Cervus Equipment Corporation Management's Discussion + Analysis

FOR THE PERIOD FROM JANUARY 1, 2020 TO SEPTEMBER 30, 2020

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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 and nine months ended September 30, 2020. It was prepared as of November 3, 2020. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 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 64 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: 38 John Deere dealership locations with 15 operating in Alberta, 6 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 7 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, precision agriculture, 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.

Third Quarter Consolidated Results

($ thousands, except per share amounts)	Three month periods ended September 30 2020	% Change Compared to 2019	2019	Nine month periods ended September 30 2020	% Change Compared to 2019	2019
Equipment revenue	**259,871**	14%	228,637	**702,254**	11%	634,342
Product support revenue	**96,292**	9%	88,445	**251,755**	3%	245,143
Total revenue	**356,163**	12%	317,082	**954,009**	8%	879,485
Cost of sales before inventory impairment	**(297,845)**	12%	(264,906)	**(799,327)**	9%	(733,525)
Inventory impairment	**(1,329)**	(86%)	(9,329)	**(3,032)**	(78%)	(13,510)
Gross profit	**56,989**	33%	42,847	**151,650**	14%	132,450
Total other income	**6,496**		766	**6,920**		3,261
Equipment commissions	**(4,219)**	25%	(3,366)	**(10,896)**	21%	(9,012)
G&A expenses	**(38,669)**	(1%)	(39,133)	**(113,308)**	(5%)	(119,005)
Income from operating activities	**20,597**		1,114	**34,366**		7,694
Net finance costs	**(2,293)**	(33%)	(3,422)	**(8,350)**	(11%)	(9,333)
Income (loss) before income tax expense	**18,304**		(2,308)	**26,016**		(1,639)
Income tax (expense) recovery	**(5,281)**		633	**(6,420)**		69
Income (loss) for the period	**13,023**		(1,675)	**19,596**		(1,570)
EBITDA[(1)]	**26,410**	221%	8,230	**51,580**	90%	27,104
Ratios						
Gross profit margin as a % of revenue	**16.0%**		13.5%	**15.9%**		15.1%
Total SG&A as a % of gross profit	**75.3%**		99.2%	**81.9%**		96.7%
Income (loss) per share						
Basic	**0.84**		(0.11)	**1.26**		(0.10)
Diluted	**0.81**		(0.11)	**1.21**		(0.10)
Basic - Adjusted[(1)]	**0.57**		(0.10)	**1.03**		(0.15)
Reconciliation of adjusted income (loss) before income tax expense:						
Income (loss) before income tax expense	**18,304**		(2,308)	**26,016**		(1,639)
Adjustments:						
Unrealized foreign exchange (gain) loss included in other income	**(667)**		207	**1,045**		(1,016)
Government wage subsidies	**(5,050)**		-	**(5,868)**		-
Adjusted income (loss) before income tax expense[(1)]	**12,587**		(2,101)	**21,193**		(2,655)

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

Third Quarter Overview

Increased performance and profitability were delivered across all segments, accomplishing $13 million in adjusted income before income tax in the quarter, a $15 million increase compared to the prior period.

The results of the quarter demonstrate progress towards our strategic performance objectives, despite the impact of COVID-19. We achieved a 9% increase in overall product support revenue, a 33% increase in gross profit, and G&A expense reductions, culminating in the $15 million improvement in adjusted income before income tax. During the year we surpassed our used equipment inventory turn[1] objective in Agriculture and reduced inventory levels across all segments, bolstering our already healthy balance sheet and generating $49 million in adjusted free cash flow[1] for the year to date period.

In our Agriculture segment, total revenue increased 17% with significant contributions from both equipment and product support sales. This revenue growth translated to a 56% increase in gross profit through improved margins and focused delivery of sales strategies, and an $8 million reduction in inventory impairments. Increased product support gross profit, along with sustainable cost reductions, resulted in Agriculture absorption[1] improving to 94% for September 30, 2020 year to date, compared to 87% in the prior period. These results were enabled by strategic product support sales and growth initiatives, enhanced by an earlier harvest and favourable growing conditions.

Our Transportation and Industrial segments contributed a nearly threefold increase in adjusted income before income tax in the quarter, despite being most heavily impacted by the adverse economic conditions presented by the pandemic. Transportation new equipment revenue rebounded relative to a slow second quarter, as we were successful in completing truck orders previously deferred due to COVID-19. This resulted in a $55 million reduction in new truck inventory compared to the end of the first quarter. Both segments continue to manage costs in alignment with customer activity levels, while seeking areas of growth within the existing market.

During the third quarter, the Government of Canada enacted changes to the existing Canada Emergency Wage Subsidy legislation. As a result, Cervus' Transportation and Industrial segments qualified for $5 million of wage subsidy for the months of April, May and June 2020. This has been reported in other income in the current quarter and is excluded in the calculation of adjusted income.

Revenue

Total revenue increased 12% in the quarter, comprised of a 17% increase in Agriculture revenue, a 6% increase in Transportation revenue, partly offset by 21% decrease in Industrial revenue.

In our Agriculture segment, our sales team aligned re-conditioned and attractively priced used equipment with the needs of customers through the Western Canada harvest window, resulting in used equipment revenue increasing 22% in the quarter and 25% year to date. Product support revenue increased 19% in the quarter and 14% year to date, as we continue to execute on strategic parts initiatives, including the opening of our new dealership in Nipawin, Saskatchewan during the second quarter, driving increases in over the counter, on-site, and online parts revenue.

Transportation new equipment revenue increased 12% in the quarter, as the easing of COVID-19 restrictions on the Ontario construction industry supported our focused efforts to deliver vocational truck orders in season. Year to date new equipment revenue increased 6%, as the rebound in third quarter sales more than offset the decrease in the second quarter of the year. While showing some signs of recovery, product support revenue declined 2% in the quarter and 6% year to date, resulting from the broader economic impacts of COVID-19.

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

Gross Profit

The 12% increase in equipment and product support revenues in the quarter and 8% increase year to date, combined with the significant reduction in inventory impairments of $8 million in the quarter and $10 million year to date, resulted in gross profit increasing 33% in the quarter and 14% year to date. Actions to improve our Agriculture equipment sales and trade-in practices, resulted in enhanced marketability and accelerated turnover of used equipment inventory, substantially reducing inventory impairments compared to the prior year.

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

G&A expenses, which exclude equipment commissions, decreased 1% or $0.5 million in the quarter and 5% or $6 million year to date. These costs reductions were achieved despite recognizing performance incentives and a pandemic bonus to front-line workers in 2020, compared to 2019 when no performance incentives were earned. Excluding the current period increase in performance incentives, G&A decreased 13% or $5 million in the quarter and 9% or $11 million year to date.

Net finance costs decreased 33% in the quarter and 11% year to date, resulting from reductions in inventory levels and interest rates.

Income

Income before income tax increased $21 million in the quarter and $28 million year to date, including wage subsidies reported in other income of $5 million and $6 million, respectively.

The increase in equipment and product support revenues, reduced inventory impairments and a decrease in G&A expenses, as discussed above, resulted in adjusted income before income tax increasing $15 million for the quarter and $24 million year to date.

Balance Sheet

Inventory

Total inventory decreased $115 million from September 30, 2019, including a $95 million decrease in the Agriculture segment and a $20 million decrease in the Transportation segment. This decrease in inventory, combined with strong used sales in the quarter, resulted in Agriculture used equipment turnover for the trailing twelve-month period ended September 30, 2020, improving to 2.78 times from 1.65 times at September 30, 2019.

Shareholder Distributions

During the second quarter of 2020, the Company announced a temporary reduction in the quarterly dividend to fund increased activity under the existing Normal Course Issuer Bid ("NCIB"). This temporary reallocation of funds was made in response to market conditions that have provided the opportunity to buy Cervus shares at a discount to tangible book value.

The Company repurchased 290 thousand shares under its NCIB at a cost of $2.1 million in the three and nine months ended September 30, 2020.

A quarterly dividend of $0.015 per share was declared to shareholders of record as at September 30, 2020.

Business Segment Results

The Company has four reportable segments, as outlined in the 'Company Overview', and presented in Note 12 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 Third Quarter Business Segment Results

Below is a summary of Cervus' segment results for the three months ended September 30, 2020 and 2019.

Three months ended September 30, 2020 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**259,871**	203,819	52,147	3,905	-
Product support revenue	**96,292**	56,689	32,791	6,812	-
Gross profit	**56,989**	39,265	13,839	3,885	-
Total other income	**6,496**	65	5,117	1,314	-
Selling, general and administrative expense	**(42,888)**	(26,151)	(11,293)	(3,095)	(2,349)
Net finance costs	**(2,293)**	(1,485)	(727)	(72)	(9)
Income (loss) before income tax expense	**18,304**	11,694	6,936	2,032	(2,358)
Unrealized foreign exchange (gain) included in other income	**(667)**	-	(646)	(21)	-
Government wage subsidies	**(5,050)**	-	(3,869)	(1,181)	-
Adjusted income (loss) before income tax expense[1]	**12,587**	11,694	2,421	830	(2,358)

Three months ended September 30, 2019 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**228,637**	175,480	47,028	6,129	-
Product support revenue	**88,445**	47,551	33,462	7,432	-
Gross profit	**42,847**	25,108	13,546	4,193	-
Total other income (loss)	**766**	595	(25)	196	-
Selling, general and administrative expense	**(42,499)**	(24,847)	(12,279)	(3,750)	(1,623)
Net finance costs	**(3,422)**	(2,102)	(779)	(60)	(481)
(Loss) income before income tax expense	**(2,308)**	(1,246)	463	579	(2,104)
Unrealized foreign exchange loss (gain) included in other income	**207**	-	226	(19)	-
Adjusted (loss) income before income tax expense[1]	**(2,101)**	(1,246)	689	560	(2,104)

Below is a summary of Cervus' segment results for the nine months ended September 30, 2020 and 2019.

Nine months ended September 30, 2020 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**702,254**	534,049	155,409	12,796	-
Product support revenue	**251,755**	135,018	96,630	20,107	-
Gross profit	**151,650**	99,247	40,603	11,800	-
Total other income	**6,920**	1,389	4,092	1,439	-
Selling, general and administrative expense	**(124,204)**	(71,891)	(35,245)	(10,811)	(6,257)
Net finance costs	**(8,350)**	(4,832)	(2,882)	(190)	(446)
Income (loss) before income tax expense	**26,016**	23,913	6,568	2,238	(6,703)
Unrealized foreign exchange loss included in other income	**1,045**	-	951	94	-
Government wage subsidies	**(5,868)**	(818)	(3,869)	(1,181)	-
Adjusted income (loss) before income tax expense[1]	**21,193**	23,095	3,650	1,151	(6,703)

Nine months ended September 30, 2019 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**634,342**	466,290	149,191	18,861	-
Product support revenue	**245,143**	118,813	103,139	23,191	-
Gross profit	**132,450**	74,866	44,098	13,486	-
Total other income	**3,261**	1,037	1,486	598	140
Selling, general and administrative expense	**(128,017)**	(72,164)	(38,181)	(11,932)	(5,740)
Net finance costs	**(9,333)**	(5,529)	(2,374)	(197)	(1,233)
(Loss) income before income tax expense	**(1,639)**	(1,790)	5,029	1,955	(6,833)
Unrealized foreign exchange (gain) included in other income	**(1,016)**	-	(995)	(21)	-
Adjusted (loss) income before income tax expense[1]	**(2,655)**	(1,790)	4,034	1,934	(6,833)

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

Agriculture Segment Results

($ thousands)	Three month periods ended September 30 2020	% Change Compared to 2019	2019	Nine month periods ended September 30 2020	% Change Compared to 2019	2019
Equipment						
New equipment	**89,318**	9%	81,679	**284,325**	7%	266,272
Used equipment	**114,501**	22%	93,801	**249,724**	25%	200,018
Total equipment revenue	**203,819**	16%	175,480	**534,049**	15%	466,290
Product support revenue	**56,689**	19%	47,551	**135,018**	14%	118,813
Total revenue	**260,508**	17%	223,031	**669,067**	14%	585,103
Cost of sales before inventory impairment	**(220,247)**	17%	(188,609)	**(567,612)**	14%	(496,833)
Inventory impairment	**(996)**	(89%)	(9,314)	**(2,208)**	(84%)	(13,404)
Gross profit	**39,265**	56%	25,108	**99,247**	33%	74,866
Total other income	**65**	(89%)	595	**1,389**	34%	1,037
Equipment commissions	**(3,552)**	31%	(2,710)	**(9,017)**	30%	(6,916)
G&A expenses	**(22,599)**	2%	(22,137)	**(62,874)**	(4%)	(65,248)
Income from operating activities	**13,179**		856	**28,745**		3,739
Net finance costs	**(1,485)**	(29%)	(2,102)	**(4,832)**	(13%)	(5,529)
Income (loss) before income tax expense	**11,694**		(1,246)	**23,913**		(1,790)
EBITDA[(1)]	**16,663**	238%	4,932	**38,722**	168%	14,453
Ratios						
Gross profit margin as a % of revenue	**15.1%**		11.3%	**14.8%**		12.8%
Total SG&A as a % of gross profit	**66.6%**		99.0%	**72.4%**		96.4%
Reconciliation of adjusted income (loss) before income tax expense:						
Income (loss) before income tax expense	**11,694**		(1,246)	**23,913**		(1,790)
Adjustments:						
Government wage subsidies	**-**		-	**(818)**		-
Adjusted income (loss) before income tax expense[(1)]	**11,694**		(1,246)	**23,095**		(1,790)

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

Revenue and Gross Profit

Our sales team's successful efforts to align re-conditioned and attractively priced used equipment, with customer purchasing decisions through the harvest window, resulted in used equipment revenue increasing 22% in the quarter and 25% year to date. Accelerated marketing of new equipment resulted in a 9% increase in the quarter and 7% year to date, as customers displayed continued preference towards used equipment, following two consecutive years of reduced farm net cash income.

Continued execution on strategic initiatives to increase parts revenue, as well as the utilization of our online platform and the opening of our new dealership in Nipawin, Saskatchewan during the second quarter, drove a 26% increase in parts revenue in the quarter and 20% year to date. This increase, combined with stable service revenue, resulted in product support revenue increasing 19% in the quarter and 14% year to date.

Favourable weather conditions in our Western Canada region resulted in good crop quality and yield for producers, with harvest mostly complete by the end of the quarter. This has been a boost to farmer sentiment and a positive indicator for 2021, while also shifting harvest related activity earlier than in 2019, when challenging conditions delayed harvest into the fourth quarter.

The increase in equipment and product support revenues, combined with the significant reduction in inventory impairments of $8 million in the quarter and $11 million year to date, resulted in gross profit increasing 56% in the quarter and 33% year to date.

SG&A and Net Finance Costs

G&A expense, excluding equipment commissions, increased 2% or $0.5 million in the quarter, but decreased $1.9 million or 9% when excluding the increase in variable compensation resulting from improved segment performance relative to 2019. Continued commitment to disciplined management over expenses, as well as restructuring initiatives undertaken in the second half of 2019, resulted in a 4% decrease in year to date G&A expenses.

Our focus on right sizing our inventory levels drove a $95 million decrease in Agriculture inventory quarter over quarter, resulting in a 29% decrease in net finance costs in the quarter and 13% year to date. Managing floorplans, to utilize certain interest-free periods provided by manufacturers, reduced interest otherwise payable to John Deere from $0.5 million to $0.1 million in the quarter and from $2.0 million to $0.3 million year to date.

Income

Income before income tax increased $13 million in the quarter and $26 million year to date, primarily the result of increased gross profit and management of G&A expenses, as discussed above.

Of the $13 million quarter over quarter increase in income before tax, $11 million relates to our Canadian operations and $2.2 million is from our Australia and New Zealand operations. Year to date, of the $26 million increase in income before tax, $19 million relates to our Canadian agriculture operations and $6 million is from our Australia and New Zealand operations. The increased profitability from our Australia and New Zealand operations was driven by the new management team established in late 2019 and strategic initiatives to grow product support revenue, supported by positive growing conditions and a tax incentive on capital expenditures in Australia.

Included in the year to date results is an $0.8 million government wage subsidy received by our New Zealand agriculture operations related to the COVID-19 pandemic, which has been report in other income and excluded in the calculation of adjusted income before income tax.

Transportation Segment Results

($ thousands)	Three month periods ended September 30 2020	% Change Compared to 2019	2019	Nine month periods ended September 30 2020	% Change Compared to 2019	2019
Equipment						
New equipment	**50,517**	12%	44,957	**150,708**	6%	142,251
Used equipment	**1,630**	(21%)	2,071	**4,701**	(32%)	6,940
Total equipment revenue	**52,147**	11%	47,028	**155,409**	4%	149,191
Product support revenue	**32,791**	(2%)	33,462	**96,630**	(6%)	103,139
Total revenue	**84,938**	6%	80,490	**252,039**	(0%)	252,330
Cost of sales before inventory impairment	**(70,815)**	6%	(66,966)	**(210,770)**	1%	(208,209)
Inventory impairment	**(284)**		22	**(666)**		(23)
Gross profit	**13,839**	2%	13,546	**40,603**	(8%)	44,098
Total other income (loss)	**5,117**		(25)	**4,092**		1,486
Equipment commissions	**(523)**	16%	(449)	**(1,407)**	(3%)	(1,451)
G&A expenses	**(10,770)**	(9%)	(11,830)	**(33,838)**	(8%)	(36,730)
Income from operating activities	**7,663**		1,242	**9,450**		7,403
Net finance costs	**(727)**	(7%)	(779)	**(2,882)**	21%	(2,374)
Income before income tax expense	**6,936**		463	**6,568**		5,029
EBITDA(1)	**9,039**	188%	3,141	**13,801**	8%	12,763
Ratios						
Gross profit margin as a % of revenue	**16.3%**		16.8%	**16.1%**		17.5%
Total SG&A as a % of gross profit	**81.6%**		90.6%	**86.8%**		86.6%
Reconciliation of adjusted income before income tax expense:						
Income before income tax expense	**6,936**		463	**6,568**		5,029
Adjustments:						
Unrealized foreign exchange (gain) loss included in other income	**(646)**		226	**951**		(995)
Government wage subsidies	**(3,869)**		-	**(3,869)**		-
Adjusted income before income tax expense(1)	**2,421**	251%	689	**3,650**	(10%)	4,034

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

Revenue and Gross Profit

Transportation new equipment revenue increased 12% in the quarter, as we successfully delivered truck orders previously deferred by customers due to the pandemic. The easing of COVID-19 restrictions on the Ontario construction industry, supported our focused efforts to deliver vocational truck orders in season. This rebound in truck sales in the third quarter more than offset the decrease in new equipment sales in the second quarter, resulting in new equipment revenue increasing 6% year to date.

Product support revenue has shown signs of recovery as COVID-19 related restrictions began to alleviate, evidenced by an 2% decrease in the third quarter relative to a 15% decline in the second quarter, compared to the prior year. Year to date product support revenue decreased 6%, resulting from reduced transportation activity, and related demand for equipment repair, tied to slowdowns and shutdowns in economic activity as a result of COVID-19.

The increase in equipment revenue offset the impact of reduced product support revenue in the quarter, resulting in a 2% increase in gross profit. However, the impact of COVID-19 on the first half of the year resulted in an 8% decrease in gross profit year to date. The decrease in gross profit margin, as a percent of revenue, reflects the sales mix impact of equipment revenue comprising a larger percentage of overall revenue in the quarter and year to date, combined with increased inventory impairments.

G&A and Net Finance Costs

Decisive actions, taken to manage expenses commensurate with customer activity in the segment, resulted in a 9% decrease in G&A expenses, excluding equipment commissions, in the quarter and 8% year to date.

The $21 million decrease in new equipment inventory, compared to the third quarter of 2019, contributed to the $0.1 million decrease in net finance costs in the quarter. Net finance costs increased $0.5 million year to date due to higher inventory levels through the first half of the year, partly attributable to customers deferring delivery of trucks in the second quarter due to the COVID-19 pandemic. At September 30, 2020, approximately 10% (September 30, 2019 – 30%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest-free periods in place.

Income

Income before income tax increased $6 million in the quarter and $1.5 million year to date, including $3.9 million of wage subsidy reported in other income.

Adjusted income before income tax increased $1.7 million in the quarter, driven by the increase in equipment revenue and the reduction in G&A expenses. Year to date adjusted income before income tax decreased by $0.4 million as improved profitability in the first and third quarters was offset by the impact of COVID-19 during the second quarter of the year.

The increase in the unrealized foreign exchange gain in the quarter was due to the appreciation 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 September 30 2020	% Change Compared to 2019	2019	Nine month periods ended September 30 2020	% Change Compared to 2019	2019
Equipment						
New equipment	**3,396**	(33%)	5,092	**10,139**	(35%)	15,516
Used equipment	**509**	(51%)	1,037	**2,657**	(21%)	3,345
Total equipment revenue	**3,905**	(36%)	6,129	**12,796**	(32%)	18,861
Product support revenue	**6,812**	(8%)	7,432	**20,107**	(13%)	23,191
Total revenue	**10,717**	(21%)	13,561	**32,903**	(22%)	42,052
Gross profit	**3,885**	(7%)	4,193	**11,800**	(13%)	13,486
Total other income	**1,314**		196	**1,439**		598
Equipment commissions	**(144)**	(30%)	(207)	**(472)**	(27%)	(646)
G&A expenses	**(2,951)**	(17%)	(3,543)	**(10,339)**	(8%)	(11,286)
Income from operating activities	**2,104**	229%	639	**2,428**	13%	2,152
Net finance costs	**(72)**	20%	(60)	**(190)**	(4%)	(197)
Income before income tax expense	**2,032**	251%	579	**2,238**	14%	1,955
EBITDA(1)	**2,818**	82%	1,551	**4,557**	(5%)	4,781
Ratios						
Gross profit margin as a % of revenue	**36.3%**		30.9%	**35.9%**		32.1%
Total SG&A as a % of gross profit	**79.7%**		89.4%	**91.6%**		88.5%
Reconciliation of adjusted income before income tax expense:						
Income before income tax expense	**2,032**	251%	579	**2,238**	14%	1,955
Adjustments:						
Unrealized foreign exchange (gain) loss included in other income	**(21)**		(19)	**94**		(21)
Government wage subsidies	**(1,181)**		-	**(1,181)**		-
Adjusted income before income tax expense(1)	**830**	48%	560	**1,151**	(40%)	1,934

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

Revenue and Gross Profit

The economic impact of the pandemic continued to compound an already prolonged period of reduced resource related activity, resulting in equipment revenue decreasing 36% in the quarter and 32% year to date. Product support revenue has shown signs of recovery as COVID-19 related restrictions began to alleviate, evidenced by an 8% decrease in the third quarter relative to a 27% decline in the second quarter, compared to the prior year. Year to date product support revenue decreased 13%, as COVID-19 related restrictions continue to limit training capacity and the ability to complete routine scheduled maintenance at some customers' sites.

Gross profit decreased 7% in the quarter and 13% year to date 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

Decisive actions, taken to manage expenses commensurate with customer activity in the segment, resulted in a 17% decrease in G&A expenses, excluding equipment commissions, in the quarter and 8% year to date.

Net finance costs increased $0.1 million quarter over quarter and were flat year to date. At September 30, 2020, approximately 38% (September 30, 2019 – 53%) of the Industrial segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest-free periods in place.

Income

Income before income tax increased $1.5 million in the quarter and $0.3 million year to date, including $1.2 million of wage subsidy reported in other income.

Despite the impact of COVID-19 on revenue in the quarter, adjusted income before income tax increased $0.3 million due to the reduction in G&A expenses discussed above. Year to date adjusted income before income tax decreased by $0.8 million due to the significant impact of COVID-19 restrictions on results in the second quarter of the year.

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 pandemic's ultimate impact on our customers, and by extension, the Company and the industries in which we operate. Forecasts from both RBC and TD predict that the ability for economies to recover in 2021 will depend on ongoing government programs, low interest rates, the development of a vaccine, and improvement in labour market conditions.[2,3]

The Company's operations have been designated as essential services, essential for food production and the transportation of goods in the supply chain, necessary for everyday life. Our Agriculture operations have demonstrated resilience through the pandemic, while our Transportation and Industrial operations have been more heavily impacted by the broader economic implications of COVID-19 and the related restrictions on business activity. Where our operations are experiencing reduced activity, the Company has taken proactive measures to manage costs. The impact of COVID-19 on each segment is discussed in more detail below and in the section 'Business Segment Results'.

Cervus is committed to supporting our customers, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe. Our branches remain active and operational, and we have had sufficient equipment inventory across our segments to meet customer demand. Our OEMs have responsibly managed their production through this pandemic despite broader supply chain constraints, supplemented by our own sizable on-site parts inventory that we have enhanced as part of our business continuity plan.

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 net cash farm income, higher input costs, lower commodity prices, and uncertainty associated with international trade; all of which were compounded early in 2020 by rail disruptions and the broader economic implications of the COVID-19 pandemic.

In Alberta and Saskatchewan, the majority of producers have completed harvest, producing good quality crops supported by warm and dry weather, compared to the prior year when challenging conditions delayed harvest into the fourth quarter. Improved farmer sentiment on the completion of a successful harvest is a positive indicator for capital spending leading into 2021, although the earlier 2020 harvest may result in lower equipment and product support sales activity in the fourth quarter relative to the prior year.

In Australia, farmers are preparing for the harvest season, while various tax incentives and government programs continue to support consumer capital investment and the agriculture industry during the pandemic. In New Zealand, global uncertainty continues to impact farmers' confidence, although COVID-19 national restrictions have eased considerably relative to the second quarter of 2020.

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[2] RBC Economics, *Economic Conditions Improve but Bumpy Road Ahead*, September 2020, http://www.rbc.com/economics/economic-reports/quarterly-economic-update.html
[3] TD Economics, *Canadian Quarterly Economic Forecast,* September 2020, https://economics.td.com/ca-quarterly-economic-forecast

Transportation

The effects of COVID-19 have resulted in contractions in economic activity and output across Ontario's key industries. Disruptions in consumer activity and constraints in supply chain and global demand are expected to delay economic recovery in the province.[4] This decrease in economic activity has resulted in many customers, particularly underutilized fleets, choosing to defer capital expenditures. Our Saskatchewan dealerships have been similarly impacted, experiencing both the general decrease in economic activity related to COVID-19, compounded by the decline in the price of oil and related oilfield activity. 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 and win an increased share of the existing truck market.

PACCAR, the owner of Peterbilt, anticipates class 8 truck sales for 2020 to be in the range of 190,000 to 210,000 units in North America,[5] a slight increase from last quarter's estimated range of 160,000 to 190,000 units.[6] The anticipated truck sales represent a significant downward revision from the pre-pandemic estimated range of 230,000 to 260,000 units in early 2020,[7] which was consistent with a mid-cycle truck market.

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 negative economic impacts currently shared by the oil and gas sector.

Our dealerships have resumed training and preventative maintenance offerings to customers at reduced capacity, in order to comply with physical distancing requirements. 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 in line with business activity.

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[4] TD Economics, *Provincial Economic Forecast*, September 2020, https://economics.td.com/provincial-economic-forecast
[5] PACCAR, *PACCAR Achieves Strong Quarterly Revenues and Earnings*, October 2020, www.paccar.com
[6] PACCAR, *PACCAR Achieves Good Quarterly Revenues and Profits*, July 2020, www.paccar.com
[7] PACCAR, *PACCAR Achieves Record Annual Revenues and Net Income,* January 2020, www.paccar.com

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 **For the period ended September 30**	**2018**	**2019**	**2020**	**Annual Objective by 2024**
Return On Invested Capital ("ROIC")(1)				
Consolidated	12.7%	4.7%	10.5%	**> 20%**
Average Product Support Gross Profit Growth				
Consolidated	4.4%	5.0%	-1.2%	**8% - 10%**
Agriculture	0.8%	8.8%	5.0%	**8% - 10%**
Transportation	8.4%	-1.7%	-8.0%	**8% - 10%**
Industrial	9.7%	10.0%	-10.1%	**8% - 10%**
Absorption				
Agriculture	85%	87%	94%	**95% - 100%**
Transportation	109%	102%	101%	**110% - 115%**
Industrial	102%	102%	100%	**110% - 115%**
Equipment Inventory Turnover(1)(2)				
Agriculture	1.75	1.65	2.78	**> 2.5**
Transportation	3.18	3.11	2.45	**> 3.5**
Industrial	2.91	2.83	2.10	**> 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 equipment 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 nine months ended September 30, 2020 and 2019 are as follows:

Nine month periods ended September 30 ($ thousands)	2020	2019	Increase (Decrease) in Cash
Net income (loss)	19,596	(1,570)	21,166
Effect of non-cash items in net earnings & changes in working capital	51,608	22,241	29,367
Cash provided from operating activities	71,204	20,671	50,533
Cash (used in) investing activities	(4,771)	(11,464)	6,693
Cash (used in) financing activities	(50,203)	(9,006)	(41,197)
Net increase in cash	**16,230**	**201**	**16,029**
Effect of foreign exchange on cash	2,586	839	1,747
Cash, beginning of period	7,946	6,106	1,840
Cash, end of period	**26,762**	**7,146**	**19,616**

Operating Activities

The principal factors in the $51 million increase in operating cash flow year to date, compare to the prior year were:

- A $21 million increase in cash from improved profitability compared to the prior year.
- A $21 million increase in cash from changes in trade and other liabilities, primarily due to an increase in income tax payable and deposits with customers related to increased sales activity.
- A $14 million increase in cash from changes in cash taxes received in the period resulting from a tax refund received in the current year, relative to taxes paid in the prior year.

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

Nine month periods ended September 30 ($ thousands)	2020	2019	Increase (Decrease) in Cash
Changes in non-cash working capital:			
Inventory	**57,564**	(66,585)	124,149
Floorplan	**(73,892)**	47,855	(121,747)
Trade and other receivables	**11,065**	13,295	(2,230)
Trade and other liabilities	**25,776**	4,857	20,919
Total change in non-cash working capital	**20,513**	(578)	21,091

Investing Activities

The $7 million decrease in cash used in investing activities quarter over quarter was primarily attributable to a $9 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. The Company continues to invest in capital expenditures and technology that support our strategic objectives.

Financing Activities

The $41 million increase in cash used in financing activities was primarily attributable to a $42 million increase in cash used for repayments of term debt.

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 **Nine Month Periods Ended September 30** **($ thousands)**	**2020**	**2019**	**Increase (Decrease) in Cash**
Cash flow provided by operating activities	71,204	20,671	50,533
(-) Changes in non-cash working capital	(20,513)	578	(21,091)
(-) Purchase of property and equipment	(4,976)	(14,436)	9,460
(+) Purchase of dealerships & real estate	755	5,198	(4,443)
(+) Proceeds on disposal of property and equipment	2,030	1,708	322
(-) Proceeds on disposal of dealerships & real estate	-	-	-
Adjusted Free Cash Flow[(1)]	**48,500**	**13,719**	**34,781**

(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 tables show product support revenue by segment for the three and nine months ended September 30, 2020 and 2019:

Summary of Third Quarter Product Support Revenue

Three months ended September 30, 2020 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**70,970**	42,804	25,450	2,716
Service	**21,336**	12,491	6,583	2,262
Rental and other	**3,986**	1,394	758	1,834
Total product support revenue	**96,292**	56,689	32,791	6,812

Nine months ended September 30, 2020 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**178,324**	96,784	73,619	7,921
Service	**61,732**	34,139	20,911	6,682
Rental and other	**11,699**	4,095	2,100	5,504
Total product support revenue	**251,755**	135,018	96,630	20,107

Three months ended September 30, 2019 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**61,197**	34,000	24,446	2,751
Service	**23,061**	12,493	8,037	2,531
Rental and other	**4,187**	1,058	979	2,150
Total product support revenue	**88,445**	47,551	33,462	7,432

Nine months ended September 30, 2019 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**165,737**	80,791	76,051	8,895
Service	**65,643**	34,325	24,031	7,287
Rental and other	**13,763**	3,697	3,057	7,009
Total product support revenue	**245,143**	118,813	103,139	23,191

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	September 30 2020	December 31, 2019
Current assets	**336,284**	394,120
Total assets	**546,684**	607,336
Current liabilities	**210,005**	255,769
Long-term financial liabilities	**86,575**	117,454
Total equity	**243,297**	227,138
Working capital(1)	**126,279**	138,351
Working capital ratio(1)	**1.60**	1.54

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

Working Capital

Cervus' working capital decreased by $12 million to $126 million at September 30, 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 September 30, 2020, the Company had the ability to floor plan an additional $21 million of inventory and held $456 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 September 30, 2020, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. For the three and nine months ended September 30, 2020, the Company recognized inventory valuation adjustments through cost of goods sold expense of $1.3 million and $3.0 million (September 30, 2019 - $9.3 million and $14 million expense).

Inventory by segment as at September 30, 2020, compared to December 31, 2019, is as follows:

($ thousands)	September 30, 2020	December 31, 2019	Increase/ (Decrease)
Agriculture			
New	**60,867**	72,991	(12,124)
Used	**76,547**	113,691	(37,144)
Parts and other	**38,077**	30,614	7,463
Total inventory	**175,491**	217,296	(41,805)
Transportation			
New	**49,515**	70,785	(21,270)
Used	**3,821**	3,964	(143)
Parts and other	**22,558**	20,135	2,423
Total inventory	**75,894**	94,884	(18,990)
Industrial			
New	**4,944**	5,249	(305)
Used	**1,277**	1,100	177
Parts and other	**1,196**	1,090	106
Total inventory	**7,417**	7,439	(22)
Total inventory	**258,802**	319,619	(60,817)

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 September 30, 2020, compared to September 30, 2019. A summary of the movement is as follows:

($ thousands)	September 30, 2020	September 30, 2019	Increase/ (Decrease)
Agriculture			
New	**60,867**	90,264	(29,397)
Used	**76,547**	148,258	(71,711)
Parts and other	**38,077**	32,052	6,025
Total inventory	**175,491**	270,574	(95,083)
Transportation			
New	**49,515**	70,162	(20,647)
Used	**3,821**	3,847	(26)
Parts and other	**22,558**	21,466	1,092
Total inventory	**75,894**	95,475	(19,581)
Industrial			
New	**4,944**	5,504	(560)
Used	**1,277**	945	332
Parts and other	**1,196**	1,151	45
Total inventory	**7,417**	7,600	(183)
Total inventory	**258,802**	373,649	(114,847)

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 September 30, 2020 are as follows:

	September 30, 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	**122,203**	**-**	**9,600**	**112,603**	122,735	25,788	9,600	87,347
Capital facilities	**(a)**	**-**				9,367		
Floor plan facilities and rental equipment term loan financing	**(b)**	**111,092**				182,283		
Total borrowing		**111,092**				217,438		

(a) During the quarter, the Company repaid all amounts owing under its capital facilities, and there is no additional amount available under the facilities as at September 30, 2020. The additional amount available under the facilities was limited to the pre-approved credit limit of $9.4 million as at December 31, 2019.

The Company has unencumbered assets available for financing which are estimated at $16 million as at September 30, 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 $456 million (December 31, 2019 - $449 million) or the available unencumbered assets which are estimated at $21 million as at September 30, 2020 (December 31, 2019 - $17 million).

Operating and Other Bank Credit Facilities

At September 30, 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 September 30, 2020, there were no amounts 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.

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:

	September 30, 2020	December 31, 2019
Total liabilities to net worth ratio(1) (not exceeding 4.0:1.0)	**1.86**	2.64
Fixed charge coverage ratio(2) (greater than or equal to 1.10:1.00)	**2.69**	1.57
Asset coverage ratio(3) (greater than 3.0:1.0)	**25.95**	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.

During the third quarter of 2019, the definition of adjusted EBITDA was amended to exclude certain restructuring costs. This definition was further amended in the third quarter of 2020 to include amounts received under the Canada Emergency Wage Subsidy and to exclude a one-time bonus payment to employees.

(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 September 30, 2020, floor plan payables related to inventories were $105 million.

Floor plan payables at September 30, 2020 represented approximately 41% of our inventories (December 31, 2019 – 54%). 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 $0.5 million and $2.0 million for three and nine month periods ended September 30, 2020 (September 30, 2019 – $1.2 million and $3.1 million). This amount was offset by rebates applied during the three and nine month periods ended September 30, 2020, of $0.4 million and $1.7 million (September 30, 2019 - $0.9 million and $2.6 million). At September 30, 2020, approximately 38% (September 30, 2019 – 53%) of the Industrial segment's and 10% (September 30, 2019 – 30%) 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 15 million common shares and 0.6 million deferred share units outstanding. As at September 30, 2020 and 2019, the Company had the following weighted average shares outstanding:

(thousands)	September 30, 2020	September 30, 2019
Basic weighted average number of shares outstanding	**15,513**	15,374
Dilutive impact of deferred share plan	**579**	-
Dilutive impact of options	**121**	-
Diluted weighted average number of shares outstanding	**16,213**	15,374

Normal Course Issuer Bid ("NCIB")

For the three and nine month periods ended September 30, 2020, the Company had repurchased and cancelled 290 thousand common shares at a weighted average price of $7.35 per share under the September 2019 Bid, and no shares had been repurchased under the September 2020 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 period ended September 30, 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
June 30, 2020	0.0150	235	33	202
September 30, 2020	0.0150	230	16	214
Total	**0.1400**	**2,179**	**168**	**2,011**

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 and nine month periods ended September 30, 2020, 0.1 million and 0.1 million (September 30, 2019 – 0.1 million and 0.1 million) common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2020 dividends declared and paid through September 30, 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)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenues	**356,163**	340,969	256,877	259,549
Income (loss)	**13,023**	9,276	(2,703)	(7,048)
Gross profit	**56,989**	51,127	43,534	36,901
Gross profit margin	**16.0%**	15.0%	16.9%	14.2%
EBITDA[(1)]	**26,410**	19,903	5,267	838
Income (loss) per share:				
Basic	**0.84**	0.59	(0.17)	(0.46)
Diluted	**0.81**	0.57	(0.17)	(0.46)
Adjusted income (loss) per share[(1)]				
Basic	**0.57**	0.44	0.02	(0.50)
Diluted	**0.54**	0.43	0.02	(0.50)
Weighted average shares outstanding				
Basic	**15,430**	15,629	15,478	15,344
Diluted	**16,130**	16,169	15,478	15,344

($ thousands, except per share amounts)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenues	317,082	327,605	234,798	300,247
(Loss) income	(1,675)	2,817	(2,714)	5,031
Gross profit	42,847	46,879	42,722	51,999
Gross profit margin	13.5%	14.3%	18.2%	17.3%
EBITDA[(1)]	8,230	11,981	6,893	13,367
(Loss) income per share:				
Basic	(0.11)	0.18	(0.17)	0.32
Diluted	(0.11)	0.17	(0.17)	0.31
Adjusted (loss) income per share[(1)]				
Basic	(0.10)	0.15	(0.20)	0.35
Diluted	(0.10)	0.14	(0.20)	0.33
Weighted average shares outstanding				
Basic	15,326	15,445	15,546	15,593
Diluted	15,326	16,394	15,546	16,393

(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 September 30, 2020, payments in arrears by such customers aggregated $1.6 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 September 30, 2020, the net residual value of such leases aggregated $297 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 $3.0 million at September 30, 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 measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. In addition, global oil prices have declined 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, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 $0.015 per share was made to the shareholders of record as of September 30, 2020, on October 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 September 30		Nine month periods ended September 30	
($ thousands, except per share amounts)	**2020**	**2019**	**2020**	**2019**
Income (loss) for the period	**13,023**	(1,675)	**19,596**	(1,570)
Adjustments:				
Unrealized foreign exchange (gain) loss[1]	**(667)**	207	**1,045**	(1,016)
Government wage subsidies	**(5,050)**	-	**(5,868)**	-
Tax impact of adjustments	**1,464**	(56)	**1,235**	273
Adjusted income (loss) for the period	**8,770**	(1,524)	**16,008**	(2,313)
Adjusted income (loss) per share:				
Basic	**0.57**	(0.10)	**1.03**	(0.15)
Diluted	**0.54**	(0.10)	**0.99**	(0.15)

Adjusted Income (Loss) Before Income Tax Expense

Three Months Ended September 30, 2020

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands)					
Three months ended September 30, 2020	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Income (loss) before income tax expense	**18,304**	11,694	6,936	2,032	(2,358)
Adjustments:					
Unrealized foreign exchange (gain)[1]	**(667)**	-	(646)	(21)	-
Government wage subsidies	**(5,050)**	-	(3,869)	(1,181)	-
Adjusted income (loss) before income tax expense	**12,587**	11,694	2,421	830	(2,358)

Nine months ended September 30, 2020

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands)					
Nine months ended September 30, 2020	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Income (loss) before income tax expense	**26,016**	23,913	6,568	2,238	(6,703)
Adjustments:					
Unrealized foreign exchange loss [1]	**1,045**	-	951	94	-
Government wage subsidies	**(5,868)**	(818)	(3,869)	(1,181)	-
Adjusted income (loss) before income tax expense	**21,193**	23,095	3,650	1,151	(6,703)

Three months ended September 30, 2019

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands) **Three months ended September 30, 2019**	Total	Agriculture	Transportation	Industrial	Corporate
(Loss) income before income tax expense	**(2,308)**	(1,246)	463	579	(2,104)
Adjustments:					
Unrealized foreign exchange loss (gain) [(1)]	**207**	-	226	(19)	-
Adjusted (loss) income before income tax expense	**(2,101)**	(1,246)	689	560	(2,104)

Nine months ended September 30, 2019

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands) **Nine months ended September 30, 2019**	Total	Agriculture	Transportation	Industrial	Corporate
(Loss) income before income tax expense	**(1,639)**	(1,790)	5,029	1,955	(6,833)
Adjustments:					
Unrealized foreign exchange (gain)[(1)]	**(1,016)**	-	(995)	(21)	-
Adjusted (loss) income before income tax expense	**(2,655)**	(1,790)	4,034	1,934	(6,833)

(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 September 30, 2020

EBITDA ($ thousands) Three months ended September 30, 2020	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**13,023**	11,694	6,936	2,032	(7,639)
Add:					
Interest	**2,609**	1,572	823	98	116
Income taxes	**5,281**	-	-	-	5,281
Depreciation and Amortization	**5,497**	3,397	1,280	688	132
EBITDA(1)	**26,410**	16,663	9,039	2,818	(2,110)
EBITDA margin(2)	**7.4%**	6.4%	10.6%	26.3%	
Reconciliation of adjusted EBITDA(1):					
EBITDA(1)	**26,410**	16,663	9,039	2,818	(2,110)
Adjustments:					
Unrealized foreign exchange (gain)	**(667)**	-	(646)	(21)	-
Government wage subsidies	**(5,050)**	-	(3,869)	(1,181)	-
Adjusted EBITDA(1)	**20,693**	16,663	4,524	1,616	(2,110)

Nine months ended September 30, 2020

EBITDA ($ thousands) Nine months ended September 30, 2020	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**19,596**	23,913	6,568	2,238	(13,123)
Add:					
Interest	**9,394**	5,129	3,201	264	800
Income taxes	**6,420**	-	-	-	6,420
Depreciation and Amortization	**16,170**	9,680	4,032	2,055	403
EBITDA(1)	**51,580**	38,722	13,801	4,557	(5,500)
EBITDA margin(2)	**5.4%**	5.8%	5.5%	13.8%	
Reconciliation of adjusted EBITDA(1):					
EBITDA(1)	**51,580**	38,722	13,801	4,557	(5,500)
Adjustments:					
Unrealized foreign exchange loss	**1,045**	-	951	94	-
Government wage subsidies	**(5,868)**	(818)	(3,869)	(1,181)	-
Adjusted EBITDA(1)	**46,757**	37,904	10,883	3,470	(5,500)

Three months ended September 30, 2019

EBITDA ($ thousands) Three months ended September 30, 2019	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net (loss) income	**(1,675)**	(1,246)	463	579	(1,471)
Add:					
Interest	**3,814**	2,238	893	86	597
Income taxes	**(633)**	-	-	-	(633)
Depreciation and Amortization	**6,724**	3,940	1,785	886	113
EBITDA[1]	**8,230**	4,932	3,141	1,551	(1,394)
EBITDA margin[2]	**2.6%**	2.2%	3.9%	11.4%	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**8,230**	4,932	3,141	1,551	(1,394)
Adjustments:					
Unrealized foreign exchange loss (gain)	**207**	-	226	(19)	-
Adjusted EBITDA[1]	**8,437**	4,932	3,367	1,532	(1,394)

Nine months ended September 30, 2019

EBITDA ($ thousands) Nine months ended September 30, 2019	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net (loss) income	**(1,570)**	(1,790)	5,029	1,955	(6,764)
Add:					
Interest	**10,586**	5,928	2,783	274	1,601
Income taxes	**(69)**	-	-	-	(69)
Depreciation and Amortization	**18,157**	10,315	4,951	2,552	339
EBITDA[1]	**27,104**	14,453	12,763	4,781	(4,893)
EBITDA margin[2]	**3.1%**	2.5%	5.1%	11.4%	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**27,104**	14,453	12,763	4,781	(4,893)
Adjustments:					
Unrealized foreign exchange (gain)	**(1,016)**	-	(995)	(21)	-
Adjusted EBITDA[1]	**26,088**	14,453	11,768	4,760	(4,893)

(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 government wage subsidies.

(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 income before income tax, excluding unrealized (gains) losses from foreign currency, plus finance costs, less floorplan interest expense (referred to as "Return"), 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)	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Income (loss) before tax	**18,304**	**11,267**	**(3,555)**	(8,807)	(2,308)	2,811	(2,144)	7,642	15,820	13,582	(2,941)
(+) Unrealized foreign exchange (gain) loss	**(667)**	**(2,365)**	**4,077**	(831)	207	(625)	(598)	1,256	(730)	38	635
(+) Finance costs	**2,419**	**2,921**	**3,449**	3,188	3,598	3,233	3,037	1,684	1,696	1,629	1,343
(-) Floorplan interest expense	**(589)**	**(1,014)**	**(1,383)**	(1,210)	(1,139)	(1,050)	(1,009)	(1,129)	(1,234)	(1,263)	(1,012)
Return	**19,467**	**10,809**	**2,588**	**(7,660)**	**358**	**4,369**	**(714)**	**9,453**	**15,552**	**13,986**	**(1,975)**
Shareholders' equity	**243,297**	**231,767**	**220,136**	227,138	232,742	237,885	240,747	243,700	240,018	230,502	223,806
(+) Long-term debt	**3,158**	**18,645**	**44,544**	33,370	31,621	75,691	45,995	25,123	39,263	30,346	27,354
(+) Current portion of long-term debt	**2,840**	**8,150**	**10,199**	9,795	11,204	12,048	13,488	13,964	7,976	8,958	10,485
(-) Cash	**(26,762)**	**(30,586)**	**(24,473)**	(7,946)	(7,146)	(10,256)	(2,562)	(6,106)	(8,810)	(1,930)	(3,236)
Total Invested Capital	**222,533**	**227,976**	**250,406**	**262,357**	**268,421**	**315,368**	**297,668**	**276,681**	**278,447**	**267,876**	**258,409**
Return - trailing 12 months	**25,204**	**6,095**	**(346)**	(3,647)	13,466	28,660	38,278	37,016	33,640	31,967	29,775
Total Invested Capital - 4 quarter average	**240,818**	**252,290**	**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	**10.5%**	**2.4%**	**-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)	**Q3 YTD**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**251,755**	**96,292**	**81,083**	**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	**22,420**	**8,116**	**7,820**	**6,484**	**33,898**	7,094	8,725	9,966	8,113	**37,806**	7,828	9,940	11,149	8,889
Product support revenues - total	**274,175**	**104,408**	**88,903**	**80,864**	**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	**157,511**	**59,281**	**51,014**	**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	**10,919**	**3,970**	**3,786**	**3,163**	**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	**168,430**	**63,251**	**54,800**	**50,379**	**219,086**	54,149	59,291	56,525	49,121	**208,386**	51,891	55,675	54,594	46,226
Product Support Gross Profit	**105,745**	**41,157**	**34,103**	**30,485**	**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 ($)	**(1,265)**	**3,278**	**(2,479)**	**(2,064)**	**6,442**	1,331	1,365	268	3,478	**6,966**	2,670	1,687	1,887	722
Product Support Gross Profit Growth (%)	**-1.2%**	**8.7%**	**-6.8%**	**-6.3%**	**4.8%**	**4.1%**	**3.7%**	**0.7%**	**12.0%**	**5.5%**	**9.1%**	**4.8%**	**5.5%**	**2.5%**
Total SG&A expenses	**124,204**	**42,888**	**40,804**	**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	**(10,896)**	**(4,219)**	**(3,984)**	**(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	**(2,832)**	**(1,053)**	**(892)**	**(887)**	**(4,655)**	(984)	(1,169)	(1,251)	(1,251)	**(4,255)**	(1,086)	(747)	(1,211)	(1,211)
(+) Net finance costs	**8,350**	**2,293**	**2,766**	**3,291**	**12,369**	3,036	3,422	3,061	2,850	**5,477**	1,241	1,565	1,479	1,192
(-) Floorplan interest expense	**(2,986)**	**(589)**	**(1,014)**	**(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	**115,840**	**39,320**	**37,680**	**38,840**	**162,609**	**41,141**	**40,247**	**39,781**	**41,441**	**154,367**	**39,711**	**39,378**	**38,436**	**36,842**
Absorption	**91%**	**105%**	**91%**	**78%**	**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)	**Q3 YTD**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**135,018**	**56,689**	**44,691**	**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	**16,788**	**6,312**	**6,019**	**4,457**	**25,043**	4,782	6,639	7,370	6,252	**28,316**	5,857	7,528	8,091	6,840
Product support revenues - total	**151,806**	**63,001**	**50,710**	**38,095**	**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	**82,803**	**34,064**	**27,503**	**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	**7,991**	**3,019**	**2,863**	**2,109**	**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	**90,794**	**37,083**	**30,366**	**23,345**	**107,418**	26,458	31,377	27,805	21,778	**101,153**	24,663	28,687	27,320	20,483
Product Support Gross Profit	**61,012**	**25,918**	**20,344**	**14,750**	**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 ($)	**2,898**	**3,105**	**1,563**	**(1,770)**	**6,652**	1,934	1,810	(104)	3,012	**2,267**	1,839	781	587	(940)
Product Support Gross Profit Growth (%)	**5.0%**	**13.6%**	**8.3%**	**-10.7%**	**9.5%**	**11.5%**	**8.6%**	**-0.6%**	**22.3%**	**3.3%**	**12.2%**	**3.9%**	**3.2%**	**-6.5%**
Total SG&A expenses	**71,891**	**26,151**	**23,795**	**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	**(9,017)**	**(3,552)**	**(3,318)**	**(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	**(1,920)**	**(758)**	**(583)**	**(579)**	**(3,098)**	(640)	(818)	(820)	(820)	**(2,680)**	(781)	(632)	(633)	(634)
(+) Net finance costs	**4,832**	**1,485**	**1,474**	**1,873**	**7,182**	1,654	2,102	1,666	1,760	**2,045**	360	605	567	513
(-) Floorplan interest	**(1,203)**	**(282)**	**(310)**	**(611)**	**(2,272)**	(479)	(701)	(505)	(588)	**(2,351)**	(664)	(632)	(549)	(506)
Total Operating Costs	**64,583**	**23,044**	**21,058**	**20,481**	**88,269**	**21,745**	**22,720**	**21,477**	**22,328**	**83,361**	**20,855**	**21,679**	**20,854**	**19,973**
Absorption	**94%**	**112%**	**97%**	**72%**	**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)	**Q3 YTD**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**96,630**	**32,791**	**30,176**	**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	**4,361**	**1,445**	**1,347**	**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	**100,991**	**34,236**	**31,523**	**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	**64,093**	**21,666**	**20,224**	**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	**2,330**	**791**	**715**	**824**	**3,649**	984	866	1,079	720	**3,958**	864	990	1,260	844
Product support cost of sales - total	**66,423**	**22,457**	**20,939**	**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	**34,568**	**11,779**	**10,584**	**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 ($)	**(3,015)**	**244**	**(3,055)**	**(204)**	**(1,028)**	(390)	(617)	(141)	120	**3,484**	526	739	1,078	1,141
Product Support Gross Profit Growth (%)	**-8.0%**	**2.1%**	**-22.4%**	**-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	**35,245**	**11,293**	**11,495**	**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	**(1,407)**	**(523)**	**(495)**	**(389)**	**(1,945)**	(494)	(449)	(686)	(316)	**(2,065)**	(436)	(552)	(688)	(390)
(-) Amortization of intangibles	**(603)**	**(194)**	**(205)**	**(204)**	**(1,116)**	(225)	(243)	(324)	(324)	**(1,171)**	(261)	5	(458)	(457)
(+) Net finance costs	**2,882**	**727**	**1,019**	**1,136**	**3,455**	1,081	779	828	767	**2,444**	497	629	772	546
(-) Floorplan interest	**(1,757)**	**(300)**	**(692)**	**(765)**	**(2,063)**	(720)	(423)	(521)	(399)	**(2,244)**	(445)	(592)	(707)	(500)
Total Operating Costs	**34,360**	**11,003**	**11,122**	**12,235**	**49,646**	**12,776**	**11,943**	**12,202**	**12,726**	**47,000**	**11,786**	**11,612**	**11,982**	**11,619**
Absorption	**101%**	**107%**	**95%**	**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)	**Q3 YTD**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**20,107**	**6,812**	**6,216**	**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	**1,271**	**359**	**454**	**458**	**1,974**	402	478	543	551	**2,031**	540	465	567	459
Product support revenues - total	**21,378**	**7,171**	**6,670**	**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	**10,615**	**3,551**	**3,287**	**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	**598**	**160**	**208**	**230**	**926**	193	238	235	260	**951**	280	207	249	215
Product support cost of sales - total	**11,213**	**3,711**	**3,495**	**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	**10,165**	**3,460**	**3,175**	**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 ($)	**(1,148)**	**(71)**	**(987)**	**(90)**	**818**	(213)	172	513	346	**1,215**	305	167	222	521
Product Support Gross Profit Growth (%)	**-10.1%**	**-2.0%**	**-23.7%**	**-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	**10,811**	**3,095**	**3,619**	**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	**(472)**	**(144)**	**(171)**	**(157)**	**(813)**	(167)	(207)	(211)	(228)	**(726)**	(200)	(195)	(214)	(118)
(-) Amortization of intangibles	**(309)**	**(101)**	**(104)**	**(104)**	**(441)**	(119)	(108)	(107)	(107)	**(404)**	(44)	(120)	(120)	(120)
(+) Net finance costs	**190**	**72**	**66**	**52**	**232**	35	60	70	67	**(23)**	5	7	(21)	(14)
(-) Floorplan interest	**(26)**	**(7)**	**(12)**	**(7)**	**(73)**	(11)	(15)	(25)	(23)	**(43)**	(20)	(10)	(7)	(6)
Total Operating Costs	**10,194**	**2,915**	**3,398**	**3,881**	**15,256**	**4,157**	**3,480**	**3,661**	**3,957**	**13,849**	**3,742**	**3,477**	**3,496**	**3,133**
Absorption	**100%**	**119%**	**93%**	**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	**2020**			**2019**				**2018**			
($ thousands, except as noted)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Agriculture											
Used equipment cost of sales - trailing 12 months	**299,513**	**289,978**	**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	**107,794**	**125,722**	**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	**2.78**	**2.31**	**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	**189,268**	**184,110**	**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	**77,311**	**82,479**	**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	**2.45**	**2.23**	**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	**14,232**	**16,178**	**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	**6,782**	**6,839**	**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	**2.10**	**2.37**	**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 and nine month periods ended September 30, 2020 and 2019

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2020 and December 31, 2019

($ thousands)	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 26,762**	$ 7,946
Accounts receivable and other assets		**50,720**	66,555
Inventories	5	**258,802**	319,619
Total current assets		**336,284**	394,120
Non-current assets			
Other long-term assets		**12,251**	13,599
Property and equipment		**137,574**	138,705
Intangible assets		**37,470**	38,015
Goodwill		**23,105**	22,897
Total non-current assets		**210,400**	213,216
Total assets		**$ 546,684**	$ 607,336
Liabilities			
Current liabilities			
Trade and other liabilities		**$ 93,753**	$ 63,183
Floor plan payables	6	**104,884**	173,992
Current portion of term debt	6	**2,840**	9,795
Current portion of lease obligation		**8,528**	8,799
Total current liabilities		**210,005**	255,769
Non-current liabilities			
Term debt	6	**3,158**	33,370
Lease obligation		**83,417**	84,084
Deferred income tax liability		**6,807**	6,975
Total non-current liabilities		**93,382**	124,429
Total liabilities		**303,387**	380,198
Equity			
Shareholders' capital	7	**85,882**	83,740
Deferred share plan		**5,542**	10,271
Other reserves		**5,204**	5,195
Accumulated other comprehensive income (loss)		**1,180**	(136)
Retained earnings		**145,489**	128,068
Total equity		**243,297**	227,138
Total liabilities and equity		**$ 546,684**	$ 607,336

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 Income (Loss)

For the three and nine month periods ended September 30, 2020 and 2019

		Three month periods ended September 30		Nine month periods ended September 30	
($ thousands)	**Note**	**2020**	**2019**	**2020**	**2019**
Revenue					
Equipment sales		**$ 259,871**	$ 228,637	**$ 702,254**	$ 634,342
Parts		**70,970**	61,197	**178,324**	165,737
Service		**21,336**	23,061	**61,732**	65,643
Rentals and other		**3,986**	4,187	**11,699**	13,763
Total revenue		**356,163**	317,082	**954,009**	879,485
Cost of sales		**(299,174)**	(274,235)	**(802,359)**	(747,035)
Gross profit		**56,989**	42,847	**151,650**	132,450
Other income	8	**6,496**	766	**6,920**	3,261
Selling, general and administrative expense		**(42,888)**	(42,499)	**(124,204)**	(128,017)
Income from operating activities		**20,597**	1,114	**34,366**	7,694
Finance income		**126**	176	**439**	535
Finance costs		**(2,419)**	(3,598)	**(8,789)**	(9,868)
Net finance costs	9	**(2,293)**	(3,422)	**(8,350)**	(9,333)
Income (loss) before income tax expense		**18,304**	(2,308)	**26,016**	(1,639)
Income tax (expense) recovery		**(5,281)**	633	**(6,420)**	69
Income (loss) for the period		**13,023**	(1,675)	**19,596**	(1,570)
Other comprehensive income (loss)					
Foreign currency translation differences for foreign operations, net of tax		**561**	(1,584)	**1,316**	(2,824)
Total comprehensive income (loss) for the period		**13,584**	(3,259)	**20,912**	(4,394)
Net income (loss) per share:					
Basic	10	**$** 0.84	$ (0.11)	**$** 1.26	$ (0.10)
Diluted	10	**$** 0.81	$ (0.11)	**$** 1.21	$ (0.10)

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 nine month periods ended September 30, 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		-	-	-	-	(1,570)	(1,570)
Foreign currency translation adjustments, net of tax		-	-	-	(2,824)	-	(2,824)
Total comprehensive loss for the year		-	-	-	(2,824)	(1,570)	(4,394)
Transactions with owners, recorded directly in equity							
Dividends to equity holders		-	-	-	-	(5,079)	(5,079)
Shares issued through DRIP		661	-	-	-	-	661
Shares issued through deferred share plan		266	(266)	-	-	-	-
Share-based payment transactions		-	1,105	-	-	-	1,105
Common shares repurchased		(3,941)	-	-	-	-	(3,941)
Transactions with owners		(3,014)	839	-	-	(5,079)	(7,254)
Balance September 30, 2019		**$ 83,526**	**$ 9,532**	**$ 5,195**	**$ (2,318)**	**$ 136,806**	**$ 232,741**
Balance December 31, 2019		**$ 83,740**	**$ 10,271**	**$ 5,195**	**$ (136)**	**$ 128,068 $**	**$ 227,138**
Income for the period		-	-	-	-	19,596	19,596
Foreign currency translation adjustments, net of tax		-	-	-	1,316	-	1,316
Total comprehensive income for the period		-	-	-	1,316	19,596	20,912
Transactions with owners, recorded directly in equity							
Dividends to equity holders		-	-	-	-	(2,175)	(2,175)
Shares issued through DRIP	7	356	-	-	-	-	356
Shares issued through deferred share plan	7	3,920	(3,920)	-	-	-	-
Shares issued through option plan		-	-	9	-	-	9
Share-based payment transactions		-	(809)	-	-	-	(809)
Common shares repurchased	7	(2,134)	-	-	-	-	(2,134)
Transactions with owners		2,142	(4,729)	9	-	(2,175)	(4,753)
Balance September 30, 2020		**$ 85,882**	**$ 5,542**	**$ 5,204**	**$ 1,180**	**$ 145,489**	**$ 243,297**

CERVUS EQUIPMENT CORPORATION
Unaudited Condensed Interim Consolidated Statement of Cash Flows
For the nine month periods ended September 30, 2020 and 2019

		Nine month periods ended September 30	
($ thousands)	Note	2020	2019
Cash flows from operating activities			
Income (loss) for the period		$ 19,596	$ (1,570)
Adjustments for:			
Income tax expense (recovery)		6,420	(69)
Depreciation		13,338	14,486
Amortization of intangibles		2,832	3,671
Equity-settled share-based payment transactions		(799)	1,105
Net finance costs	9	8,955	10,051
Unrealized foreign exchange loss (gain)	8	1,045	(1,016)
Non-cash impairment of inventories	5	3,032	13,510
(Gain) on sale of property and equipment	8	(197)	(581)
Change in non-cash working capital	11	20,513	(578)
Cash provided from operating activities		74,735	39,009
Cash taxes received (paid)		5,891	(7,752)
Interest paid		(9,422)	(10,586)
Net cash provided from operating activities		71,204	20,671
Cash flows from investing activities			
Interest received		439	535
Purchase of property and equipment		(4,976)	(14,436)
(Payments for) proceeds from intangible assets		(2,264)	729
Proceeds from disposal of property and equipment		2,030	1,708
Net cash (used in) investing activities		(4,771)	(11,464)
Cash flows from financing activities			
Net (repayments) proceeds from term debt		(37,221)	4,569
Dividends paid		(3,282)	(4,290)
Payment of lease obligation		(6,849)	(5,732)
(Payment) receipt of deposits with manufacturers		(717)	388
Purchase of common shares	7	(2,134)	(3,941)
Net cash (used in) financing activities		(50,203)	(9,006)
Increase in cash and cash equivalents		16,230	201
Effect of foreign currency translation on cash		2,586	839
Cash and cash equivalents, beginning of period		7,946	6,106
Cash and cash equivalents, end of period		$ 26,762	$ 7,146

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 6302 – 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 September 30, 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 64 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 November 3, 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 14).

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)	September 30, 2020	December 31, 2019
New equipment	**$ 115,326**	$ 149,025
Used equipment	**81,645**	118,754
Parts and accessories	**60,448**	50,607
Work-in-progress	**1,383**	1,233
Total inventories	**$ 258,802**	$ 319,619

Included in costs of sales are amounts related to inventory impairments of $1.3 million and $3.0 million, for the three and nine month periods ended September 30, 2020 and 2019, respectively (2019 - $9 million and $14 million, 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 September 30, 2020, are as follows:

	September 30, 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	**122,203**	**-**	**9,600**	**112,603**	122,735	25,788	9,600	87,347
Capital facilities	**(a)**	**-**				9,367		
Floor plan facilities and rental equipment term loan financing	**(b)**	**111,092**				182,283		
Total borrowing		**111,092**				217,438		
Total current portion long term debt		**(2,840)**				(9,795)		
Total inventory floor plan facilities		**(104,884)**				(173,992)		
Deferred debt issuance costs		**(210)**				(281)		
Total long term debt		**3,158**				33,370		

(a) During the quarter, the Company repaid all amounts owing under its capital facilities, and there is no additional amount available under the facilities as at September 30, 2020. The additional amount available under the facilities was limited to the pre-approved credit limit of $9.4 million as at December 31, 2019.

The Company has unencumbered assets available for financing which are estimated at $16 million as at September 30, 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 $456 million (December 31, 2019 - $449 million) or the available unencumbered assets which are estimated at $21 million as at September 30, 2020 (December 31, 2019 - $17 million).

As at September 30, 2020, the Company is in compliance with all its covenants.

7. 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	55	661
Issued under the deferred share plan	23	266
Repurchased under the NCIB	(310)	(3,941)
Balance at September 30, 2019	15,327	83,526
Issued under the DRIP plan	13	109
Issued under the deferred share plan	9	105
Repurchased under the NCIB	-	-
Balance at December 31, 2019	15,349	83,740
Issued under the DRIP plan	**58**	**356**
Issued under the deferred share plan	**243**	**3,920**
Repurchased under the NCIB	**(290)**	**(2,134)**
Balance at September 30, 2020	**15,360**	**$ 85,882**

Normal Course Issuer Bid

On September 10, 2019, the Company announced a Normal Course Issuer Bid (the "September 2019 Bid"), which commenced on September 16, 2019, to purchase a maximum of 1,050 thousand shares (the "Shares") for cancellation before September 15, 2020. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company. All purchases were made in accordance with the September 2019 Bid at the prevailing market price of the Shares at the time of purchase. This normal course issuer bid expired on September 15, 2020. Prior to expiry, Cervus repurchased and cancelled 290 thousand shares at a weighted average price of $7.35 per share.

On September 16, 2020, the Company announced a Normal Course Issuer Bid (the "September 2020 Bid"), which commenced on September 21, 2020, to purchase a maximum of 1,050 thousand common shares (the "Shares") for cancellation before September 20, 2021. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company. All purchases are to be made in accordance with the September 2020 Bid at the prevailing market price of the Shares at the time of purchase.

For the three and nine months ended September 30, 2020, the Company had repurchased and cancelled 290 thousand common shares at a weighted average price of $7.35 per share under the September 2019 Bid, and no shares had been repurchased under the September 2020 Bid.

8. Other Income

Other income for the three and nine month periods ended September 30, 2020 and 2019 is comprised of the following:

	Three month periods ended September 30		Nine month periods ended September	
($ thousands)	**2020**	**2019**	**2020**	**2019**
Net gain on sale of property and equipment	**$ 84**	$ 204	**$ 197**	$ 581
Unrealized foreign exchange gain (loss)[(a)]	**667**	(207)	**(1,045)**	1,016
Government wage subsidies[(b)]	**5,050**	-	**5,868**	-
Other income	**695**	769	**1,900**	1,664
Total other income	**$ 6,496**	$ 766	**$ 6,920**	$ 3,261

(a) Unrealized foreign exchange gain (loss) 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.

(b) On April 11, 2020, the Government of Canada enacted The Canada Emergency Wage Subsidy ("CEWS"), which introduced a wage subsidy of up to 75% of eligible remuneration to qualifying entities, retroactive to March 15, 2020. On July 27, 2020, the Government of Canada enacted changes to the existing subsidy legislation which allowed employers using paymaster arrangements, such as Cervus, to qualify for the subsidy. Cervus' Transportation and Industrial segments each qualified for the CEWS in April, May and June 2020.

Included in other income for the three and nine months ended September 30, 2020, is $5 million receivable from the Government of Canada for the Canada Emergency Wage Subsidy ("CEWS"). Also included in other income for the nine months ended September 30, 2020, is a $0.8 million government wage subsidy received by Agriculture New Zealand related to the COVID-19 pandemic. Government grants are recognized at their fair value in other income when there is reasonable assurance that the grant will be received, and the Company will comply with all relevant conditions of the grant.

9. Finance Income and Finance Costs

	Three month periods ended September 30		Nine month periods ended September 30	
($ thousands)	**2020**	**2019**	**2020**	**2019**
Finance income	**$ 126**	$ 176	**$ 439**	$ 535
Interest expense on mortgage and term debt obligations	**(304)**	(687)	**(1,019)**	(1,866)
Interest expense on financial liabilities	**(2,305)**	(3,126)	**(8,375)**	(8,720)
Finance costs	**$ (2,609)**	$ (3,813)	**$ (9,394)**	$ (10,586)
Net finance costs recognized separately	**(2,293)**	(3,422)	**(8,350)**	(9,333)
Net finance costs recognized in cost of sales	**(190)**	(215)	**(605)**	(718)
Total net finance costs	**$ (2,483)**	$ (3,637)	**$ (8,955)**	$ (10,051)

10. Earnings per Share

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings of the Company as the numerator. No adjustments to net earnings were necessary for the three and nine month periods ended September 30, 2020 and 2019.

Weighted Average Number of Common Shares

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

	Three month periods ended September 30		Nine month periods ended September 30	
($ thousands)	**2020**	**2019**	**2020**	**2019**
Issued common shares opening	**15,645**	15,321	**15,349**	15,559
Effect of shares issued under the DRIP plan	**4**	15	**44**	49
Effect of shares issued under the deferred share plan	**-**	-	**193**	22
Effect of shares repurchased from NCIB	**(219)**	(10)	**(73)**	(256)
Weighted average number of common shares	**15,430**	15,326	**15,513**	15,374

Weighted Average Number of Diluted Shares

The calculation of diluted earnings per share at September 30, 2020 and 2019 was based on the income attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average number of common shares outstanding, after adjustment for effects of dilutive potential common shares, consists of the following:

	Three month periods ended September 30		Nine month periods ended September 30	
($ thousands)	**2020**	**2019**	**2020**	**2019**
Weighted average number of common shares (basic)	**15,430**	15,326	**15,513**	15,374
Effect of dilutive securities:				
Deferred share plan	**579**	-	**579**	-
Options	**121**	-	**121**	-
Weighted average number of shares (diluted)	**16,130**	15,326	**16,213**	15,374

11. Supplemental Cash Flow Information

	Nine month periods ended September 30	
($ thousands)	**2020**	**2019**
Changes in non-cash working capital:		
Inventory	**57,564**	(66,585)
Floorplan	**(73,892)**	47,855
Trade and other receivables	**11,065**	13,295
Trade and other liabilities	**25,776**	4,857
Total change in non-cash working capital	**20,513**	(578)

12. Segment Information

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 September 30, 2020					
Revenue					
Equipment sales	$ 203,819	$ 52,147	$ 3,905	$ -	**$ 259,871**
Parts	42,804	25,450	2,716	-	**70,970**
Service	12,491	6,583	2,262	-	**21,336**
Rentals and other	1,394	758	1,834	-	**3,986**
Total revenue	$ 260,508	$ 84,938	$ 10,717	$ -	**$ 356,163**
Total other income	65	5,117	1,314	-	**6,496**
Depreciation and amortization	3,397	1,280	688	132	**5,497**
Finance income	19	-	-	107	**126**
Finance expense including amounts in costs of sales	(1,572)	(823)	(98)	(116)	**(2,609)**
Income (loss) for the period before income tax	11,694	6,936	2,032	(2,358)	**18,304**
Capital additions	1,924	80	22	441	**2,467**
Nine months ended September 30, 2020					
Revenue					
Equipment sales	$ 534,049	$ 155,409	$ 12,796	$ -	**$ 702,254**
Parts	96,784	73,619	7,921	-	**178,324**
Service	34,139	20,911	6,682	-	**61,732**
Rentals and other	4,095	2,100	5,504	-	**11,699**
Total revenue	$ 669,067	$ 252,039	$ 32,903	$ -	**$ 954,009**
Total other income	1,389	4,092	1,439	-	**6,920**
Depreciation and amortization	9,680	4,032	2,055	403	**16,170**
Finance income	85	-	-	354	**439**
Finance expense including amounts in costs of sales	(5,129)	(3,201)	(264)	(800)	**(9,394)**
Income (loss) for the period before income tax	23,913	6,568	2,238	(6,703)	**26,016**
Capital additions	3,111	391	87	1,387	**4,976**
Segmented assets and liabilities as at September 30, 2020					
Reportable segment assets	$ 337,657	$ 144,418	$ 32,356	$ 32,253	**$ 546,684**
Intangible assets	22,614	9,546	5,310	-	**37,470**
Goodwill	19,892	2,546	667	-	**23,105**
Reportable segment liabilities	201,451	79,998	16,465	5,473	**303,387**

12. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Three months ended September 30, 2019					
Revenue					
Equipment sales	$ 175,480	$ 47,028	$ 6,129	$ -	$ 228,637
Parts	34,000	24,446	2,751	-	61,197
Service	12,493	8,037	2,531	-	23,061
Rentals and other	1,058	979	2,150	-	4,187
Total revenue	$ 223,031	$ 80,490	$ 13,561	$ -	$ 317,082
Total other income (loss)	595	(25)	196	-	766
Depreciation and amortization	3,940	1,785	886	113	6,724
Finance income	59	-	2	115	176
Finance expense including amounts in costs of sales	(2,237)	(893)	(86)	(597)	(3,813)
(Loss) income for the period before income tax	(1,246)	463	579	(2,104)	(2,308)
Capital additions	4,148	240	279	2,178	6,845
Nine months ended September 30, 2019					
Revenue					
Equipment sales	$ 466,290	$ 149,191	$ 18,861	$ -	$ 634,342
Parts	80,791	76,051	8,895	-	165,737
Service	34,325	24,031	7,287	-	65,643
Rentals and other	3,697	3,057	7,009	-	13,763
Total revenue	$ 585,103	$ 252,330	$ 42,052	$ -	$ 879,485
Total other income	1,037	1,486	598	140	3,261
Depreciation and amortization	10,315	4,951	2,552	339	18,157
Finance income	162	-	5	368	535
Finance expense including amounts in costs of sales	(5,928)	(2,783)	(274)	(1,601)	(10,586)
(Loss) income for the period before income tax	(1,790)	5,029	1,955	(6,833)	(1,639)
Capital additions	7,270	684	393	6,089	14,436
Segmented assets and liabilities as at September 30, 2019					
Reportable segment assets	$ 423,370	$ 175,968	$ 27,609	$ 30,103	$ 657,050
Intangible assets	24,794	10,245	3,848	-	38,887
Goodwill	19,575	2,546	667	-	22,788
Reportable segment liabilities	256,170	109,231	12,581	46,326	424,308

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 16 agriculture equipment dealerships. Gross revenues for the three and nine month periods ended September 30, 2020, for the New Zealand and Australian territories were $52 million and $153 million, respectively (2019 – $43 million and $132 million). Non-current assets for New Zealand and Australia as at September 30, 2020, were $30 million (2019 – $29 million). The Australia and New Zealand operations are included in the Agriculture Segment.

13. 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 September 30, 2020, payments in arrears, or deferred by John Deere for COVID-19 relief, by such customers aggregated $1.6 million (2019 - $1.2 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 September 30, 2020, the net residual value of such leases aggregated $297 million (2019 - $315 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.

14. COVID-19 Impact

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including the countries where the Company operates, have enacted measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. In addition, global oil prices have declined 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 may 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, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

The Company performs impairment tests on its goodwill at least annually and when events or changes in circumstances, such as the impact of COVID-19 on certain areas of our business, indicate that a test is required. At September 30, 2020, management concluded there were no impairment losses in relation to the Company's goodwill and intangible assets.

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 subject to a higher degree of measurement uncertainty during this volatile period. Estimates at September 30, 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.