MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD FROM JANUARY 1, 2021 TO MARCH 31, 2021

CERVUS EQUIPMENT CORPORATION

People. Power. Service.™

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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 months ended March 31, 2021. It was prepared as of May 5, 2021. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2021, 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' 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. 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 is a leading equipment solutions provider to customers in agriculture, transportation, and industrial markets across Canada, Australia and New Zealand. Throughout our territories and across our diverse markets, Cervus dealerships are united by the sales and support of the market-leading equipment our customers depend on to grow their business. 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. One third of the Cervus workforce of more than 1,500 dedicated employees is comprised of technicians with specialized skills to support our customers' equipment diagnostics, maintenance and repair needs.

Cervus 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.

Strategic Framework

Strategic Goal

Our primary objective is to create value for shareholders, customers, OEM partners and employees through profitable growth, supported by a disciplined approach to capital allocation and balance sheet management.

Through our sales activities (past and present), we have achieved a significant installed base of equipment in our markets. This installed base has created a sizeable opportunity for follow-on product support. Product support revenue adds stability and predictability to reduce volatility experienced in our cyclical industries. Over the past five years, the ratio of overall equipment sales to product support revenue has averaged approximately 75/25. We believe the Company can deliver enhanced performance across business cycles by advancing the sales to product support revenue ratio to 50/50. Accordingly, our vision is to achieve this balanced position through the cycles in which we operate.

Product support offers a variety of benefits, including the opportunity to provide valued ongoing services to customers, in addition to their equipment purchases. While typical product support offerings include parts, service, rentals, training and storage solutions, we see emerging opportunities to expand these offerings through the application and interpretation of innovation and technology that complements and/or leverages the technology in the equipment we sell. We believe the recurring nature of product support makes it a stable business that can improve overhead absorption in our dealerships, while delivering customer affinity for Cervus and our OEM partners.

We intend to drive product support revenue through organic growth and complementary acquisitions. Furthermore, we strive to operate with common and consistent customer service objectives across our dealerships. The accurate quoting of service work, attraction and retention of skilled tradespeople, efficient use of time and shop capacity, and proper investment and management of parts inventories are all key factors in delivering product support that addresses our customers' needs and are aligned with our financial performance objectives.

First Quarter Consolidated Results

($ thousands, except per share amounts)	Three month periods ended March 31 2021	% Change Compared to 2020	2020
Equipment revenue	**$ 174,628**	(4%)	$ 182,497
Product support revenue	**79,306**	7%	74,380
Total revenue	**253,934**	(1%)	256,877
Cost of sales before inventory impairment	**(208,199)**	(2%)	(212,967)
Inventory impairment	**(102)**	(73%)	(376)
Gross profit	**45,633**	5%	43,534
Other income (loss)	**1,440**	144%	(3,286)
Equipment commissions	**(2,935)**	9%	(2,693)
G&A expenses	**(38,034)**	1%	(37,819)
Income (loss) from operating activities	**6,104**		(264)
Net finance costs	**(1,934)**	(41%)	(3,291)
Income (loss) before income tax	**4,170**	217%	(3,555)
Income tax (expense) recovery	**(1,183)**	(239%)	852
Income (loss) for the period	**2,987**	211%	(2,703)
EBITDA[1]	**11,502**	118%	5,267
Ratios			
Gross profit margin as a % of revenue	**18.0%**		16.9%
Total SG&A as a % of gross profit	**89.8%**		93.1%
Income (loss) per share			
Basic	**$ 0.19**		$ (0.17)
Diluted	**$ 0.19**		$ (0.17)
Basic - Adjusted[1]	**$ 0.15**		$ 0.02
Reconciliation of adjusted income before income tax:			
Income (loss) before income tax	**4,170**	217%	(3,555)
Adjustments:			
Unrealized foreign exchange loss included in other income	**114**	(97%)	4,077
Government subsidies	**(1,097)**	100%	—
Adjusted income before income tax[1]	**$ 3,187**		$ 522

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

First Quarter Overview

The Company generated a significant increase of $8 million in income before tax, quarter over quarter, or a $2.7 million increase on an adjusted basis. Increased earnings were achieved despite continued impacts from the pandemic on our Transportation and Industrial businesses, as well as our service-related revenues in all segments. This improved performance reflects the Company's strategic focus on growing product support revenue, as well as lower finance costs associated with decreased inventory levels.

A changing mix of revenues, with a greater proportion coming from product support, is reflected in the substantial growth in gross profit. This growth was partly offset by a decrease in equipment revenue, primarily related to delayed deliveries from our manufacturers in the current year. Strong industry demand, compounded by supply chain constraints related to the pandemic and severe weather events, impacted the availability and timing of equipment from our manufacturers.

The significant factors in achieving the first quarter results are discussed below, with additional detail provided in the segment results that follow.

Revenue

Total revenue decreased 1% in the quarter, comprised of a 4% decrease in equipment revenue, partially offset by a 7% increase in product support revenue. The majority of this change was driven by our Agriculture segment.

Agriculture revenue decreased 1% in the quarter, driven by a 5% decrease in equipment revenue as deliveries were delayed by the manufacturer, compared to the first quarter of 2020, when sales were accelerated by customers in anticipation of currency-driven price increases. The decrease in equipment revenue was partly offset by a 13% increase in product support revenue in the quarter, as we executed on strategic parts initiatives, including online and on the road parts sales, and the addition of two new locations after the first quarter of 2020.

Transportation revenue decreased 1% in the quarter, driven by a 2% decrease in equipment revenue, resulting from manufacturer production delays due to component part shortages and delays in deliveries from logistic challenges related to COVID-19. The decrease in equipment revenue was partly offset by a 6% increase in parts revenue in the quarter, a result of continued initiatives to market over the counter parts to our customers, including through our on the road sales team.

Gross Profit

Gross profit increased 5% in the quarter, driven by a 7% improvement in product support revenue, which contributed an additional $1.8 million to gross profit in the quarter compared to 2020. The growth in product support gross profit was largely attributable to increased parts revenue of 11%, partly offset by a decline in service and other revenues of 3%. Gross profit margin as a percent of revenue increased, reflecting the shift in sales mix towards higher margin product support revenue.

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

G&A expenses, which exclude equipment commissions, increased 1% or $0.2 million in the quarter, driven by the strategic initiatives and new locations in our Agriculture segment discussed above, partly offset by expense reductions in our Transportation and Industrial segments.

Net finance costs decreased 41% or $1.4 million for the quarter, as we benefited from reduced inventory levels, a reduction in long-term debt, as well as lower interest rates.

Income

Income before tax increased $8 million, quarter over quarter. In addition to improvements in gross profit and net finance costs, this variance reflects the inclusion of $1.1 million in government subsidies related to the pandemic in the first quarter of 2021, as well as a $4.0 million decrease in unrealized foreign exchange losses. Adjusted income before tax, which excludes the impact of the subsidies and unrealized foreign exchange, increased $2.7 million for the quarter.

Balance Sheet

Inventory

Total inventory decreased $70 million from March 31, 2020, reflecting a $49 million decrease in the Agriculture segment and a $19 million decrease in the Transportation segment. This significant decrease in inventory resulted in Agriculture used equipment turnover for the trailing twelve-month period ended March 31, 2021, improving to 3.28 times from 1.89 times at March 31, 2020, surpassing our long-term used equipment inventory turnover objective of 2.50 times.[1]

Shareholder Distributions

A quarterly dividend of $0.11 per share was declared to the shareholders of record as at March 31, 2021.

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

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 costs on general corporate borrowings.

Summary of First Quarter Business Segment Results

Below is a summary of Cervus' segment results for the three months ended March 31, 2021 and 2020.

Three months ended March 31, 2021 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**$ 174,628**	$ 127,559	$ 42,666	$ 4,403	$ —
Product support revenue	**79,306**	37,856	34,000	7,450	—
Gross profit	**45,633**	26,741	14,268	4,624	—
Other income	**1,440**	114	1,178	148	—
Selling, general and administrative expense	**(40,969)**	(22,767)	(12,002)	(3,913)	(2,287)
Net finance costs	**(1,934)**	(1,315)	(516)	(59)	(44)
Income (loss) before income tax	**4,170**	2,773	2,928	800	(2,331)
Unrealized foreign exchange loss (gain) included in other income	**114**	—	174	(60)	—
Government subsidies	**(1,097)**	(125)	(737)	(235)	—
Adjusted income (loss) before income tax[(1)]	**$ 3,187**	$ 2,648	$ 2,365	$ 505	$ (2,331)

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

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

Agriculture Segment Results

($ thousands)	2021	% Change Compared to 2020	2020
	Three month periods ended March 31		
Equipment			
New equipment	**$ 80,392**	(5%)	$ 84,456
Used equipment	**47,167**	(5%)	49,673
Total equipment revenue	**127,559**	(5%)	134,129
Product support revenue	**37,856**	13%	33,638
Total revenue	**165,415**	(1%)	167,767
Cost of sales before inventory impairment	**(138,626)**	(3%)	(142,302)
Inventory impairment	**(48)**	(84%)	(302)
Gross profit	**26,741**	6%	25,163
Other income	**114**	(51%)	234
Equipment commissions	**(2,292)**	7%	(2,147)
G&A expenses	**(20,475)**	3%	(19,798)
Income from operating activities	**4,088**	18%	3,452
Net finance costs	**(1,315)**	(30%)	(1,873)
Income before income tax	**2,773**	76%	1,579
EBITDA(1)	**7,344**	10%	6,687
Ratios			
Gross profit margin as a % of revenue	**16.2%**		15.0%
Total SG&A as a % of gross profit	**85.1%**		87.2%
Reconciliation of adjusted income before income tax:			
Income before income tax	**2,773**	76%	1,579
Adjustments:			
Government subsidies	**(125)**	100%	—
Adjusted income before income tax(1)	**$ 2,648**	68%	$ 1,579

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

Revenue and Gross Profit

Total equipment revenue in our Agriculture segment decreased 5% in the quarter, as equipment deliveries were delayed by the manufacturer due to supply chain constraints. The timing of equipment revenue was also impacted in the first quarter of 2020, as customers accelerated equipment sales in advance of currency-driven price increases, contributing to the quarter over quarter change.

Product support revenue increased 13% in the quarter, driven by an 18% increase in parts revenue. This growth in parts revenue is the result of continued execution on strategic initiatives, including increased volumes through both our online and on the road parts sales channels, coupled with the inclusion of our new locations in Nipawin, Saskatchewan and Colac, Australia, which were added after the first quarter of 2020.

Gross profit increased 6%, including a $1.4 million increase in product support gross profit in the quarter. The increase in gross profit margin as a percent of revenue reflects an increase in the overall sales mix attributable to product support.

G&A and Net Finance Costs

G&A expenses, excluding equipment commissions, increased 3% or $0.7 million in the quarter, primarily related to the strategic initiatives and new locations discussed above.

Our focus on used equipment inventory turnover as a critical measure of dealership performance, drove a $49 million decrease in Agriculture inventory quarter over quarter, resulting in a 30% decrease in net finance costs. Managing floor plans, to utilize certain interest-free periods provided by manufacturers, reduced interest otherwise payable from $0.3 million to $0.1 million for the quarter.

Income

Income before tax increased $1.2 million in the quarter, primarily a result of the increased parts revenue and the reduction in net finance costs, as discussed above. Quarter to date segment results for 2021 include government subsidies related to the COVID-19 pandemic of $0.1 million, which were excluded in the calculation of adjusted income before tax.

Transportation Segment Results

($ thousands)	Three month periods ended March 31 2021	% Change Compared to 2020	2020
Equipment			
New equipment	**$ 40,723**	(3%)	$ 42,144
Used equipment	**1,943**	24%	1,573
Total equipment revenue	**42,666**	(2%)	43,717
Product support revenue	**34,000**	1%	33,663
Total revenue	**76,666**	(1%)	77,380
Cost of sales before inventory impairment	**(62,376)**	(1%)	(63,121)
Inventory impairment	**(22)**	120%	(10)
Gross profit	**14,268**	0%	14,249
Other income (loss)	**1,178**	133%	(3,609)
Equipment commissions	**(497)**	28%	(389)
G&A expenses	**(11,505)**	(5%)	(12,068)
Income (loss) from operating activities	**3,444**	290%	(1,817)
Net finance costs	**(516)**	(55%)	(1,136)
Income (loss) before income tax	**2,928**	199%	(2,953)
EBITDA(1)	**4,600**		(469)
Ratios			
Gross profit margin as a % of revenue	**18.6%**		18.4%
Total SG&A as a % of gross profit	**84.1%**		87.4%
Reconciliation of adjusted income before income tax:			
Income (loss) before income tax	**2,928**	199%	(2,953)
Adjustments:			
Unrealized foreign exchange loss included in other income	**174**	(96%)	3,890
Government subsidies	**(737)**	100%	—
Adjusted income before income tax(1)	**$ 2,365**	152%	$ 937

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

Revenue and Gross Profit

Transportation equipment revenue decreased 2% in the quarter, as manufacturer production delays from component part shortages and delays in deliveries from logistics challenges related to COVID-19, reduced new equipment sales by 3%, compared to the first quarter of 2020.

Parts revenue increased 6% in the quarter, the result of continued initiatives to market over the counter parts to our customers, including through our on the road sales team. This was partly offset by a reduction in activity in our service department, tied to the economic slowdown from the pandemic, resulting in a 1% increase in product support revenue in the quarter.

Overall gross profit was flat quarter over quarter, while gross profit margin as a percent of revenue increased as product support comprised a larger percentage of overall revenue.

G&A and Net Finance Costs

Management of expenses commensurate with customer activity resulted in a 5% decrease in G&A expenses, excluding equipment commissions for the quarter.

A $19 million decrease in new equipment inventory, compared to March 31, 2020, contributed to the $0.6 million decrease in net finance costs in the quarter. At March 31, 2021, approximately 30% (March 31, 2020 – 6%) 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 tax increased $6 million in the quarter, including wage subsidies reported in other income of $0.7 million in the first quarter of 2021. Adjusted income before tax increased $1.4 million in the quarter, driven by the reduction in G&A expenses and net finance costs discussed above.

The decrease in unrealized foreign exchange losses for the quarter was due to the appreciation of the Canadian dollar, relative to the US dollar. Most of our floor plan in the Transportation segment is payable in US dollars and exchange rate fluctuations result in unrealized foreign exchange gains or losses period to period.

Industrial Segment Results

($ thousands)	Three month periods ended March 31 2021	% Change Compared to 2020	2020
Equipment			
New equipment	**$ 3,325**	(5%)	$ 3,503
Used equipment	**1,078**	(6%)	1,148
Total equipment revenue	**4,403**	(5%)	4,651
Product support revenue	**7,450**	5%	7,079
Total revenue	**11,853**	1%	11,730
Gross profit	**4,624**	12%	4,122
Other income	**148**	66%	89
Equipment commissions	**(146)**	(7%)	(157)
G&A expenses	**(3,767)**	(4%)	(3,940)
Income from operating activities	**859**		114
Net finance costs	**(59)**	13%	(52)
Income before income tax	**800**		62
EBITDA[1]	**1,639**	101%	816
Ratios			
Gross profit margin as a % of revenue	**39.0%**		35.1%
Total SG&A as a % of gross profit	**84.6%**		99.4%
Reconciliation of adjusted income before income tax:			
Income before income tax	**800**		62
Adjustments:			
Unrealized foreign exchange (gain) loss included in other income	**(60)**	132%	187
Government subsidies	**(235)**	100%	—
Adjusted income before income tax[1]	**$ 505**	103%	$ 249

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

Revenue and Gross Profit

Equipment revenue in our Industrial segment decreased 5% in the quarter, as customers continued to curtail capital expenditures as a result of the economic impacts of the pandemic, which has compounded a prolonged period of reduced resource related activity. Product support revenue increased 5% in the quarter, driven by strong demand for rental equipment and training programs.

Overall gross profit increased 12% in the quarter, primarily driven by the increased product support revenue discussed above, as well as improved used equipment margins. Gross profit margin as a percent of revenue increased for the quarter, reflecting the shift in sales mix towards higher margin product support revenue.

G&A and Net Finance Costs

Management of expenses commensurate with customer activity resulted in a 4% decrease in G&A expenses, excluding equipment commissions in the quarter.

Net finance costs were flat compared to the prior quarter. At March 31, 2021, approximately 5% (March 31, 2020 – 45%) 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 tax increased $0.7 million for the quarter, including $0.2 million of wage subsidy reported in other income in the current quarter. Adjusted income increased $0.3 million in the quarter, which excludes the wage subsidy reported and the increase in unrealized foreign exchange gains quarter over quarter.

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

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

COVID-19 Impact

COVID-19 continues to have an unprecedented impact on the global economy, and at this time, there is no clear consensus regarding the likely duration of the pandemic or the short and long-term implications. Although progress has been made in the distribution and administering of vaccines, there remains uncertainty around the timing, availability, and efficacy against the variant strains of COVID-19. 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 expect that an economic recovery in 2021 will depend on ongoing government programs, low interest rates, the widespread distribution of an effective vaccine, and improvement in labour market conditions.[1,2]

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. Cervus is committed to supporting our customers, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

Our Agriculture equipment and parts operations have demonstrated resilience through the pandemic, while our Transportation and Industrial operations, as well as service shops in all our segments, have been more 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 the pandemic on each segment is discussed in more detail below, and in the sections 'Business Segment Results' and 'Business Risks and Uncertainties'.

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. The Canadian agriculture industry has remained resilient through the pandemic, demonstrated by record net cash income in 2020, a 22% increase over 2019.[3] Agriculture and Agri-Food Canada projects that farmers will achieve a second consecutive year of record net cash income in 2021,[3] forecasting a 6.8% increase to \$17.6 billion.[3] This projected increase in 2021 net cash income, strong commodity prices, as well as favorable moisture conditions, are expected to support positive farmer sentiment and demand for equipment.

While the improvements in agriculture fundamentals discussed above are positive indicators for equipment demand, our ability to capture this market demand will be inhibited by product availability and extended lead times from manufacturers. An increase in US and Canadian equipment orders and supply chain disruptions have also resulted in extended delivery timelines for previously ordered equipment, which may impact the timing of these sales during the year.

In Australia, the agriculture industry is positioned to benefit in 2021 from high commodity prices, low interest rates, and strong global demand for its food and agribusiness products.[4] Weather conditions have been positive for much of Australia, providing farmers with higher than average moisture to open the 2021 growing season.[4] In New

[1] TD Economics, *Canadian Quarterly Economic Forecast: COVID 19, Vaccines, Knowns & Unknowns,* December 2020, https://economics.td.com/ca-quarterly-economic-forecast
[2] RBC Economics, *Vaccine Clears Path for Recovery but Not out of the Woods Yet*, December 2020, http://www.rbc.com/economics/economic-reports/quarterly-economic-update.html
[3] Agriculture and Agri-Food Canada, *Farm Income Forecast results for 2020 and 2021*, February 2021, https://www.agr.gc.ca/
[4] Rabobank Australia, *Australian agriculture looking to profitable year ahead - industry outlook*, January 2021, https://www.rabobank.com.au/media-releases/

Zealand, most agriculture sectors are also poised to perform well in 2021,[5] which is attributable to a strong pricing environment, as well as production holding up well for most agriculture commodities. Challenges have emerged in both Australia and New Zealand sourcing product in a timely manner, as the pandemic has disrupted the flow of product to these markets. Many ports across New Zealand are experiencing severe congestion when offloading cargo, which is anticipated to extend equipment delivery timelines to our branches, and in turn customers.

Transportation

In our Transportation segment, demand for new equipment is anticipated to rebound in 2021, linked to renewed customer and industry confidence. In its first quarter 2021 earnings release, PACCAR, the owner of Peterbilt, upgraded its estimate of North America's 2021 Class 8 truck market to a range of 260,000 - 290,000 units, an increase over its previously estimated range of 250,000 - 280,000 units reported in January 2021.[6]

This increase in market demand, combined with semi-conductor and other parts shortages, has resulted in extended equipment production and delivery timelines. PACCAR reported that the shortage in semi-conductors resulted in reduced truck deliveries in the first quarter of 2021, and that it anticipates this will continue into the second quarter.[7] Compounding this backlog are challenges in delivery logistics caused by the pandemic, including a shortage of drivers and border restrictions. Our ability to meet customer demand may be constrained by the availability and timing of equipment deliveries from the manufacturer.

In Ontario, the first quarter of 2021 was marked by renewed restrictions in response to a second wave of the virus. However, the province is projected to quickly rebound as restrictions are expected to ease later in the year and significant built-up demand can be exercised.[8] The recent rise in oil prices has also improved prospects for Saskatchewan's energy sector,[8] supporting oil production and exports in the province. RBC expects an increase in both drilling and production activity in 2021 as a result,[8] which could encourage more customer spending in the province.

Industrial

Our Industrial segment is largely dependent on the general economic conditions in Alberta and Saskatchewan, which are closely tied to the economic activity related to their resource sectors. Both provinces are positioned to benefit from the improved oil price environment previously mentioned, as well as the eventual easing of pandemic-related restrictions.

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 remain 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.

[5] Rabobank New Zealand, *NZ ag sector "travelling astoundingly well" amid global turbulence and poised for profitable 2021 - Rabobank outlook,* January 2021, https://www.rabobank.co.nz/media-releases/
[6] PACCAR, *PACCAR Achieves Very Good Quarterly Revenue and Profits*, April 2021, https://www.paccar.com/news/current-news/2021/paccar-achieves-very-good-quarterly-revenues-and-profits/
[7] PACCAR, *PACCAR Business Update*, March 2021, https://www.paccar.com/news/current-news/2021/paccar-business-update/
[8] RBC Economics, *Provincial Outlook: Vaccine progress brightens outlook for provincial economies*, March 2021, http://www.rbc.com/economics/economic-reports/provincial-economic-forecasts.html

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.

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 March 31**	**2019**	**2020**	**2021**	**Annual Objective by 2024**
Return On Invested Capital ("ROIC")(1)				
Consolidated	13.7%	(0.1%)	20.3%	**> 20%**
Average Product Support Gross Profit Growth				
Consolidated	12.0%	(6.3%)	7.4%	**8% - 10%**
Agriculture	22.3%	(10.7%)	13.3%	**8% - 10%**
Transportation	1.0%	(1.6%)	0.1%	**8% - 10%**
Industrial	10.6%	(2.5%)	8.2%	**8% - 10%**
Absorption				
Agriculture	74%	72%	80%	**95% - 100%**
Transportation	98%	100%	105%	**110% - 115%**
Industrial	91%	91%	103%	**110% - 115%**
Equipment Inventory Turnover(1)(2)				
Agriculture	1.77	1.89	3.28	**> 2.5**
Transportation	3.45	2.51	2.99	**> 3.5**
Industrial	2.87	2.59	2.84	**> 3.5**

(1) - ROIC and equipment inventory turnover are 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 proposed investment is expected to create shareholder value. We 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 revenue 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 three months ended March 31, 2021 and 2020 are as follows:

Three month periods ended March 31 ($ thousands)	2021	2020	Increase (Decrease) in Cash
Net income (loss)	$ 2,987	$ (2,703)	$ 5,690
Effect of non-cash items in net earnings & changes in working capital	12,087	9,346	2,741
Cash provided from operating activities	15,074	6,643	8,431
Cash (used in) investing activities	(946)	(1,194)	248
Cash (used in) provided from financing activities	(3,579)	8,699	(12,278)
Net increase in cash	**10,549**	**14,148**	**(3,599)**
Effect of foreign exchange on cash	522	2,379	(1,857)
Cash, beginning of period	26,697	7,946	18,751
Cash, end of period	**$ 37,768**	**$ 24,473**	**$ 13,295**

Operating Activities

The principal factors in the $8 million increase in operating cash flow year to date, compared to the prior period were:

- A $6 million increase in cash from net income, partly offset by a $4.0 million decrease in unrealized foreign exchange losses, which is a non-cash item included in net income.
- A $7 million increase in cash from non-cash working capital, provided from changes in trade and other receivables.

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

Three month periods ended March 31 ($ thousands)	2021	2020	Increase (Decrease) in Cash
Changes in non-cash working capital:			
Inventory	**$ (73,193)**	$ (54,287)	$ (18,906)
Floor plan	**61,036**	39,580	21,456
Trade and other receivables	**6,283**	(378)	6,661
Trade and other liabilities	**14,418**	16,890	(2,472)
Total change in non-cash working capital	**$ 8,544**	$ 1,805	$ 6,739

Investing Activities

The $0.2 million decrease in cash used in investing activities quarter over quarter was primarily attributable to a $1.4 million increase in proceeds received from disposal of property and equipment. This was partly offset by a $0.7 million increase in payments for intangible assets, primarily related to software development costs. The Company continues to invest in capital expenditures and technology that support our strategic objectives.

Financing Activities

The $12 million increase in cash used in financing activities reflects $10 million net drawn on our Syndicate facility in the prior period, that did not recur in 2021.

Adjusted Free Cash Flow

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

Reconciliation of Adjusted Free Cash Flow Three month periods ended March 31 ($ thousands)	2021	2020	Increase (Decrease) in Cash
Cash flow provided by operating activities	$ 15,074	$ 6,643	$ 8,431
(-) Changes in non-cash working capital	(8,544)	(1,805)	(6,739)
(-) Purchase of property and equipment	(2,099)	(1,635)	(464)
(+) Purchase of dealerships & real estate	1,134	546	588
(+) Proceeds on disposal of property and equipment	1,808	375	1,433
(-) Proceeds on disposal of dealerships & real estate	—	—	—
Adjusted Free Cash Flow[1]	**$ 7,373**	**$ 4,124**	**$ 3,249**

(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 months ended March 31, 2021 and 2020:

Summary of First Quarter Product Support Revenue

Three months ended March 31, 2021 ($ thousands)	Total	Agriculture	Transportation	Industrial
Parts	**$ 55,505**	$ 26,330	$ 26,521	$ 2,654
Service	**19,263**	10,152	6,906	2,205
Rental and other	**4,538**	1,374	573	2,591
Total product support revenue	**$ 79,306**	$ 37,856	$ 34,000	$ 7,450

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

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	March 31, 2021	December 31, 2020
Current assets	$ **388,444**	309,391
Total assets	**588,869**	516,097
Current liabilities	**255,080**	177,110
Long-term financial liabilities	**77,918**	83,280
Total equity	**249,390**	248,708
Working capital[(1)]	**133,364**	132,281
Working capital ratio[(1)]	**1.52**	1.75

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

Working Capital

Cervus' working capital increased by $1.1 million to $133 million at March 31, 2021, when compared to $132 million at March 31, 2020. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at March 31, 2021, the Company had the ability to floor plan an additional $16 million of inventory with a pre-approved credit limit of $441 million.

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, together with currently available cash on hand and credit facilities, will be sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months.

Inventories

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

At March 31, 2021, the Company believes that the recoverable value of equipment inventory exceeds its carrying value. For the three months ended March 31, 2021, the Company recognized non cash inventory impairment charges through cost of goods sold of $0.1 million (March 31, 2020 - $0.4 million).

Inventory by segment as at March 31, 2021, compared to December 31, 2020, is as follows:

($ thousands)	March 31, 2021	December 31, 2020	Increase/ (Decrease)
Agriculture			
New	**$ 68,655**	$ 52,784	$ 15,871
Used	**75,168**	70,513	4,655
Parts and other	**38,100**	35,510	2,590
Total inventory	**181,923**	158,807	23,116
Transportation			
New	**85,351**	40,412	44,939
Used	**3,088**	3,389	(301)
Parts and other	**23,719**	21,272	2,447
Total inventory	**112,158**	65,073	47,085
Industrial			
New	**2,631**	3,050	(419)
Used	**1,190**	1,175	15
Parts and other	**1,843**	1,103	740
Total inventory	**5,664**	5,328	336
Total inventory	**$ 299,745**	$ 229,208	$ 70,537

Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2020, may be limited. Therefore, we have provided a comparison of inventory by segment as at March 31, 2021, relative to March 31, 2020. A summary of the movement is as follows:

($ thousands)	March 31, 2021	March 31, 2020	Increase/ (Decrease)
Agriculture			
New	**$ 68,655**	$ 72,662	$ (4,007)
Used	**75,168**	126,125	(50,957)
Parts and other	**38,100**	31,684	6,416
Total inventory	**181,923**	230,471	(48,548)
Transportation			
New	**85,351**	104,519	(19,168)
Used	**3,088**	3,830	(742)
Parts and other	**23,719**	22,496	1,223
Total inventory	**112,158**	130,845	(18,687)
Industrial			
New	**2,631**	6,360	(3,729)
Used	**1,190**	1,193	(3)
Parts and other	**1,843**	1,232	611
Total inventory	**5,664**	8,785	(3,121)
Total inventory	**$ 299,745**	$ 370,101	$ (70,356)

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at March 31, 2021 are as follows:

	March 31, 2021				December 31, 2020			
($ thousands)	**Total Limits**	**Borrowings**	**Letters of Credit**	**Amount Available**	**Total Limits**	**Borrowings**	**Letters of Credit**	**Amount Available**
Operating and other bank credit facilities	**$ 122,193**	**$ —**	**$ 9,600**	**$ 112,593**	$ 122,288	$ —	$ 9,600	$ 112,688
Floor plan facilities and rental equipment term loan financing	**(a)**	**149,994**				89,505		
Total borrowing		**$ 149,994**				$ 89,505		

(a) For floor plan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $441 million (December 31, 2020 - $443 million) or the available unencumbered assets which are estimated at $16 million as at March 31, 2021 (December 31, 2020 - $14 million).

Operating and Other Bank Credit Facilities

The Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four-year term but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at March 31, 2021, 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 the foreseeable future, including the next 12 months.

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

	March 31, 2021	**December 31, 2020**
Total liabilities to net worth ratio(1) (not exceeding 4.0:1.0)	**2.04**	1.60
Fixed charge coverage ratio(2) (greater than or equal to 1.10:1.00)	**3.81**	3.19
Asset coverage ratio(3) (greater than 3.0:1.0)	**25.68**	25.46

(1) - Calculated using an adjusted liability value over an adjusted equity value. Full definitions of adjusted liabilities and adjusted equity are contained within 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 contained within 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 pandemic bonus payment to front-line workers.

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

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, John Deere Financial Ltd., Wells Fargo Equipment Finance Company, PACCAR Financial Ltd., US Bank, Canadian Imperial Bank of Commerce, and De Lage Landen Financial Services Canada. At March 31, 2021, floor plan payables related to inventories were $145 million.

Floor plan payables at March 31, 2021 represented approximately 48% of our inventories (December 31, 2020 – 36%). 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 $0.3 million for the three months ended March 31, 2021 (March 31, 2020 – $0.9 million). This amount was offset by rebates applied during the three months ended March 31, 2021, of $0.3 million (March 31, 2020 - $0.6 million). At March 31, 2021, approximately 5% (March 31, 2020 – 45%) of the Industrial segment's and 30% (March 31, 2020 – 6%) 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 0.4 million deferred share units outstanding. For the three month periods ended March 31, 2021 and 2020, the Company had the following weighted average shares outstanding:

(thousands)	March 31, 2021	March 31, 2020
Basic weighted average number of shares outstanding	**15,382**	15,478
Dilutive impact of deferred share plan	**427**	—
Dilutive impact of options	**60**	—
Diluted weighted average number of shares outstanding	**15,869**	15,478

Normal Course Issuer Bid ("NCIB")

For the three months ended March 31, 2021, 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 March 31, 2021:

$ thousands, except per share amounts) **Record Date**	**Dividend per Share**	**Dividend Payable**	**Dividends Reinvested**	**Net Dividend Paid**
March 31, 2021	$ 0.1100	$ 1,694	$ 109	$ 1,585
Total	**$ 0.1100**	**$ 1,694**	**$ 109**	**$ 1,585**

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

Dividend Reinvestment Plan ("DRIP")

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

During the three months ended March 31, 2021, 0.1 million (March 31, 2020 – 0.1 million) common shares were issued through the Company's dividend reinvestment plan.

Dividend Taxation

Cervus' 2021 dividends declared and paid through March 31, 2021, are considered to be eligible dividends for tax purposes on the date paid.

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

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

Summary of Quarterly Results

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

($ thousands, except per share amounts)	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revenue	**$ 253,934**	$ 273,878	$ 356,163	$ 340,969
Income	**2,987**	5,491	13,023	9,276
Gross profit	**45,633**	50,685	56,989	51,127
Gross profit margin	**18.0%**	18.5%	16.0%	15.0%
EBITDA(1)	**11,502**	16,315	26,410	19,903
Income per share:				
Basic	**0.19**	0.36	0.84	0.59
Diluted	**0.19**	0.34	0.81	0.57
Adjusted income per share(1)				
Basic	**0.15**	0.28	0.57	0.44
Diluted	**0.14**	0.27	0.54	0.43
Weighted average shares outstanding				
Basic	**15,382**	15,363	15,430	15,629
Diluted	**15,869**	15,954	16,130	16,169

($ thousands, except per share amounts)	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue	$ 256,877	$ 259,549	$ 317,082	$ 327,605
(Loss) income	(2,703)	(7,048)	(1,675)	2,817
Gross profit	43,534	36,901	42,847	46,879
Gross profit margin	16.9%	14.2%	13.5%	14.3%
EBITDA(1)	5,267	838	8,230	11,981
(Loss) income per share:				
Basic	(0.17)	(0.46)	(0.11)	0.18
Diluted	(0.17)	(0.46)	(0.11)	0.17
Adjusted income (loss) per share(1)				
Basic	0.02	(0.50)	(0.10)	0.15
Diluted	0.02	(0.50)	(0.10)	0.14
Weighted average shares outstanding				
Basic	15,478	15,344	15,326	15,445
Diluted	15,478	15,344	15,326	16,394

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

Off-Balance Sheet Arrangements

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At March 31, 2021, payments in arrears by such customers aggregated $1.1 million (December 31, 2020 - $1.2 million). In addition, the Company is responsible for assuming the net residual value of all customer lease obligations held with Deere Credit, at the maturity of the contract, should the customer not elect to buy out the equipment at maturity. At March 31, 2021, the residual value of such leases aggregated $294 million (December 31, 2020 - $301 million).

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company may owe Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $2.9 million at March 31, 2021 (December 31, 2020 - $3.0 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 at March 31, 2021 (December 31, 2020 - $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 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

Risk Management Framework

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, 2020, 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. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the long-term 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 below could be particularly exacerbated by unprecedented conditions such as the COVID-19 pandemic. Such risks include, but are not limited to:

a. a material reduction in demand for, or profitability of, our products or services;
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 agriculture 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, 2020, 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, 2020.

The uncertainty of estimates and judgments increases in periods of high market volatility and rapid unprecedented change, which is currently occurring due to impacts of COVID-19. Management considered material accounting estimates such as its inventory provision and the going concern assessment in light of the current situation. Estimates at March 31, 2021 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, 2020 and as described in Note 3 in those financial statements.

Responsibility of Management and Board

Disclosure Controls

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

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

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that the Company's disclosure controls and procedures were effective as at March 31, 2021.

Internal Controls over Financial Reporting

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

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as at March 31, 2021, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013). Based on that evaluation, the CEO and the CFO concluded that the Company's internal control over financial reporting was effective as at March 31, 2021.

There have been no changes in the design of the Company's internal control over financial reporting during 2021 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 documents 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 $0.1100 per share was made to the shareholders of record as of March 31, 2021, on April 15, 2021. See “Capital Resources - Cautionary Note Regarding Dividends” for a cautionary note regarding future dividends.

Material Assumptions and Risks for 2024 Targets

The following material assumptions and risks were made in establishing the Company's key performance indicator targets for the fiscal year 2024.

Return on Invested Capital

Material assumptions:

- Realization of the product support gross profit, absorption and inventory turnover targets discussed below.
- Prudent management of working capital.
- Effective management of the Company's capital allocation priorities.

Material risks:

- Lower than anticipated earnings growth; refer to the product support gross profit and absorption risks discussed below.
- Short-term effects from the Company's capital-allocation initiatives, including the potential impact of organic and inorganic growth initiatives designed to create long-term growth.

Product Support Gross Profit Growth

Material assumptions:

- All business segments will contribute positively to the consolidated product support gross profit growth.
- Product support revenue growth will be driven by an expansion of current product support offerings and the introduction of new revenue lines.
- Successful implementation of initiatives to improve the gross profit margin percentage of our product support departments.

Material risks:

- Adverse economic, foreign exchange, trade or regulatory conditions which negatively impact demand for our products and services.
- Pricing pressure from existing competitors, new entrants to the market and accelerated disruption from online competitors.
- Lower or lesser contributions than expected from initiatives to improve gross profit margin percentage of our product support departments.
- Our ability to attract and retain qualified employees to provide our product support offering.

Absorption Percentage

Material assumptions:

- Realization of the product support gross profit objective discussed above, while limiting the increase in our fixed expense base.
- Fixed expenses have been assumed to increase at an inflationary rate, while variable expenses are assumed to increase in line with revenues.

Material risks:

- Lower than anticipated product support gross profit growth; refer to the product support gross profit risks discussed above.
- Short-term effects of new product support initiatives designed to create long-term improvements in product support gross profit and absorption.
- Adverse regulatory or economic conditions that result in an unforeseen increase in operating costs.

Equipment Inventory Turnover

Material assumptions:

- There will not be a significant change in market demand for equipment across our business segments over the five-year period.
- Successful implementation of new processes and a new commissions structure will improve the management of used inventory that is taken on trade in our Canadian agriculture operations.

Material risks:

- Adverse economic, foreign exchange, trade or regulatory conditions which negatively impact demand for our equipment inventory.

- Equipment inventory ordering from OEMs can require significant lead time. In the period between ordering inventory from OEMs, and the delivery of that equipment, market demand can shift resulting in inventory levels that are not in line with market demand.

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 GAAP 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 (loss) from operating activities refers to income (loss), excluding net finance costs recognized outside of cost of goods sold, share of profit (loss) from equity investees and income taxes. This additional GAAP 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.

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

Adjusted income 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 as follows:

	Three month periods ended March 31	
($ thousands, except per share amounts)	**2021**	**2020**
Income (loss) for the period	**$ 2,987**	$ (2,703)
Adjustments:		
Unrealized foreign exchange loss[1]	**114**	4,077
Government subsidies	**(1,097)**	—
Tax impact of adjustments	**247**	(1,060)
Adjusted income for the period	**2,251**	314
Adjusted income per share:		
Basic	**$ 0.15**	$ 0.02
Diluted	**$ 0.14**	$ 0.02

Adjusted Income (Loss) Before Income Tax

Three Months ended March 31, 2021

Reconciliation of Adjusted Income (Loss) Before Income Tax ($ thousands) **Three months ended March 31, 2021**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Income (loss) before income tax	**$ 4,170**	$ 2,773	$ 2,928	$ 800	$ (2,331)
Adjustments:					
Unrealized foreign exchange loss (gain)[1]	**114**	—	174	(60)	—
Government subsidies	**(1,097)**	(125)	(737)	(235)	—
Adjusted income (loss) before income tax	**$ 3,187**	$ 2,648	$ 2,365	$ 505	$ (2,331)

Three Months ended March 31, 2020

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

(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 floor plan 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, depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have reconciled net income as determined in accordance with IFRS to EBITDA, as follows:

Three months ended March 31, 2021

EBITDA ($ thousands) **Three months ended March 31, 2021**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**$ 2,987**	$ 2,773	$ 2,928	$ 800	$ (3,514)
Add:					
Interest	**2,224**	1,420	563	87	154
Income taxes	**1,183**	—	—	—	1,183
Depreciation and Amortization	**5,108**	3,151	1,109	752	96
EBITDA(1)	**11,502**	7,344	4,600	1,639	(2,081)
EBITDA margin(2)	**4.5%**	4.4%	6.0%	13.8%	
Reconciliation of adjusted EBITDA(1):					
EBITDA(1)	**11,502**	7,344	4,600	1,639	(2,081)
Adjustments:					
Unrealized foreign exchange loss (gain)	**114**	—	174	(60)	—
Government subsidies	**(1,097)**	(125)	(737)	(235)	—
Adjusted EBITDA(1)	**$ 10,519**	$ 7,219	$ 4,037	$ 1,344	$ (2,081)

Three months ended March 31, 2020

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

(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 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 floor plan interest expense (referred to as "Return"), divided by 4 quarter average total invested capital. Total invested capital is calculated as net debt plus the book value of equity.

The reconciliation of ROIC is presented in the table below.

Reconciliation of Return On Invested Capital	**2021**	**2020**				**2019**			
($ thousands, except as noted)	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Income (loss) before tax	**$ 4,170**	$ 8,313	$ 18,304	$ 11,267	$ (3,555)	$ (8,807)	$ (2,308)	$ 2,811	$ (2,144)
(+) Unrealized foreign exchange loss (gain)	**114**	(712)	(667)	(2,365)	4,077	(831)	207	(625)	(598)
(+) Finance costs	**2,098**	2,008	2,419	2,921	3,449	3,188	3,598	3,233	3,037
(-) Floor plan interest expense	**(552)**	(309)	(589)	(1,014)	(1,383)	(1,210)	(1,139)	(1,050)	(1,009)
Return	**5,830**	**9,300**	**19,467**	**10,809**	**2,588**	**(7,660)**	**358**	**4,369**	**(714)**
Shareholders' equity	**249,390**	248,708	243,297	231,767	220,136	227,138	232,742	237,885	240,747
(+) Long-term debt	**2,510**	2,938	3,158	18,645	44,544	33,370	31,621	75,691	45,995
(+) Current portion of long-term debt	**2,547**	2,872	2,840	8,150	10,199	9,795	11,204	12,048	13,488
(-) Cash	**(37,768)**	(26,697)	(26,762)	(30,586)	(24,473)	(7,946)	(7,146)	(10,256)	(2,562)
Total Invested Capital	**216,679**	**227,821**	**222,533**	**227,976**	**250,406**	**262,357**	**268,421**	**315,368**	**297,668**
Return - trailing 12 months	**45,406**	42,164	25,204	6,095	(346)	(3,647)	13,466	28,660	38,278
Total Invested Capital - 4 quarter average	**223,752**	232,184	240,818	252,290	274,138	285,954	289,535	292,041	280,168
Return On Invested Capital - trailing 12 months	**20.3%**	**18.2%**	**10.5%**	**2.4%**	**(0.1%)**	**(1.3%)**	**4.7%**	**9.8%**	**13.7%**

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 gross profit, 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 floor plan 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	**2021**	**2020**					**2019**				
($ thousands, except as noted)	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 79,306**	**$336,011**	$ 84,256	$ 96,292	$ 81,083	$ 74,380	**$325,641**	$ 80,498	$ 88,445	$ 83,141	$ 73,557
(+) Product support revenues - internal activity	**7,371**	**29,564**	7,144	8,116	7,820	6,484	**33,898**	7,094	8,725	9,966	8,113
Product support revenues - total	**86,677**	**365,575**	91,400	104,408	88,903	80,864	**359,539**	87,592	97,170	93,107	81,670
Product support cost of sales - reported	**50,348**	**209,847**	52,336	59,281	51,014	47,216	**202,935**	50,692	55,068	51,963	45,212
(+) Product support cost of sales - internal activity	**3,587**	**14,483**	3,564	3,970	3,786	3,163	**16,151**	3,457	4,223	4,562	3,909
Product support cost of sales - total	**53,935**	**224,330**	55,900	63,251	54,800	50,379	**219,086**	54,149	59,291	56,525	49,121
Product Support Gross Profit	**32,742**	**141,245**	**35,500**	**41,157**	**34,103**	**30,485**	**140,453**	**33,443**	**37,879**	**36,582**	**32,549**
Product support gross profit dollars growth ($)	**2,257**	**792**	2,057	3,278	(2,479)	(2,064)	**6,442**	1,331	1,365	268	3,478
Product Support Gross Profit Growth (%)	**7.4%**	**0.6%**	**6.2%**	**8.7%**	**(6.8%)**	**(6.3%)**	**4.8%**	**4.1%**	**3.7%**	**0.7%**	**12.0%**
Total SG&A expenses	**40,969**	**167,146**	42,942	42,888	40,804	40,512	**171,278**	43,261	42,499	42,397	43,121
(-) Equipment commissions expense	**(2,935)**	**(14,096)**	(3,200)	(4,219)	(3,984)	(2,693)	**(11,974)**	(2,962)	(3,366)	(3,376)	(2,271)
(-) Amortization of intangibles	**(895)**	**(3,887)**	(1,055)	(1,053)	(892)	(887)	**(4,655)**	(984)	(1,169)	(1,251)	(1,251)
(+) Net finance costs	**1,934**	**10,210**	1,860	2,293	2,766	3,291	**12,369**	3,036	3,422	3,061	2,850
(-) Floor plan interest expense	**(552)**	**(3,295)**	(309)	(589)	(1,014)	(1,383)	**(4,408)**	(1,210)	(1,139)	(1,050)	(1,009)
Total Operating Costs	**38,521**	**156,078**	**40,238**	**39,320**	**37,680**	**38,840**	**162,609**	**41,141**	**40,247**	**39,781**	**41,441**
Absorption	**85%**	**90%**	**88%**	**105%**	**91%**	**78%**	**86%**	**81%**	**94%**	**92%**	**79%**

Agriculture

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Agriculture	**2021**	**2020**					**2019**				
($ thousands, except as noted)	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 37,856**	**$178,730**	$ 43,712	$ 56,689	$ 44,691	$ 33,638	**$159,287**	$ 40,474	$ 47,551	$ 39,216	$ 32,046
(+) Product support revenues - internal activity	**5,493**	**21,880**	5,092	6,312	6,019	4,457	**25,043**	4,782	6,639	7,370	6,252
Product support revenues - total	**43,349**	**200,610**	48,804	63,001	50,710	38,095	**184,330**	45,256	54,190	46,586	38,298
Product support cost of sales - reported	**24,006**	**108,865**	26,062	34,064	27,503	21,236	**95,842**	24,178	28,258	24,557	18,849
(+) Product support cost of sales - internal activity	**2,638**	**10,449**	2,458	3,019	2,863	2,109	**11,576**	2,280	3,119	3,248	2,929
Product support cost of sales - total	**26,644**	**119,314**	28,520	37,083	30,366	23,345	**107,418**	26,458	31,377	27,805	21,778
Product Support Gross Profit	**16,705**	**81,296**	**20,284**	**25,918**	**20,344**	**14,750**	**76,912**	**18,798**	**22,813**	**18,781**	**16,520**
Product support gross profit dollars growth ($)	**1,955**	**4,384**	1,486	3,105	1,563	(1,770)	**6,652**	1,934	1,810	(104)	3,012
Product Support Gross Profit Growth (%)	**13.3%**	**5.7%**	**7.9%**	**13.6%**	**8.3%**	**(10.7%)**	**9.5%**	**11.5%**	**8.6%**	**(0.6%)**	**22.3%**
Total SG&A expenses	**22,767**	**96,111**	24,220	26,151	23,795	21,945	**95,674**	23,511	24,847	23,614	23,702
(-) Equipment commissions expense	**(2,292)**	**(11,438)**	(2,421)	(3,552)	(3,318)	(2,147)	**(9,217)**	(2,301)	(2,710)	(2,479)	(1,727)
(-) Amortization of intangibles	**(575)**	**(2,677)**	(757)	(758)	(583)	(579)	**(3,098)**	(640)	(818)	(820)	(820)
(+) Net finance costs	**1,315**	**6,258**	1,426	1,485	1,474	1,873	**7,182**	1,654	2,102	1,666	1,760
(-) Floor plan interest	**(324)**	**(1,448)**	(245)	(282)	(310)	(611)	**(2,272)**	(479)	(701)	(505)	(588)
Total Operating Costs	**20,891**	**86,806**	**22,223**	**23,044**	**21,058**	**20,481**	**88,269**	**21,745**	**22,720**	**21,477**	**22,328**
Absorption	**80%**	**94%**	**91%**	**112%**	**97%**	**72%**	**87%**	**86%**	**100%**	**87%**	**74%**

Transportation

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Transportation	**2021**			**2020**					**2019**		
($ thousands, except as noted)	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 34,000**	**$129,336**	$ 32,706	$ 32,791	$ 30,176	$ 33,663	**$136,296**	$ 33,157	$ 33,462	$ 35,365	$ 34,312
(+) Product support revenues - internal activity	**1,435**	**5,838**	1,477	1,445	1,347	1,569	**6,881**	1,910	1,608	2,053	1,310
Product support revenues - total	**35,435**	**135,174**	34,183	34,236	31,523	35,232	**143,177**	35,067	35,070	37,418	35,622
Product support cost of sales - reported	**22,459**	**85,804**	21,711	21,666	20,224	22,203	**90,553**	22,691	22,669	22,700	22,493
(+) Product support cost of sales - internal activity	**758**	**3,165**	835	791	715	824	**3,649**	984	866	1,079	720
Product support cost of sales - total	**23,217**	**88,969**	22,546	22,457	20,939	23,027	**94,202**	23,675	23,535	23,779	23,213
Product Support Gross Profit	**12,218**	**46,205**	**11,637**	**11,779**	**10,584**	**12,205**	**48,975**	**11,392**	**11,535**	**13,639**	**12,409**
Product support gross profit dollars growth ($)	**13**	**(2,770)**	245	244	(3,055)	(204)	**(1,028)**	(390)	(617)	(141)	120
Product Support Gross Profit Growth (%)	**0.1%**	**(5.7%)**	**2.2%**	**2.1%**	**(22.4%)**	**(1.6%)**	**(2.1%)**	**(3.3%)**	**(5.1%)**	**(1.0%)**	**1.0%**
Total SG&A expenses	**12,002**	**47,188**	11,943	11,293	11,495	12,457	**51,315**	13,134	12,279	12,905	12,997
(-) Equipment commissions expense	**(497)**	**(1,968)**	(561)	(523)	(495)	(389)	**(1,945)**	(494)	(449)	(686)	(316)
(-) Amortization of intangibles	**(209)**	**(799)**	(196)	(194)	(205)	(204)	**(1,116)**	(225)	(243)	(324)	(324)
(+) Net finance costs	**516**	**3,240**	358	727	1,019	1,136	**3,455**	1,081	779	828	767
(-) Floor plan interest	**(220)**	**(1,813)**	(56)	(300)	(692)	(765)	**(2,063)**	(720)	(423)	(521)	(399)
Total Operating Costs	**11,592**	**45,848**	**11,488**	**11,003**	**11,122**	**12,235**	**49,646**	**12,776**	**11,943**	**12,202**	**12,726**
Absorption	**105%**	**101%**	**101%**	**107%**	**95%**	**100%**	**99%**	**89%**	**97%**	**112%**	**98%**

Industrial

Reconciliation of Product Support Gross Profit Dollars Growth and Absorption - Industrial	2021	2020					2019				
($ thousands, except as noted)	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 7,450**	**$ 27,945**	$ 7,838	$ 6,812	$ 6,216	$ 7,079	**$ 30,058**	$ 6,867	$ 7,432	$ 8,560	$ 7,199
(+) Product support revenues - internal activity	**443**	**1,846**	575	359	454	458	**1,974**	402	478	543	551
Product support revenues - total	**7,893**	**29,791**	8,413	7,171	6,670	7,537	**32,032**	7,269	7,910	9,103	7,750
Product support cost of sales - reported	**3,883**	**15,178**	4,563	3,551	3,287	3,777	**16,540**	3,823	4,141	4,706	3,870
(+) Product support cost of sales - internal activity	**191**	**869**	271	160	208	230	**926**	193	238	235	260
Product support cost of sales - total	**4,074**	**16,047**	4,834	3,711	3,495	4,007	**17,466**	4,016	4,379	4,941	4,130
Product Support Gross Profit	**3,819**	**13,744**	**3,579**	**3,460**	**3,175**	**3,530**	**14,566**	**3,253**	**3,531**	**4,162**	**3,620**
Product support gross profit dollars growth ($)	**289**	**(822)**	326	(71)	(987)	(90)	**818**	(213)	172	513	346
Product Support Gross Profit Growth (%)	**8.2%**	**(5.6%)**	**10.0%**	**(2.0%)**	**(23.7%)**	**(2.5%)**	**6.0%**	**(6.1%)**	**5.1%**	**14.1%**	**10.6%**
Total SG&A expenses	**3,913**	**14,630**	3,819	3,095	3,619	4,097	**16,351**	4,419	3,750	3,934	4,248
(-) Equipment commissions expense	**(146)**	**(690)**	(218)	(144)	(171)	(157)	**(813)**	(167)	(207)	(211)	(228)
(-) Amortization of intangibles	**(111)**	**(411)**	(102)	(101)	(104)	(104)	**(441)**	(119)	(108)	(107)	(107)
(+) Net finance costs	**59**	**249**	59	72	66	52	**232**	35	60	70	67
(-) Floor plan interest	**(8)**	**(34)**	(8)	(7)	(12)	(7)	**(73)**	(11)	(15)	(25)	(23)
Total Operating Costs	**3,707**	**13,744**	**3,550**	**2,915**	**3,398**	**3,881**	**15,256**	**4,157**	**3,480**	**3,661**	**3,957**
Absorption	**103%**	**100%**	**101%**	**119%**	**93%**	**91%**	**95%**	**78%**	**101%**	**114%**	**91%**

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	**2021**	**2020**				**2019**			
($ thousands, except as noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Agriculture									
Used equipment cost of sales - trailing 12 months	**$ 276,326**	**$ 278,859**	$ 299,513	$ 289,978	$ 268,402	**$ 268,665**	$ 265,767	$ 265,530	$ 282,314
Average used equipment inventory - last four quarters	**84,261**	**97,000**	107,794	125,722	142,219	**151,042**	161,519	164,101	159,385
Used Equipment Inventory Turnover - trailing 12 months	**3.28**	**2.87**	**2.78**	**2.31**	**1.89**	**1.78**	**1.65**	**1.62**	**1.77**
Transportation									
Total equipment cost of sales - trailing 12 months	**193,111**	**194,100**	189,268	184,110	193,667	**182,295**	185,841	198,287	208,982
Average total equipment inventory - last four quarters	**64,597**	**69,574**	77,311	82,479	77,147	**67,823**	59,749	54,854	60,647
Total Equipment Inventory Turnover - trailing 12 months	**2.99**	**2.79**	**2.45**	**2.23**	**2.51**	**2.69**	**3.11**	**3.61**	**3.45**
Industrial									
Total equipment cost of sales - trailing 12 months	**15,127**	**15,612**	14,232	16,178	18,021	**19,593**	21,120	19,756	20,248
Average total equipment inventory - last four quarters	**5,318**	**6,251**	6,782	6,839	6,947	**7,035**	7,454	7,596	7,056
Total Equipment Inventory Turnover - trailing 12 months	**2.84**	**2.50**	**2.10**	**2.37**	**2.59**	**2.79**	**2.83**	**2.60**	**2.87**

UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

CERVUS EQUIPMENT CORPORATION

People. Power. Service.™

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

($ thousands)	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		**$ 37,768**	$ 26,697
Accounts receivable and other assets		**50,931**	53,486
Inventories	5	**299,745**	229,208
Total current assets		**388,444**	309,391
Non-current assets			
Other long-term assets		**12,230**	11,660
Property and equipment		**128,118**	134,685
Intangible assets		**37,045**	37,223
Goodwill		**23,032**	23,138
Total non-current assets		**200,425**	206,706
Total assets		**$ 588,869**	$ 516,097
Liabilities			
Current liabilities			
Trade and other liabilities		**$ 99,191**	$ 82,731
Floor plan payables	6	**144,774**	83,509
Current portion of term debt	6	**2,547**	2,872
Current portion of lease obligation		**8,568**	7,998
Total current liabilities		**255,080**	177,110
Non-current liabilities			
Term debt	6	**2,510**	2,938
Lease obligation		**75,408**	80,342
Deferred income tax liability		**6,481**	6,999
Total non-current liabilities		**84,399**	90,279
Total liabilities		**339,479**	267,389
Equity			
Shareholders' capital	7	**85,840**	85,525
Deferred share plan		**4,956**	5,290
Other reserves		**4,722**	5,207
Accumulated other comprehensive income		**2,525**	2,632
Retained earnings		**151,347**	150,054
Total equity		**249,390**	248,708
Total liabilities and equity		**$ 588,869**	$ 516,097

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 month periods ended March 31, 2021 and 2020

		Three month periods ended March 31	
($ thousands)	**Note**	**2021**	**2020**
Revenue			
Equipment sales		**$ 174,628**	$ 182,497
Parts		**55,505**	49,914
Service		**19,263**	20,606
Rentals and other		**4,538**	3,860
Total revenue		**253,934**	256,877
Cost of sales		**(208,301)**	(213,343)
Gross profit		**45,633**	43,534
Other income (loss)	8	**1,440**	(3,286)
Selling, general and administrative expense		**(40,969)**	(40,512)
Income (loss) from operating activities		**6,104**	(264)
Finance income		**164**	158
Finance costs		**(2,098)**	(3,449)
Net finance costs	9	**(1,934)**	(3,291)
Income (loss) before income tax		**4,170**	(3,555)
Income tax (expense) recovery		**(1,183)**	852
Income (loss) for the period		**2,987**	(2,703)
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations, net of tax		**(107)**	(1,964)
Total comprehensive income (loss) for the period		**2,880**	(4,667)
Net income (loss) per share:			
Basic	10	$ 0.19	$ (0.17)
Diluted	10	$ 0.19	$ (0.17)

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

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
For the three month periods ended March 31, 2021 and 2020

Attributable to Equity Holders of the Company

($ thousands)	Note	Shareholder's capital	Deferred share plan	Other reserves	Accumulated Other Comprehensive (Loss) Income	Retained earnings	Total
Balance December 31, 2019		**$ 83,740**	**$ 10,271**	**$ 5,195**	**$ (136)**	**$ 128,068**	**$ 227,138**
Loss for the period		—	—	—	—	(2,703)	(2,703)
Foreign currency translation adjustments, net of tax		—	—	—	(1,964)	—	(1,964)
Total comprehensive loss for the period		—	—	—	(1,964)	(2,703)	(4,667)
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(1,714)	(1,714)
Shares issued through Dividend Reinvestment Plan ("DRIP")		236	—	—	—	—	236
Shares issued through deferred share plan		3,139	(3,139)	—	—	—	—
Share-based payment transactions		—	(864)	7	—	—	(857)
Transactions with owners		3,375	(4,003)	7	—	(1,714)	(2,335)
Balance March 31, 2020		**$ 87,115**	**$ 6,268**	**$ 5,202**	**$ (2,100)**	**$ 123,651**	**$ 220,136**
Balance December 31, 2020		**$ 85,525**	**$ 5,290**	**$ 5,207**	**$ 2,632**	**$ 150,054**	**$ 248,708**
Income for the period		—	—	—	—	2,987	2,987
Foreign currency translation adjustments, net of tax		—	—	—	(107)	—	(107)
Total comprehensive (loss) income for the period		—	—	—	(107)	2,987	2,880
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(1,694)	(1,694)
Shares issued through DRIP	7	65	—	—	—	—	65
Shares issued through deferred share plan	7	250	(250)	—	—	—	—
Share-based payment transactions		—	(84)	(485)	—	—	(569)
Transactions with owners		315	(334)	(485)	—	(1,694)	(2,198)
Balance March 31, 2021		**$ 85,840**	**$ 4,956**	**$ 4,722**	**$ 2,525**	**$ 151,347**	**$ 249,390**

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

CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statement of Cash Flows

For the three month periods ended March 31, 2021 and 2020

		Three month periods ended March 31	
($ thousands)	**Note**	**2021**	**2020**
Cash flows from operating activities			
Income (loss) for the period		**$ 2,987**	$ (2,703)
Adjustments for:			
Income tax expense (recovery)		**1,183**	(852)
Depreciation		**4,213**	4,383
Amortization of intangibles		**895**	887
Equity-settled share-based payment transactions		**(569)**	(857)
Net finance costs	9	**2,060**	3,394
Unrealized foreign exchange loss	8	**114**	4,077
Non-cash impairment of inventories	5	**102**	375
Gain on sale of property and equipment	8	**(37)**	(136)
Change in non-cash working capital	11	**8,544**	1,805
Cash provided from operating activities		**19,492**	10,373
Cash taxes paid		**(2,194)**	(178)
Interest paid		**(2,224)**	(3,552)
Net cash provided from operating activities		**15,074**	6,643
Cash flows from investing activities			
Interest received		**164**	158
Purchase of property and equipment		**(2,099)**	(1,635)
Payments for intangible assets		**(819)**	(92)
Proceeds from disposal of property and equipment		**1,808**	375
Net cash (used in) investing activities		**(946)**	(1,194)
Cash flows from financing activities			
Net (repayments) proceeds from term debt		**(651)**	11,983
Dividends paid		**(857)**	(1,453)
Payment of lease obligation		**(2,165)**	(1,945)
Receipt of deposits with manufacturers		**94**	114
Net cash (used in) provided from financing activities		**(3,579)**	8,699
Increase in cash and cash equivalents		**10,549**	14,148
Effect of foreign currency translation on cash		**522**	2,379
Cash and cash equivalents, beginning of period		**26,697**	7,946
Cash and cash equivalents, end of period		**$ 37,768**	$ 24,473

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

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The head office of the Company is situated at 6302 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The unaudited consolidated financial statements of the Company as at and for the period ended March 31, 2021, comprise the Company and its subsidiaries ("the Group").

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, 2020.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on May 5, 2021.

(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, 2020. 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 27 of the audited annual financial statements for the year ended December 31, 2020).

3. Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2020.

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 experience slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

5. Inventories

($ thousands)	**March 31, 2021**	**December 31, 2020**
New equipment	**$ 156,637**	$ 96,247
Used equipment	**79,446**	75,077
Parts and accessories	**61,936**	56,957
Work-in-progress	**1,726**	927
Total inventories	**$ 299,745**	$ 229,208

Included in costs of sales are amounts related to inventory impairments of $0.1 million and $0.4 million for the three month periods ended March 31, 2021 and 2020, respectively.

6. Loans and Borrowings

Pre-Approved Credit Limits and Available Credit Facilities

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at March 31, 2021, and December 31, 2020, are as follows:

	March 31, 2021				December 31, 2020			
($ thousands)	**Total Limits**	**Borrowings**	**Letters of Credit**	**Amount Available**	**Total Limits**	**Borrowings**	**Letters of Credit**	**Amount Available**
Operating and other bank credit facilities	**$122,193**	**$ —**	**$ 9,600**	**$ 112,593**	$ 122,288	$ —	$ 9,600	$ 112,688
Floor plan facilities and rental equipment term loan financing	**(a)**	**149,994**				89,505		
Total borrowing		**149,994**				89,505		
Total current portion long term debt		**(2,547)**				(2,872)		
Total inventory floor plan facilities		**(144,774)**				(83,509)		
Deferred debt issuance costs		**(163)**				(186)		
Total long term debt		**$ 2,510**				$ 2,938		

(a) For floor plan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $441 million (December 31, 2020 - $443 million) or the available unencumbered assets which are estimated at $16 million as at March 31, 2021 (December 31, 2020 - $14 million).

As at March 31, 2021, 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, 2020	15,349	$ 83,740
Issued under the DRIP	30	236
Issued under the deferred share plan	195	3,139
Balance at March 31, 2020	15,574	87,115
Issued under the DRIP	29	169
Issued under the deferred share plan	51	375
Repurchased under the NCIB	(290)	(2,134)
Balance at December 31, 2020	15,364	85,525
Issued under the DRIP	**6**	**65**
Issued under the deferred share plan	**30**	**250**
Balance at March 31, 2021	**15,400**	**$ 85,840**

8. Other Income (Loss)

Other income (loss) for the three month periods ended March 31, 2021 and 2020 is comprised of the following:

	Three month periods ended March 31	
($ thousands)	**2021**	**2020**
Net gain on sale of property and equipment	**$ 37**	$ 136
Unrealized foreign exchange loss[a]	**(114)**	(4,077)
Government subsidies[b]	**1,097**	—
Other income	**420**	655
Total other income (loss)	**$ 1,440**	$ (3,286)

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

(b) Included in other income for the three month period ended March 31, 2021, is $1.1 million related to the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs.

9. Finance Income and Finance Costs

	Three month periods ended March 31	
($ thousands)	**2021**	**2020**
Finance income	**$ 164**	$ 158
Interest expense on mortgage and term debt obligations	**(22)**	(436)
Interest expense on financial liabilities	**(2,202)**	(3,116)
Finance costs	**$ (2,224)**	$ (3,552)
Net finance costs recognized separately	**(1,934)**	(3,291)
Net finance costs recognized in cost of sales	**(126)**	(103)
Total net finance costs	**$ (2,060)**	$ (3,394)

10. Earnings per Share

Per Share Amounts

Both basic and diluted per share amounts have been calculated using the net earnings (loss) of the Company as the numerator. No adjustments to net earnings (loss) were necessary for the three month periods ended March 31, 2021 and 2020.

Weighted Average Number of Common Shares

The weighted average number of shares for the purposes of basic per share amounts is as follows:

	Three month periods ended March 31	
($ thousands)	**2021**	**2020**
Issued common shares opening	**15,364**	15,349
Effect of shares issued under the DRIP	**5**	25
Effect of shares issued under the deferred share plan	**13**	104
Weighted average number of common shares	**15,382**	15,478

Weighted Average Number of Diluted Shares

The calculation of diluted earnings (loss) per share at March 31, 2021 and 2020 was based on the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding. All convertible instruments for the period ended March 31, 2020 were excluded from the calculation, as they were considered anti-dilutive. 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 March 31	
($ thousands)	**2021**	**2020**
Weighted average number of common shares (basic)	**15,382**	15,478
Effect of dilutive securities:		
Deferred share plan	**427**	—
Options	**60**	—
Weighted average number of shares (diluted)	**15,869**	15,478

11. Supplemental Cash Flow Information

	Three month periods ended March 31	
($ thousands)	**2021**	**2020**
Changes in non-cash working capital:		
Inventory	**$ (73,193)**	$ (54,287)
Floor plan	**61,036**	39,580
Trade and other receivables	**6,283**	(378)
Trade and other liabilities	**14,418**	16,890
Total change in non-cash working capital	**$ 8,544**	$ 1,805

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 March 31, 2021					
Revenue					
Equipment sales	$ 127,559	$ 42,666	$ 4,403	$ —	**$ 174,628**
Parts	26,330	26,521	2,654	—	**55,505**
Service	10,152	6,906	2,205	—	**19,263**
Rentals and other	1,374	573	2,591	—	**4,538**
Total revenue	$ 165,415	$ 76,666	$ 11,853	$ —	**$ 253,934**
Other income	114	1,178	148	—	**1,440**
Depreciation and amortization	3,151	1,109	752	96	**5,108**
Finance income	54	—	—	110	**164**
Finance expense including amounts in costs of sales	(1,420)	(563)	(87)	(154)	**(2,224)**
Income (loss) for the period before income tax	2,773	2,928	800	(2,331)	**4,170**
Capital additions	684	51	117	1,247	**2,099**
Segmented assets and liabilities as at March 31, 2021					
Reportable segment assets	$ 334,314	$ 172,660	$ 35,960	$ 45,935	**$ 588,869**
Intangible assets	21,911	8,846	6,288	—	**37,045**
Goodwill	19,819	2,547	666	—	**23,032**
Reportable segment liabilities	187,370	121,097	21,359	9,653	**339,479**

12. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Three months ended March 31, 2020					
Revenue					
Equipment sales	$ 134,129	$ 43,717	$ 4,651	$ —	**$ 182,497**
Parts	22,228	25,063	2,623	—	**49,914**
Service	10,390	7,842	2,374	—	**20,606**
Rentals and other	1,020	758	2,082	—	**3,860**
Total revenue	$ 167,767	$ 77,380	$ 11,730	$ —	**$ 256,877**
Other income (loss)	234	(3,609)	89	—	**(3,286)**
Depreciation and amortization	3,124	1,348	674	124	**5,270**
Finance income	36	—	—	122	**158**
Finance expense including amounts in costs of sales	(1,984)	(1,136)	(80)	(352)	**(3,552)**
Income (loss) for the period before income tax	1,579	(2,953)	62	(2,243)	**(3,555)**
Capital additions	689	257	11	678	**1,635**
Segmented assets and liabilities as at March 31, 2020					
Reportable segment assets	$ 367,086	$ 215,091	$ 25,359	$ 64,435	**$ 671,971**
Intangible assets	23,236	9,943	3,838	—	**37,017**
Goodwill	19,553	2,547	666	—	**22,766**
Reportable segment liabilities	229,873	164,166	14,693	43,103	**451,835**

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 month periods ended March 31, 2021, for the New Zealand and Australian territories were $52 million (2020 – $43 million). Non-current assets for New Zealand and Australia as at March 31, 2021, were $28 million (2020 – $29 million). The Australia and New Zealand operations are included in the Agriculture Segment.