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss
For the three month periods ended March 31, 2020 and 2019

		Three month periods ended March 31	
($ thousands)	Note	2020	2019
Revenue			
Equipment sales		**$ 182,497**	$ 161,241
Parts		**49,914**	48,865
Service		**20,606**	20,197
Rentals and other		**3,860**	4,495
Total revenue		**256,877**	234,798
Cost of sales		**(213,343)**	(192,076)
Gross profit		**43,534**	42,722
Other (loss) income	9	**(3,286)**	1,105
Selling, general and administrative expense		**(40,512)**	(43,121)
(Loss) income from operating activities		**(264)**	706
Finance income		**158**	187
Finance costs		**(3,449)**	(3,037)
Net finance costs	10	**(3,291)**	(2,850)
Loss before income tax expense		**(3,555)**	(2,144)
Income tax recovery (expense)	7	**852**	(570)
Loss for the period		**(2,703)**	(2,714)
Other comprehensive loss			
Foreign currency translation differences for foreign operations, net of tax		**(1,964)**	(40)
Total comprehensive loss for the period		**(4,667)**	(2,754)
Net loss per share:			
Basic	11	**$** (0.17)	$ (0.17)
Diluted	11	**$** (0.17)	$ (0.17)

The accompanying notes are an integral part of these consolidated financial statements.

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the three month periods ended March 31, 2020 and 2019

Attributable to Equity Holders of the Company

($ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total
Balance December 31, 2018		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 142,765**	**$ 243,699**
Balance at January 1, 2019, as previously reported		86,540	8,693	5,195	506	142,765	243,699
Impact of change in accounting policy		-	-	-	-	690	690
Adjusted balances at January 1, 2019		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 143,455**	**$ 244,389**
Loss for the period		-	-	-	-	(2,714)	(2,714)
Foreign currency translation adjustments, net of tax		-	-	-	(40)	-	(40)
Total comprehensive loss for the year		-	-	-	(40)	(2,714)	(2,754)
Transactions with owners, recorded directly in equity							
Dividends to equity holders		-	-	-	-	(1,710)	(1,710)
Shares issued through DRIP		221	-	-	-	-	221
Shares issued through deferred share plan		175	(175)	-	-	-	-
Share-based payment transactions		-	1,289	-	-	-	1,289
Common shares repurchased		(689)	-	-	-	-	(689)
Transactions with owners		(293)	1,114	-	-	(1,710)	(889)
Balance March 31, 2019		**$ 86,247**	**$ 9,807**	**$ 5,195**	**$ 466**	**$ 139,031**	**$ 240,746**
Balance December 31, 2019		**$ 83,740**	**$ 10,271**	**$ 5,195**	**$ (136)**	**$ 128,068 $**	**$ 227,138**
Loss for the period		-	-	-	-	(2,703)	(2,703)
Foreign currency translation adjustments, net of tax		-	-	-	(1,964)	-	(1,964)
Total comprehensive loss for the period		-	-	-	(1,964)	(2,703)	(4,667)
Transactions with owners, recorded directly in equity							
Dividends to equity holders	8	-	-	-	-	(1,714)	(1,714)
Shares issued through DRIP	8	236	-	-	-	-	236
Shares issued through deferred share plan	8	3,139	(3,139)	-	-	-	-
Shares issued through option plan		-	-	7	-	-	7
Share-based payment transactions		-	(864)	-	-	-	(864)
Transactions with owners		3,375	(4,003)	7	-	(1,714)	(2,335)
Balance March 31, 2020		**$ 87,115**	**$ 6,268**	**$ 5,202**	**$ (2,100)**	**$ 123,651**	**$ 220,136**

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statement of Cash Flows

For the three month periods ended March 31, 2020 and 2019

		Three month periods ended March 31	
($ thousands)	Note	**2020**	**2019**
Loss for the period		**$ (2,703)**	$ (2,714)
Adjustments for:			
Income tax (recovery) expense	7	**(852)**	570
Depreciation		**4,383**	4,492
Amortization of intangibles		**887**	1,251
Equity-settled share-based payment transactions		**(856)**	1,289
Net finance costs	10	**3,394**	3,107
Unrealized foreign exchange loss (gain)	9	**4,077**	(598)
Non-cash impairment of inventories	5	**375**	273
(Gain) on sale of property and equipment	9	**(136)**	(163)
Change in non-cash working capital	12	**1,804**	(17,859)
Cash provided from (used in) operating activities		**10,373**	(10,352)
Cash taxes paid		**(178)**	(4,505)
Interest paid		**(3,552)**	(3,293)
Net cash provided from (used in) operating activities		**6,643**	(18,150)
Cash flows from investing activities			
Interest received		**158**	187
Purchase of property and equipment		**(1,635)**	(3,641)
Payments for intangible assets		**(92)**	(84)
Proceeds from disposal of property and equipment		**375**	327
Net cash (used in) investing activities		**(1,194)**	(3,211)
Cash flows from financing activities			
Net proceeds from term debt		**11,983**	20,513
Dividends paid		**(1,453)**	(1,334)
Payment of lease obligation		**(1,945)**	(1,379)
Receipt of deposits with manufacturers		**114**	455
Purchase of common shares	8	**-**	(689)
Net cash provided from financing activities		**8,699**	17,566
Increase (decrease) in cash and cash equivalents		**14,148**	(3,795)
Effect of foreign currency translation on cash		**2,379**	251
Cash and cash equivalents, beginning of period		**7,946**	6,106
Cash and cash equivalents, end of period		**$ 24,473**	$ 2,562

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 5201 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The unaudited condensed interim consolidated financial statements of the Company as at and for the period ended March 31, 2020, comprise the Company and its subsidiaries.

Cervus provides equipment solutions to customers in agriculture, transportation, and industrial markets across Canada, Australia, and New Zealand. Throughout its territories and across its diverse markets, Cervus dealerships are united in delivering sales and support of the market-leading equipment our customers depend on to earn a living. The Company operates 63 Cervus dealerships and is the authorized representative of leading Original Equipment Manufacturers ("OEMs") including: John Deere agricultural equipment; Peterbilt transportation equipment; and Clark, Sellick, Doosan, JLG and Baumann material handling equipment. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

2. Basis of Preparation

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The unaudited condensed interim financial information should be read in conjunction with the audited annual consolidated financial statements prepared for the year ended December 31, 2019.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on May 13, 2020.

(b) Use of Judgements and Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2019. The uncertainty of estimates and judgments increases in periods of high market volatility and rapid unprecedented change, which is currently occurring due to impacts of COVID-19 (see Note 15).

3. Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2019.

4. Seasonality

The Canadian, New Zealand and Australian retailing of agriculture, transportation, and industrial equipment is influenced by seasonality. Sales activity for the Agriculture segment is normally highest between April and September during growing seasons in Canada and July through December in New Zealand and Australia. Sales in the Transportation and Industrial segments are not as heavily impacted by seasonality but do see slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

5. Inventories

($ thousands)	**March 31, 2020**	December 31, 2019
New equipment	**$ 183,541**	$ 149,025
Used equipment	**131,148**	118,754
Parts and accessories	**54,144**	50,607
Work-in-progress	**1,268**	1,233
Total inventories	**$ 370,101**	$ 319,619

Included in costs of sales are amounts related to inventory impairments of $0.4 million and $0.3 million expense for the three month periods ended March 31, 2020 and 2019, respectively.

6. Loans and Borrowings

Pre-Approved Credit Limits and Available Credit Facilities

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at March 31, 2020, are as follows:

	March 31, 2020				December 31, 2019			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,095**	**37,095**	**9,600**	**75,400**	122,735	25,788	9,600	87,347
Capital facilities	**(a)**	**9,248**				9,367		
Floor plan facilities and rental equipment term loan financing	**(b)**	**246,855**				190,670		
Total borrowing		**293,198**				225,825		
Total current portion long term debt		**(10,199)**				(9,795)		
Total inventory floor plan facilities		**(238,198)**				(182,379)		
Deferred debt issuance costs		**(257)**				(281)		
Total long term debt		**44,544**				33,370		

(a) For capital facilities, the additional amount available under the facilities is limited to the pre-approved credit limit of $9.3 million (December 31, 2019 - $9.4 million). The Company has unencumbered assets available for financing which are estimated at $7 million as at March 31, 2020 (December 31, 2019 - $7 million).

(b) For floorplan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $458 million (December 31, 2019 - $449 million) or the available unencumbered assets which are estimated at $18 million as at March 31, 2020 (December 31, 2019 - $17 million).

As at March 31, 2020, the Company is in compliance with all its covenants.

7. Income Taxes

Tax (Recovery) Expense

	Three month periods ended March 31	
($ thousands)	**2020**	**2019**
Current income tax expense	**$ 429**	$ 721
Deferred income tax (recovery)	**(1,281)**	(151)
Income tax (recovery) expense	**$ (852)**	$ 570

8. Capital and Other Components of Equity

The Company has unlimited authorized share capital without par value for all common shares. All issued common shares have been fully paid.

Share Capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2019	15,559	$ 86,540
Issued under the DRIP plan	19	221
Issued under the deferred share plan	14	175
Repurchased under the NCIB	(53)	(689)
Balance at March 31, 2019	15,539	86,247
Issued under the DRIP plan	49	549
Issued under the deferred share plan	17	195
Repurchased under the NCIB	(256)	(3,251)
Balance at December 31, 2019	15,349	83,740
Issued under the DRIP plan	**30**	**236**
Issued under the deferred share plan	**195**	**3,139**
Repurchased under the NCIB	**-**	**-**
Balance at March 31, 2020	**15,574**	**$ 87,115**

9. Other Income

Other (loss) income for the three month periods ended March 31, 2020 and 2019 is comprised of the following:

	Three month periods ended March 31	
($ thousands)	**2020**	**2019**
Net gain on sale of property and equipment	**$ 136**	$ 163
Unrealized foreign exchange (loss) gain[(a)]	**(4,077)**	598
Other income	**655**	344
Total other (loss) income	**$ (3,286)**	$ 1,105

(a) Unrealized foreign exchange (loss) gain is due to changes in fair value of our foreign exchange derivatives and from period close translation of accounts payable and floorplan payables denominated in U.S. dollars.

10. Finance Income and Finance Costs

	Three month periods ended March 31	
($ thousands)	**2020**	**2019**
Finance income	**$ 158**	$ 187
Interest expense on mortgage and term debt obligations	**(436)**	(476)
Interest expense on financial liabilities	**(3,116)**	(2,818)
Finance costs	**$ (3,552)**	$ (3,294)
Net finance costs recognized separately	**(3,291)**	(2,850)
Net finance costs recognized in cost of sales	**(103)**	(257)
Total net finance costs	**$ (3,394)**	$ (3,107)

11. Earnings per Share

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Company as the numerator. No adjustments to net earnings were necessary for the three month periods ended March 31, 2020 and 2019.

Weighted Average Number of Common Shares

The weighted average number of shares for the purposes of diluted loss per share is as follows:

	Three month periods ended March 31	
($ thousands)	**2020**	**2019**
Issued common shares opening	**15,349**	15,559
Effect of shares issued under the DRIP plan	**25**	16
Effect of shares issued under the deferred share plan	**104**	1
Effect of shares repurchased from NCIB	**-**	(30)
Weighted average number of common shares	**15,478**	15,546

Weighted Average Number of Diluted Shares

The calculation of diluted loss per share at March 31, 2020 and 2019 was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. All deferred share units of 0.6 million for the period ended March 31, 2020 (2019 – 1.0 million) have been excluded, as they are considered anti-dilutive.

12. Supplemental Cash Flow Information

	Three month periods ended March 31	
($ thousands)	**2020**	**2019**
Changes in non-cash working capital:		
Inventory	**(54,287)**	(50,676)
Floorplan	**49,360**	28,515
Trade and other receivables	**(10,159)**	5,128
Trade and other liabilities	**16,890**	(826)
Total change in non-cash working capital	**1,804**	(17,859)

13. Segment Information

For management purposes, the Company is organized into divisions based on the nature of the services and products provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment. The Company has four reportable segments: Agriculture, Transportation, Industrial, and Corporate.

Corporate expenses consist of certain overheads and shared services provided to the divisions, along with public company costs, salaries, share-based compensation, office and administrative costs relating to corporate employees and officers, and interest cost on general corporate borrowings.

Financial information for each reportable segment is presented in the table below, which includes the disaggregation of revenues by type of service or good.

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Three months ended March 31, 2020					
Revenue					
Equipment sales	$ 134,129	$ 43,717	$ 4,651	$ -	**$ 182,497**
Parts	22,228	25,063	2,623	-	**49,914**
Service	10,390	7,842	2,374	-	**20,606**
Rentals and other	1,020	758	2,082	-	**3,860**
Total revenue	$ 167,767	$ 77,380	$ 11,730	$ -	**$ 256,877**
Total other income (loss)	234	(3,609)	89	-	**(3,286)**
Depreciation and amortization	3,124	1,348	674	124	**5,270**
Finance income	36	-	-	122	**158**
Finance expense including amounts in costs of sales	(1,984)	(1,136)	(80)	(352)	**(3,552)**
Income (loss) for the period before income tax	1,579	(2,953)	62	(2,243)	**(3,555)**
Capital additions	689	257	11	678	**1,635**
Segmented assets and liabilities as at March 31, 2020					
Reportable segment assets	$ 385,253	$ 215,091	$ 25,359	$ 64,435	**$ 690,138**
Intangible assets	23,236	9,943	3,838	-	**37,017**
Goodwill	19,553	2,546	667	-	**22,766**
Reportable segment liabilities	248,040	164,166	14,693	43,103	**470,002**

13. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Three months ended March 31, 2019					
Revenue					
Equipment sales	$ 123,154	$ 31,584	$ 6,503	$ -	$ 161,241
Parts	20,584	25,466	2,815	-	48,865
Service	10,103	7,894	2,200	-	20,197
Rentals and other	1,359	952	2,184	-	4,495
Total revenue	$ 155,200	$ 65,896	$ 13,702	$ -	$ 234,798
Total other income	14	680	208	203	1,105
Depreciation and amortization	3,201	1,620	808	114	5,743
Finance income	53	-	1	133	187
Finance expense including amounts in costs of sales	(1,894)	(919)	(92)	(389)	(3,294)
(Loss) income for the period before income tax	(1,002)	763	322	(2,227)	(2,144)
Capital additions	1,311	216	73	2,041	3,641
Segmented assets and liabilities as at March 31, 2019					
Reportable segment assets	$ 408,440	$ 167,950	$ 29,374	$ 56,000	$ 661,764
Intangible assets	26,610	10,761	4,038	-	41,409
Goodwill	18,623	2,546	667	-	21,836
Reportable segment liabilities	247,869	115,461	15,777	41,910	421,017

The Company primarily operates in Canada, but includes subsidiaries in Australia (Cervus Australia Pty Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.), which together operate 15 agriculture equipment dealerships. Gross revenues for the three month periods ended March 31, 2020, for the New Zealand and Australian territories were $43 million (2019 – $44 million). Non-current assets for New Zealand and Australia as at March 31, 2020, were $29 million (2019 – $31 million). The Australia and New Zealand operations are included in the Agriculture Segment.

14. Commitments and Contingencies

The Company is a defendant and plaintiff in various legal actions that arise in the normal course of business. The Company believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

Financing Arrangements

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2020, payments in arrears by such customers aggregated \$1.3 million (2019 - \$0.9 million).

In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2020, the net residual value of such leases aggregated \$307 million (2019 - \$318 million). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

15. COVID-19 Impact

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, Australia and New Zealand, the countries where the Company operates, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. In addition, global oil prices have declined significantly due to a collapse in demand due to COVID-19. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. The factors may impact customer demand, cause disruptions to our operations and supply chains, result in increased government regulation, all of which many negatively impact the business, financial results and conditions of the Company.

The majority of the Company's operations are concentrated in the agricultural and distribution sectors of the economy, both of which are critical and essential components of the supply chain. Management has implemented business continuity plans and are committed to supporting our customers through these trying times, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is unknown at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period. Estimates at March 31, 2020 could change materially as the impact of the COVID-19 pandemic and its impact on the economy and the clients the Company serves continues to evolve.