Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2018 to September 30, 2018

The following Management's Discussion & Analysis ("MD&A") was prepared as of November 6, 2018 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and nine month periods ended September 30, 2018, and significant trends that may affect the future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2018, and notes contained therein, and the 2017 annual consolidated financial statements and MD&A. 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. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CERV".

Additional information relating to Cervus, including Cervus' current Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com**.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This MD&A also makes reference to certain non-IFRS financial measures to assist users in assessing Cervus' performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures."

Overview of Cervus

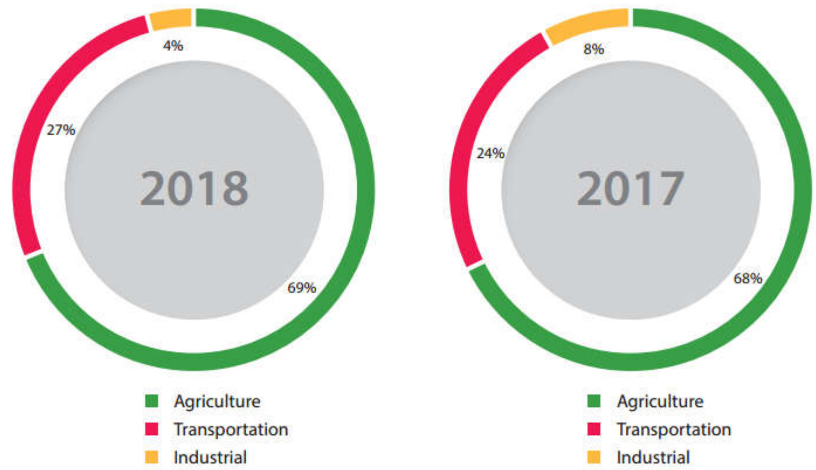
Cervus operates under three segments: Agriculture, Transportation, and Industrial, based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results.

The Agricultural segment consists of interests in 35 John Deere dealership locations with 14 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

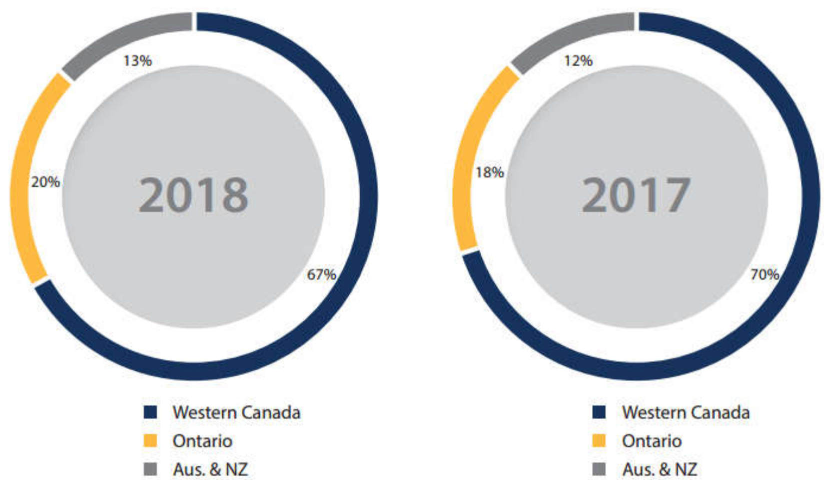
The Transportation segment consists of 19 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships operating in Ontario, and 2 parts and service locations operating in Ontario.

The Company's Industrial segment operates 8 Clark, Sellick, and Doosan material handling and forklift equipment dealerships, 5 in Alberta, 2 in Saskatchewan and 1 in Manitoba. The results of the Industrial segment include the results of four light construction dealerships up to March 16, 2018, the date Cervus completed the sale of these four dealerships.

Revenue by Segment



Revenue by Geography



Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks and Uncertainties" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

The most recent quarterly dividend payment of $0.10 per share was made on October 15, 2018 to the shareholders of record as of September 28, 2018. See "Capital Resources - Cautionary Note Regarding Dividends" for a cautionary note regarding future dividends.

Highlights of the Quarter

- Income in the third quarter of 2018 was $12.2 million, a $2.7 million increase compared to income of $9.5 million for the same period of 2017.
- For the three months ended September 30, 2018, adjusted income before income tax expense[1] was $15.1 million, a $2.0 million increase compared to $13.1 million of adjusted income before income tax expense[1] in the third quarter of 2017.
- The Company reported income per basic share of $0.78 in the third quarter of 2018, a $0.18 per share increase compared to income of $0.60 per basic share in the third quarter of 2017.
- The Transportation segment achieved a $2.9 million increase in adjusted income before income tax expense,[1] where gross profit increased $2.2 million while SG&A expense decreased by $1.2 million, largely due to performance in our Ontario Transportation dealerships.
- Cervus achieved record third quarter equipment sales in our Agriculture segment, increasing 9% compared to the third quarter of 2017, while equipment gross profit margins contracted.
- Total service gross profit margin percentage increased by 3.6% in the third quarter of 2018, compared to the same period in 2017, due to continued service optimization progress.
- Selling, general, and administrative ("SG&A") expenses as a percentage of revenue improved to 11.3% in the current quarter, compared to 12.5% in the third quarter of 2017.
- Dividends of $0.10 per share were declared to shareholders of record as of September 28, 2018.

[1] These non-IFRS financial measures do not have any standardized meaning under IFRS, may not be comparable to similar measures presented by other issuers and are defined and reconciled to their most directly comparable IFRS measure within Cervus' Management's Discussion and Analysis for the quarter ended September 30, 2018 under the section "Non-IFRS Financial Measures", which is available electronically at www.sedar.com under Cervus' profile.

Third Quarter Consolidated Performance

The Company's results for the nine months ended September 30, 2018, include the financial operating results of the four construction dealerships up to the transaction closing date of March 16, 2018.

	Three month periods ended September 30			Nine month periods ended September 30		
($ thousands, except per share amounts)	**2018**	**% Change Compared to 2017**	**2017**	**2018**	**% Change Compared to 2017**	**2017**
Revenue	**392,499**	9%	360,088	**1,049,789**	11%	948,559
Cost of sales	**(332,617)**	10%	(301,536)	**(890,268)**	12%	(792,861)
Gross profit	**59,882**	2%	58,552	**159,521**	2%	155,698
Other income	**942**	4%	907	**2,968**	52%	1,950
Unrealized foreign exchange gain	**730**	186%	255	**57**	(95%)	1,078
Total other income	**1,672**	44%	1,162	**3,025**	(0%)	3,028
Selling, general and administrative expense	**(44,169)**	(2%)	(45,072)	**(129,511)**	(1%)	(131,105)
Income from operating activities	**17,385**	19%	14,642	**33,035**	20%	27,621
Finance income	**131**	(31%)	190	**411**	(2%)	421
Finance costs	**(1,696)**	16%	(1,464)	**(4,668)**	(3%)	(4,793)
Share of income of equity accounted investees, net of tax	**-**	0%	-	**124**	100%	-
Income before income tax expense	**15,820**	18%	13,368	**28,902**	24%	23,249
Income tax expense	**(3,640)**	(7%)	(3,915)	**(7,354)**	4%	(7,064)
Income for the period	**12,180**	29%	9,453	**21,548**	33%	16,185
Income attributable to shareholders	**12,180**	29%	9,453	**21,548**	33%	16,190
EBITDA(1)	**21,285**	14%	18,688	**45,803**	14%	40,218
EBITDA margin(1)	**5.4%**		5.2%	**4.4%**		4.2%
Ratios as a percentage of revenue:						
Gross profit margin	**15.3%**		16.3%	**15.2%**		16.4%
Selling, general and administrative	**11.3%**		12.5%	**12.3%**		13.8%
Income per share						
Basic	**0.78**	30%	0.60	**1.37**	33%	1.03
Adjusted - Basic(1)	**0.74**	28%	0.58	**1.35**	45%	0.93
Diluted	**0.74**	30%	0.57	**1.31**	34%	0.98
Reconciliation of adjusted income before income tax expense:						
Income before income tax expense	**15,820**	18%	13,368	**28,902**	24%	23,249
Adjustments:						
Unrealized foreign currency (gain)	**(730)**	186%	(255)	**(57)**	(95%)	(1,078)
(Gain) on sale of Commercial operations	**-**	0%	-	**(480)**	100%	-
(Gain) on sale of land and building	**-**	0%	-	**-**	(100%)	(419)
Adjusted income before income tax expense(1)	**15,090**	15%	13,113	**28,365**	30%	21,752

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended September 30, 2018
Adjusted income before income tax expense[2] improved $2.0 million in the third quarter of 2018 compared to 2017. This was comprised of a $2.9 million increase in the Transportation segment, partially offset by a $0.8 million decrease in the Industrial segment and a $0.1 million decrease in the Agriculture segment. Income before income tax expense increased $2.5 million in the third quarter of 2018 compared to the same period in 2017.

Within our Agriculture segment, income before income tax expense decreased $0.1 million compared to the third quarter of 2017. The Company achieved a significant increase in third quarter used equipment sales due to focused sales efforts, while delayed harvest activity compared to 2017 shifted associated parts and service activity into the fourth quarter. Gross profit increased $1.7 million, while SG&A expenses increased $2.0 million, resulting income before income tax expense decreasing $0.1 million.

Within our Transportation segment, adjusted income before income tax expense increased $2.9 million, due to increased performance in both our Ontario and Saskatchewan dealership locations including a $2.2 million increase in gross profit while SG&A expense decreased $1.2 million. Income before income tax expense mirrored these trends, increasing $3.4 million compared to the third quarter of 2017, including a $0.5 million increase in unrealized foreign exchange gains in the period.

Within our Industrial segment, adjusted income before income tax expense decreased $0.8 million, of which, $0.3 million relates to the non-continuance of the Construction dealerships in the current period. Income before income tax expense also decreased $0.8 million, of which $0.5 million relates to the non-continuance of the four construction dealerships.

For the nine months ended September 30, 2018, adjusted income before income tax expense increased $6.6 million, compared to the same period of 2017. This is attributed to the $5.6 million and $2.5 million increase in the Transportation and Agriculture segments, respectively. In our Industrial segment, adjusted income before income tax expense decreased $1.5 million, due to the non-continuance of four construction dealerships. On a same store basis, Industrial adjusted income before income tax expense increased $0.3 million, while income before income tax expense increased $0.4 million.

[2] Refer to Non-IFRS measures herein. Adjusted income before income tax expense excludes gains and losses from the sale of real estate and minority interests, as well as unrealized gains and losses on foreign exchange. Management believes this non-IFRS measure is useful for comparing the period to period financial performance of our underlying dealership operations.

Third Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and metrics to estimate use as outlined in Note 15 of the accompanying unaudited condensed interim consolidated financial statements.

Agricultural Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2018	**% Change Compared to 2017**	**2017**	**2018**	**% Change Compared to 2017**	**2017**
Equipment						
New equipment	**142,229**	(3%)	147,366	**394,689**	13%	348,875
Used equipment	**101,177**	32%	76,624	**219,551**	15%	191,724
Total equipment revenue	**243,406**	9%	223,990	**614,240**	14%	540,599
Parts	**29,776**	(6%)	31,801	**73,231**	(1%)	74,116
Service	**11,734**	7%	10,942	**31,272**	3%	30,319
Rental and other	**651**	(25%)	863	**2,924**	(12%)	3,308
Total revenue	**285,567**	7%	267,596	**721,667**	11%	648,342
Cost of sales	**(244,645)**	7%	(228,400)	**(621,566)**	13%	(552,466)
Gross profit	**40,922**	4%	39,196	**100,101**	4%	95,876
Total other income	**641**	46%	439	**1,225**	71%	717
Selling, general and administrative expense	**(27,464)**	8%	(25,472)	**(76,503)**	4%	(73,374)
Income from operating activities	**14,099**	(0%)	14,163	**24,823**	7%	23,219
Share of income of equity accounted investees, net of tax	**-**	0%	-	**124**	100%	-
Income before income tax expense	**13,297**	(1%)	13,412	**22,905**	10%	20,844
EBITDA(1)	**16,084**	0%	16,068	**30,780**	6%	28,975
Ratios as a percentage of revenue:						
Gross profit margin	**14.3%**		14.6%	**13.9%**		14.8%
Selling, general and administrative	**9.6%**		9.5%	**10.6%**		11.3%
Reconciliation of adjusted income before income tax expense:						
Income before income tax expense	**13,297**	(1%)	13,412	**22,905**	10%	20,844
Adjustments:						
(Gain) on sale of land and building	-	0%	-	-	(100%)	(419)
Adjusted income before income tax expense(1)	**13,297**	(1%)	13,412	**22,905**	12%	20,425

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended September 30, 2018
Within our Agriculture segment, income before income tax expense decreased $0.1 million compared to the third quarter of 2017. The Company achieved a significant increase in third quarter used equipment sales due to focused sales efforts, while delayed harvest activity compared to 2017 shifted associated parts and service activity into the fourth quarter. Gross profit increased $1.7 million, while SG&A expenses increased $2.0 million, resulting in income before income tax expense decreasing $0.1 million.

In our Agriculture segment, weather conditions shifted harvest activity into the fourth quarter of 2018, compared to 2017 when harvest was in advanced stages by the end of the third quarter. Due to focused sales efforts and producers' need for additional machine hours in a narrow harvest window, used equipment sales increased 32% in the quarter, although at a lower gross margin compared to the third quarter of 2017. These reduced used equipment margins were offset in the quarter by a $2.6 million increase in incentives tied to our new equipment sales performance. Our service department process generated a 6.3% increase in service gross profit margin percentage, quarter over quarter, although harvest timing tempered related parts and service revenue growth. SG&A costs increased due to incremental commissions on increased sales, and increased personnel costs across the business.

For the nine months ended September 30, 2018, adjusted income before income tax expense and income before income tax expense increased $2.5 million and $2.1 million, respectively, compared to the same period of 2017. This was driven by the $73.6 million increase in equipment sales, combined with controlling SG&A expenses as a percentage of revenue. Year to date, new and used equipment sales have increased 13% and 15% respectively, with elevated third quarter equipment sales balancing the record growth in new equipment sales earlier in the year. Further, the year to date new equipment sales performance generated $5.9 million of additional incentives recognized within equipment gross margin. Parts and service revenue was stable period over period, reflecting the 2018 harvest activity shifting into the fourth quarter, compared to 2017 when harvest was in the advanced stages across much of our geography by September 30th. The cumulative increase in year to date gross profit of $4.2 million was partially offset by $3.1 million of additional SG&A expenses, primarily related to commissions and personnel costs.

Transportation Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30 2018	% Change Compared to 2017	2017	Nine month periods ended September 30 2018	% Change Compared to 2017	2017
Equipment						
New equipment	**56,040**	43%	39,224	**171,110**	36%	126,064
Used equipment	**4,483**	176%	1,624	**9,373**	45%	6,472
Total equipment revenue	**60,523**	48%	40,848	**180,483**	36%	132,536
Parts	**23,828**	14%	20,991	**71,815**	3%	69,905
Service	**7,602**	9%	6,943	**23,401**	7%	21,878
Rental and other	**1,598**	6%	1,509	**4,919**	(11%)	5,512
Total revenue	**93,551**	33%	70,291	**280,618**	22%	229,831
Cost of sales	**(78,554)**	37%	(57,473)	**(235,138)**	24%	(190,130)
Gross profit	**14,997**	17%	12,818	**45,480**	15%	39,701
Other income	**343**	(35%)	526	**882**	14%	777
Unrealized foreign exchange gain (loss)	**574**		47	**(130)**		870
Total other income	**917**	60%	573	**752**	(54%)	1,647
Selling, general and administrative expense	**(12,740)**	(8%)	(13,900)	**(39,592)**	(1%)	(39,856)
Income (loss) from operating activities	**3,174**		(509)	**6,640**		1,492
Income (loss) before income tax expense	**2,445**		(963)	**4,484**		(143)
EBITDA(1)	**4,619**	385%	952	**11,934**	91%	6,237
Ratios as a percentage of revenue:						
Gross profit margin	**16.0%**		18.2%	**16.2%**		17.3%
Selling, general and administrative	**13.6%**		19.8%	**14.1%**		17.3%
Reconciliation of adjusted income (loss) before income tax expense:						
Income (loss) before income tax expense	**2,445**		(963)	**4,484**		(143)
Adjustments:						
Unrealized foreign currency (gain) loss	**(574)**		(47)	**130**		(870)
Adjusted income (loss) before income tax expense(1)	**1,871**		(1,010)	**4,614**		$ (1,013)

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended September 30, 2018
Within our Transportation segment, adjusted income before income tax expense increased $2.9 million, due to increased performance in both our Ontario and Saskatchewan dealership locations. Income before income tax expense mirrored these trends, increasing $3.4 million compared to the third quarter of 2017, including a $0.5 million increase in unrealized foreign exchange gains in the period.

The $2.9 million increase in adjusted net income before income tax was comprised of growth in both Ontario and Saskatchewan geographies, which contributed $2.2 million and $0.7 million, respectively. Our 2017 reorganization efforts have been instrumental in facilitating growth while controlling costs, illustrated by the $2.2 million overall increase in gross profit, while SG&A expense decreased by $1.2 million. The Ontario transportation market has provided significant tailwinds for our focused equipment sales team, and our third quarter new equipment sales increased 56%. The growth in our parts, service, and rentals has been equally important to the quarter's performance, increasing a combined 12% across Ontario and Saskatchewan. Within our two transportation geographies, third quarter adjusted income before income tax expense was comprised of $0.9 million income in Saskatchewan (Q3 2017 – $0.2 million income), and $1.0 million income in Ontario (Q3 2017 – $1.2 million loss).

For the nine months ended September 30, 2018, income before income tax and adjusted income before income tax expense increased $4.6 million and $5.6 million, respectively, compared to the same period of 2017. A 36% increase in equipment sales contributed a $4.2 increase in gross profit, while parts and service revenue increased by 3% and 7%, respectively, contributing $2.0 million of incremental gross profit compared to same period in 2017. The 2017 reorganization efforts have facilitated overall revenue growth of 22%, while reducing SG&A expenses by 1%. Within our two transportation geographies, adjusted income before income tax expense for the nine months ended September 30, 2018, was comprised of $1.7 million income in Saskatchewan (Q3 2017 - $0.9 million income), and $2.9 million income in Ontario (Q3 2017 - $1.9 million loss).

Industrial Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2018	% Change Compared to 2017	2017	2018	% Change Compared to 2017	2017
Equipment						
New equipment	**5,873**	(44%)	10,451	**19,992**	(40%)	33,418
Used equipment	**448**	(77%)	1,959	**3,048**	(50%)	6,083
Total equipment revenue	**6,321**	(49%)	12,410	**23,040**	(42%)	39,501
Parts	**2,907**	(44%)	5,170	**11,245**	(35%)	17,176
Service	**2,867**	(20%)	3,579	**9,639**	(10%)	10,667
Rental and other	**1,286**	23%	1,042	**3,580**	18%	3,042
Total revenue	**13,381**	(40%)	22,201	**47,504**	(33%)	70,386
Cost of sales	**(9,418)**	(40%)	(15,663)	**(33,564)**	(33%)	(50,265)
Gross profit	**3,963**	(39%)	6,538	**13,940**	(31%)	20,121
Other (loss) income	**(42)**	(28%)	(58)	**861**	89%	456
Unrealized foreign exchange gain	**156**	(25%)	208	**187**	(10%)	208
Total other income	**114**	(24%)	150	**1,048**	58%	664
Selling, general and administrative expense	**(3,965)**	(30%)	(5,700)	**(13,416)**	(25%)	(17,875)
Income from operating activities	**112**	(89%)	988	**1,572**	(46%)	2,910
Income before income tax expense	**78**	(92%)	919	**1,513**	(41%)	2,548
EBITDA(1)	**582**	(65%)	1,668	**3,089**	(38%)	5,006
Ratios as a percentage of revenue:						
Gross profit margin	**29.6%**		29.4%	**29.3%**		28.6%
Selling, general and administrative	**29.6%**		25.7%	**28.2%**		25.4%
Reconciliation of adjusted (loss) income before income tax expense:						
Income before income tax expense	**78**	(92%)	919	**1,513**	(41%)	2,548
Adjustments:						
Unrealized foreign currency (gain)	**(156)**	(25%)	(208)	**(187)**	(10%)	(208)
(Gain) on sale of Commercial operations	**-**	0%	-	**(480)**	100%	-
Adjusted (loss) income before income tax expense(1)	**(78)**	(111%)	711	**846**	(64%)	2,340

(1) - Refer to Non-IFRS Measures herein

Operating Summary – Three Months Ended September 30, 2018
Within our Industrial segment, adjusted income before income tax expense decreased $0.8 million, of which, $0.3 million relates to the non-continuance of the Construction dealerships in the current period. Income before income tax expense also decreased $0.8 million, of which $0.5 million relates to the non-continuance of the four construction dealerships.

Due to the disposition of the four Construction dealerships in the first quarter of 2018, segment results for the third quarter of 2018 are not directly comparable to the third quarter of 2017. To aid in comparability of the ongoing Industrial segment, a same store analysis follows below.

Same Store Highlights

($ thousands, except per share amounts)	Three month periods ended September 30 2018	% Change Compared to 2017	2017 Same Store	Nine month periods ended September 30 2018	% Change Compared to 2017	2017 Same Store
Equipment						
New equipment	**5,873**	65%	3,568	**12,832**	23%	10,466
Used equipment	**448**	(17%)	540	**1,895**	3%	1,840
Total equipment revenue	**6,321**	54%	4,108	**14,727**	20%	12,306
Parts	**2,907**	8%	2,683	**8,412**	0%	8,387
Service	**2,867**	11%	2,577	**8,816**	14%	7,721
Rental and other	**1,286**	23%	1,042	**3,580**	18%	3,042
Total revenue	**13,381**	29%	10,410	**35,535**	13%	31,456
Cost of sales	**(9,418)**	41%	(6,674)	**(23,304)**	14%	(20,424)
Gross profit	**3,963**	6%	3,736	**12,231**	11%	11,032
Other (loss) income	**(42)**		(2)	**221**	(47%)	415
Unrealized foreign exchange gain	**156**	58%	99	**219**	121%	99
Total other income	**114**	18%	97	**440**	(14%)	514
Selling, general and administrative expense	**(3,965)**	19%	(3,342)	**(11,515)**	8%	(10,649)
Income from operating activities	**112**	(77%)	491	**1,156**	29%	897
Income before income tax expense	**78**	(83%)	462	**1,129**	51%	746
EBITDA[(1)]	**582**	(42%)	1,006	**2,665**	7%	2,497
Ratios as a percentage of revenue:						
Gross profit margin	**29.6%**		35.9%	**34.4%**		35.1%
Selling, general and administrative	**29.6%**		32.1%	**32.4%**		33.9%
Reconciliation of adjusted (loss) income before income tax expense:						
Income before income tax expense	**78**	(83%)	462	**1,129**	51%	746
Adjustments:						
Unrealized foreign currency (gain)	**(156)**	58%	(99)	**(219)**	121%	(99)
Adjusted (loss) income before income tax expense[(1)]	**(78)**	(121%)	363	**910**	41%	647

(1) - Refer to Non-IFRS Measures herein

On a same store basis, third quarter industrial adjusted net income before income tax expense and net income before income tax expense both decreased $0.4 million. Sales of equipment increased 54%, while parts, service, and rental and other (which includes training, storage solutions and rentals) increased 12%. Gross profit margin increased $0.2 million or 6%. The revenue increase did not directly translate to increased margin, as $1.6 million of equipment withheld from the construction sale were disposed in the quarter at limited margins, and gross profit includes a $0.2 million impairment recognized on residual Construction parts inventory. SG&A expenses increased due to administrative expenses incurred to establish the storage and racking solutions business line, and retention of key senior personnel previously shared between the Construction and Industrial dealerships who will contribute to the growth of the Industrial segment going forward.

For the nine months ended September 30, 2018, adjusted income before income tax expense increased $0.3 million, while income before income tax expense increased $0.4 million. Increased equipment, service, and rental and other revenue, was partially offset by increased SG&A expenses associated with the establishment of the storage and racking solutions and key management, as discussed above.

Third Quarter Cash Flows

Cash and Cash Equivalents – Nine Months Ended September 30, 2018

Cervus' primary sources and uses of cash flow for the nine months ended September 30, 2018, are as follows:

Operating Activities

Net cash used in operating activities was $13.2 million for the nine months ended September 30, 2018, compared to cash provided from operating activities of $12.0 million for the same period of 2017, a decrease of $25.2 million. The decrease in net cash provided from operating activities primarily resulted from a $38.8 million increase in net cash used in working capital items, primarily related to the $45.2 million increase in inventory, partially offset by a $25.9 million increase in floor plan payable.

Investing Activities

During the nine months ended September 30, 2018, the Company's investing activities were a net source of cash of $10.7 million, compared to cash provided of $3.9 million for the same period in 2017. This cash inflow is mainly due to the sale of the Commercial operations in the first quarter of 2018, which generated gross proceeds of $14.2 million.

Financing Activities

During the nine months ended September 30, 2018, the Company used $4.3 million of cash related to financing activities, compared to $27.4 million for the same period in 2017, a net reduction in use of cash for financing activities of $23.1 million. The decrease in net cash used in financing activities primarily resulted from a $34.5 million repayment of the debenture in the third quarter of 2017.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	September 30, 2018	December 31, 2017
Current assets	**428,071**	384,835
Total assets	**549,719**	514,055
Current liabilities	**252,262**	236,262
Long-term financial liabilities	**47,314**	42,586
Shareholders' equity	**241,819**	225,253
Working capital(1)	**175,809**	148,573
Working capital ratio(1)	**1.70**	1.63

(1) - Refer to Non-IFRS Measures herein

Working Capital

Cervus' working capital increased by $27.2 million to $175.8 million at September 30, 2018, primarily due to inventory seasonality compared to December 31, 2017. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at September 30, 2018, the Company had the ability to floor plan an additional $46.2 million of inventory and held $429.8 million of undrawn floor plan capacity.

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 meeting the short or long-term objectives of the Company or meeting its financial 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.

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 Agricultural equipment sales come with a trade-in, a limited portion of our Transportation sales come with a trade-in, and 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 we purchase the new equipment from our other manufacturers. These factors directly impact the amount of new and used equipment in inventory. 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. Inventory by segment for the period ended September 30, 2018, compared to December 31, 2017, is as follows:

($ thousands)	**September 30, 2018**	December 31, 2017
Agricultural	**264,614**	226,664
Transportation	**74,536**	56,211
Industrial	**9,025**	7,649
Total	**348,175**	290,524

As at September 30, 2018, inventories increased by $57.7 million to $348.2 million when compared to $290.5 million at December 31, 2017. Of the $57.7 million increase, $14.1 million relates to new inventory in our Transportation segment due to increased customer orders, and a $35.5 million increase in used Agriculture equipment primarily on timing of used agricultural sales. Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2017, may be limited. Therefore, we have provided inventory by segment for the period ended September 30, 2018, compared to September 30, 2017. A summary of the movement is as follows:

($ thousands)	**September 30, 2018**	September 30, 2017
Agricultural	**264,614**	219,359
Transportation	**74,536**	58,238
Industrial	**9,025**	25,365
Total	**348,175**	302,962

Inventory has increased $45.2 million when compared to September 30, 2017. Of the $45.2 million increase, new and used inventory increased by $8.6 million and $36.8 million, respectively. Used inventory levels within the Agricultural segment increased $38.2 million from the same period of 2017, as a result of an increase in trade-in's on new equipment sales. The Transportation segment's new inventory increased $11.8 million, while inventory in the Industrial segment decreased $16.3 million, mainly due to the sale of the Commercial operations.

At September 30, 2018, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. For the three and nine months ended September 30, 2018, the Company recognized inventory valuation adjustments through cost of goods sold of $2.8 million and $8.6 million expense, respectively (2017 - $829 thousand and $2.7 million expense).

Accounts Receivable

The calculated rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 14 days as at September 30, 2018, compared to 15 days for the same period in 2017. At September 30, 2018, no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections was $1.2 million at September 30, 2018 (September 30, 2017 – $1.9 million), which represents 3.1% (September 30, 2017 – 4.8%) of outstanding trade accounts receivable and 0.1% (September 30, 2017 – 0.2%) of gross revenue on an annual basis. Bad debt expense for the nine months ended September 30, 2018, amounted to a $0.2 million recovery (September 30, 2017 – $0.6 million expense).

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at September 30, 2018, are as follows:

	September 30, 2018				December 31, 2017			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**101,841**	**31,054**	**2,400**	**68,387**	101,925	25,589	2,400	73,936
Capital facilities [(a)]		**10,121**				12,082		
Floor plan facilities and rental equipment term loan financing [(b)]		**164,767**				133,119		
Total borrowing		**205,942**				170,790		

(a) – For capital facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $55.7 million (December 31, 2017 – $55.8 million) or the available unencumbered assets which is estimated at $3.1 million as at September 30, 2018 (December 31, 2017 – $1.5 million).

(b) – For floorplan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $429.8 million (December 31, 2017 – $453.0 million) or the available unencumbered assets which is estimated at $46.2 million as at September 30, 2018 (December 31, 2017 – $28.9 million).

Operating and Other Bank Credit Facilities

At September 30, 2018, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $100 million. The facility was amended and extended on December 19, 2016. The facility is committed for a three-year term, but may be extended on or before the maturity date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at September 30, 2018, there was $30.5 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our sales targets and working capital requirements for 2018.

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

	September 30, 2018	December 31, 2017
Total liabilities to net worth ratio(1) (not exceeding 4.0:1.0)	**2.37**	2.55
Fixed charge coverage ratio(2) (greater than or equal to 1.10:1.00)	**1.64**	1.69
Asset coverage ratio(3) (greater than 3.0:1.0)	**8.67**	10.01

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

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

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

Capital Facilities

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

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, Wells Fargo Equipment Finance Company, ECN Capital Corp., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At September 30, 2018, floor plan payables related to inventories were $158.5 million (December 31, 2017 – $125.6 million).

Floor plan payables at September 30, 2018, represented approximately 45.5% of our inventories (December 31, 2017 – 43.2%). 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 to the Company by its key suppliers.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $0.8 million and $2.2 million for the three and nine month periods ended September 30, 2018 (2017 – $0.4 million and $1.2 million). This amount was offset by rebates applied during the three and nine month periods ended September 30, 2018, of $0.7 million and $1.8 million (2017 – $0.7 million and $1.0 million). At September 30, 2018, approximately 50% (September 30, 2017 – 85%) of the Industrial segment's and 10% (September 30, 2017 – 20%) 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 15,594 thousand common shares and 815 thousand deferred share units outstanding.

On August 21, 2017, the Company announced a Normal Course Issuer Bid (the "August 2017 Bid"), which commenced on August 23, 2017, to purchase up to a maximum of 806 thousand common shares (the "Shares") for cancellation before August 22, 2018. Cervus appointed Raymond James Ltd. as its broker, who conducted the Bid on behalf of the Company. All purchases were made in accordance with the August 2017 Bid at the prevailing market price of the Shares at the time of purchase. This normal course issuer bid expired on August 22, 2018. Prior to expiry, Cervus repurchased and cancelled 292 thousand common shares through the bid at a weighted average price of $13.44 per share.

On September 10, 2018, the Company announced a Normal Course Issuer Bid (the "September 2018 Bid"), which commenced on September 13, 2018, to purchase up to a maximum of 1,031 thousand common shares (the "Shares") for cancellation before September 12, 2019. Cervus appointed Raymond James Ltd. as its broker, who will conduct the Bid on behalf of the Company. All purchases are to be made in accordance with the September 2018 Bid at the prevailing market price of the Shares at the time of purchase.

For the nine months ended September 30, 2018, the Company had repurchased and cancelled 52 thousand common shares at a weighted average price of $13.48 per share under the August 2017 Bid, and no shares had been repurchased under the September 2018 Bid.

Subsequent to September 30, 2018, and prior to November 6, 2018, the Company repurchased and cancelled 103,245 common shares under the September 2018 Bid, at a weighted average price per share of $13.03.

For the nine months ended September 30, 2018 and 2017, the Company had the following weighted average shares outstanding:

(thousands)	September 30, 2018	September 30, 2017
Basic weighted average number of shares outstanding	**15,680**	15,781
Dilutive impact of deferred share plan	**819**	822
Diluted weighted average number of shares outstanding	**16,499**	16,603

The above table includes all deferred share units for the period ended September 30, 2018 (819 thousand) and for the period ended September 30, 2017 (822 thousand), as they are considered dilutive. However, shares previously issuable on the convertible debenture before its redemption in July 2017, were anti-dilutive in 2017.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the Board of Directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the period ended September 30, 2018:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 30, 2018	0.1000	1,570	217	1,353
June 30, 2018	0.1000	1,567	229	1,338
September 28, 2018	0.1000	1,568	103	1,465
Total	**0.3000**	**4,705**	**549**	**4,156**

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

Dividend Reinvestment Plan ("DRIP")

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

During the three and nine month period ended September 30, 2018, 17 thousand and 44 thousand (2017 – 18 thousand and 48 thousand) common shares were issued, respectively, through the Company's dividend reinvestment plan.

Taxation

Cervus' 2018 dividends declared and paid through September 30, 2018, 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

($ thousands, except per share amounts)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenues	**392,499**	408,584	248,706	272,726
Income (loss) attributable to the shareholders	**12,180**	9,514	(145)	3,727
Gross profit	**59,882**	57,846	41,793	53,730
Gross profit margin	**15.3%**	14.2%	16.8%	19.7%
EBITDA(1)	**21,285**	19,383	5,136	13,622
Income (loss) per share:				
Basic	**0.78**	0.61	(0.01)	0.24
Diluted	**0.74**	0.58	(0.01)	0.23
Adjusted income (loss) per share(1)				
Basic	**0.74**	0.61	(0.00)	0.25
Diluted	**0.71**	0.58	(0.00)	0.24
Weighted average shares outstanding				
Basic	**15,679**	15,672	15,686	15,638
Diluted	**16,498**	16,483	15,686	16,335

($ thousands, except per share amounts)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Revenues	360,087	357,361	231,110	271,943
Income (loss) attributable to the shareholders	9,453	8,365	(1,628)	8,753
Gross profit	58,552	56,759	40,387	46,488
Gross profit margin	16.3%	15.9%	17.5%	17.1%
EBITDA(1)	18,688	17,478	4,052	18,008
Income (loss) per share:				
Basic	0.60	0.53	(0.10)	0.55
Diluted	0.57	0.50	(0.10)	0.52
Adjusted income (loss) per share(1)				
Basic	0.58	0.46	(0.12)	0.03
Diluted	0.55	0.44	(0.12)	0.02
Weighted average shares outstanding				
Basic	15,792	15,792	15,762	15,996
Diluted	16,614	16,619	15,762	16,740

(1) - Refer to Non-IFRS Measures herein

Sales activity for the Agricultural sector is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand and Australia has not materially impacted the above results. Activity in the Transportation sector generally increases in the first half of the year with settlement occurring in the second and third quarter, while the Industrial sector generally slows in the winter months. As a result, income or losses may not accrue uniformly from quarter to quarter.

MARKET OUTLOOK (see "Note Regarding Forward-Looking Statements")

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. The following provides an overview of Management's market outlook as it relates to the Company's operations at time of writing.

Alberta & Saskatchewan

Agriculture remains the driving variable in the Company's Western Canadian operations. Canadian producers manage complex, capital intensive businesses, and yet remain heavily influenced by seasonal weather conditions. In this environment, the availability of capital is critical for producers to invest in the equipment, systems, and capacity to optimize yields while minimizing costs. In turn, capital availability is generally determined by cumulative annual farm profitability. In this respect, Canadian agriculture is well positioned. In May 2018, Statistics Canada reported another strong year of net cash farm income for the 2017 growing year of $15.4 billion, only a 0.2 percent decline from record 2016 levels.[3] Agriculture and Agri-Food Canada ("AAFC") forecasts continued growth for the Canadian agriculture sector in the medium term, however anticipates this growth stabilizing compared to the historically significant growth experienced in the past decade.[4]

Raw material and manufacturing costs have increased for original equipment manufacturers, and when compounded by a weaker Canadian dollar compared to the autumn of 2017 has increased the cost of new equipment in Canadian dollars for 2019 delivery. This may delay or defer new equipment purchasing decisions, while generally positive for the value proposition of used equipment. Canadian producers remain generally well positioned with the balance sheet strength to make required equipment replacement and capital investment. In this market, Cervus is focused on providing compelling used equipment solutions as producers plan equipment needs for the 2019 growing season.

The Saskatchewan component of our Transportation segment continues its stable performance, despite persistent uncertainty in the resource sector. In this market, we are focused on expanding Peterbilt's presence in on highway markets, while leveraging our standing as a trusted provider of equipment and solutions for the Saskatchewan transportation market. Turning to our Industrial segment, our current dealerships offer a wide breadth of value-added services to customers, from initial equipment sales through to operator and safety training. We have also established and began operating our new Storage Solutions division, which provides racking, shelving, and warehouse organization solutions. This is a complimentary business line to our Industrial and Transportation divisions, which provides synergies with our existing customer base while expanding our breadth of service to new customer markets. We anticipate long term opportunities to leverage the high customer interaction of the material handling markets, while focusing on maintaining internal efficiencies in the near term.

Ontario

The North American trucking market ended 2017 with total class 8 truck sales of 218,000 units, a small increase compared to the 216,000 class 8 trucks sold in 2016. For 2018, PACCAR's third quarter outlook is anticipating North American class 8 truck demand to range between 280,000 and 290,000 trucks, a 31% increase over prior year levels.[5] This is consistent with the 36% increase in new truck sales within our Transportation segment for the nine months ended September 30, 2018, compared to the same period in 2017. For 2019, North American Class 8 truck sales levels are projected to increase further, with PACCAR's third quarter outlook estimating sales in the range of 280,000 to 310,000 vehicles.[5] Existing market strength is a favorable tailwind for our transportation dealerships. Our focus remains on continuing to implement the internal efficiencies and discipline to translate sales activity into profitable long-term customer relationships. The profitability of our Ontario dealership group for the remainder of 2018 and into 2019 is our primary short-term objective in this regard, and sustainable profitability with growth remains a critical objective of the Company for our Ontario dealership footprint. We are pleased with the progress towards our objective of profitability in Ontario for 2018, and the work underpinning this progress positions our dealerships well heading into 2019.

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(3) Statistics Canada, Farm income, 2017, May 2018, https://www.statcan.gc.ca/
(4) Agriculture and Agri-Food Canada, Medium Term Outlook for Canadian Agriculture 2018, September 2018, www.agr.gc.ca
(5) PACCAR, PACCAR Achieves Excellent Quarterly Revenues and Earnings, October 23, 2018, www.paccar.com

New Zealand & Australia

The New Zealand outlook continues to remain firm although is tempered by uncertainty in global markets, particularly any significant escalation of trade disputes between the United States and China. New Zealand milk supply is expected to experience a lift in output for the 2018/19 season, which could exert downward pressures on dairy prices and test farmer desire to invest in further expansion.[6] The national forecaster ("NIWA") is predicting near-normal to below-normal rainfall combined with average to above-average temperatures in most regions[6], which should provide favourable conditions for harvest heading into the latter half of the harvest window. Positive national economics have increased demand for labor, which has reduced harvest labour availability for producers, while also impacting competition for skilled trades. In this environment, we continue to see opportunities to provide equipment and support solutions for our customers, particularly through this harvest window.

In our Australian geography, cold and dry conditions have continued to persist which will result in an early harvest and poorer crop yields in most regions.[7] Dry conditions have increased demand for supplement feed, and demand for hay is positive entering the haying season.[8] The dairy sector is benefitting from increased consolidation among milk processors, with a notable event being the acquisition of Murray Goulburn by Saputo which has been completed. Saputo is now Australia's largest milk processor and certainty around the future direction of the co-operative is largely seen as positive for the industry. The difficult harvest conditions provide opportunity to deliver parts and service opportunities in a critical window for producers, while good condition used equipment is a solution for additional producer machine hours.

Off-Balance Sheet Arrangements

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At September 30, 2018, payments in arrears by such customers aggregated $675 thousand (September 30, 2017 – $414 thousand). In addition, the Company is responsible for assuming the net residual value of all customer lease obligations held with Deere Credit, at the maturity of the contract, should the customer not elect to buy out the equipment at maturity. At September 30, 2018, the net residual value of such leases aggregated $291.9 million (September 30, 2017 – $261.1 million) of which the Company believes all are recoverable.

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 $2.8 million at September 30, 2018 (September 30, 2017 – $2.2 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 $2.4 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.

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(6) Rabobank, Agribusiness Monthly, October 2018. New Zealand: https://www.rabobank.co.nz/knowledge/agribusiness-monthly/
(7) Rabobank, Agribusiness Monthly, October 2018. Australia: https://www.rabobank.com.au/knowledge/agribusiness-monthly/
(8) The Weekly Times, Colin Peace, *Hay Market Demand Ramps up Again*. April 25, 2018, https://www.weeklytimesnow.com.au/agribusiness

Transactions with Related Parties

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers. The Company contributes to the deferred share plan on behalf of directors and executive officers, 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.

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.8 million (September 30, 2017 – $6.4 million). During the three and nine month periods ended September 30, 2018, the Company paid those individuals $51 thousand and $139 thousand (2017 – $40 thousand and $119 thousand), for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

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. 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, 2017, 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, 2017.

Business Risks and Uncertainties

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2017, as filed on SEDAR at www.sedar.com

Changes in Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2017, and as described in Note 3 in those financial statements.

Business Segments

On February 26, 2018, the Company announced it had entered into a definitive agreement to sell its Commercial operations, composed of four dealership locations in Calgary, Red Deer, Edmonton and Fort McMurray, Alberta. The dealerships represent the construction brands Bobcat, CMI and JCB. The sale of the Company's Commercial operations closed on March 16, 2018. The Company continues to report under three operating segments: Agriculture, Transportation, and Industrial.

IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments

During the quarter, IFRS 15 and IFRS 9 were adopted by the Company and there was no material impact as a result of the adoption, as detailed in Note 3 of the accompanying unaudited condensed interim consolidated financial statements.

Future Accounting Standards

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the future periods. The new standards and amendments to existing standards, which have not been applied in preparing the unaudited condensed interim consolidated financial statements as at September 30, 2018 are:

Revised Standard	Description	Impact of Application	Effective Date
IFRS 16 - Leases	On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. There is less impact for lessor accounting under IFRS 16.	The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, and is completing an assessment documenting the potential impact on its consolidated financial statements. Under the application of this standard, the operating lease commitments are expected to be the primary source of changes to the consolidated statements of financial position and the timing of expenses in the consolidated statements of comprehensive income.	Annual periods beginning on or after January 1, 2019.

Responsibility of Management and Board

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is 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. There have been no significant changes in the design of our DC&P during the nine month period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). 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. There have been no significant changes in the design of our ICFR during the nine month period ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The control framework utilized to design the Company's ICFR is the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013).

It should be noted 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.

Additional IFRS 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. These measures are identified and defined below:

Gross Profit

Gross profit refers to the Company's total revenue less costs directly attributed to generating the related sales revenue. This additional IFRS measure is identified in our unaudited interim consolidated 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: general interest expense recognized outside of cost of goods sold, interest income, share of profit (loss) from equity investees, and income tax. This additional IFRS measure is identified in our unaudited interim consolidated financial statements on the statement of comprehensive income. Income from operating activities is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and the effects of earnings from equity investees.

Non-IFRS 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:

Adjusted Income (Loss)

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

Adjusted Income Attributed to Shareholders

($ thousands, except per share amounts)	Three month periods ended September 30		Nine month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Income attributed to shareholders	**12,180**	9,453	**21,548**	16,190
Adjustments:				
Unrealized foreign currency (gain)[1]	**(730)**	(255)	**(57)**	(1,078)
(Gain) on sale of Commercial operations	**-**	-	**(480)**	-
(Gain) on sale of land and building	**-**	-	**-**	(419)
Tax impact of adjustments	**196**	68	**144**	415
Adjusted income attributed to shareholders	**11,646**	9,266	**21,155**	15,108
Adjusted income per share:				
Basic	**0.74**	0.59	**1.35**	0.96
Diluted	**0.71**	0.56	**1.28**	0.91

Adjusted Income (Loss) Before Income Tax Expense

Three Months Ended September 30, 2018

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands)				
Three months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Income before income tax expense	**15,820**	13,297	2,445	78
Adjustments:				
Unrealized foreign currency (gain)[1]	**(730)**	-	(574)	(156)
Adjusted income (loss) before income tax expense	**15,090**	13,297	1,871	(78)

Nine Months Ended September 30, 2018

Reconciliation of Adjusted Income Before Income Tax Expense ($ thousands)				
Nine months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Income before income tax expense	**28,902**	22,905	4,484	1,513
Adjustments:				
Unrealized foreign currency (gain) loss[1]	**(57)**	-	130	(187)
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted income before income tax expense	**28,365**	22,905	4,614	846

Three Months Ended September 30, 2017

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands) **Three months ended September 30, 2017**	Total	Agricultural	Transportation	Industrial
Income (loss) before income tax expense	**13,368**	13,412	(963)	919
Adjustments:				
Unrealized foreign currency (gain) (1)	**(255)**	-	(47)	(208)
Adjusted income (loss) before income tax expense	**13,113**	13,412	(1,010)	711

Nine Months Ended September 30, 2017

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands) **Nine months ended September 30, 2017**	Total	Agricultural	Transportation	Industrial
Income (loss) before income tax expense	**23,249**	20,844	(143)	2,548
Adjustments:				
Unrealized foreign currency (gain) (1)	**(1,078)**	-	(870)	(208)
(Gain) on sale of land and building	**(419)**	(419)	-	-
Adjusted income (loss) before income tax expense	**21,752**	20,425	(1,013)	2,340

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

EBITDA

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

Three Months Ended September 30, 2018

EBITDA ($ thousands) Three months ended September 30, 2018	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net income attributable to shareholders	**12,180**	10,197	1,883	100
Add:				
Interest	**1,985**	962	977	46
Income taxes	**3,640**	3,100	562	(22)
Depreciation and Amortization	**3,480**	1,825	1,197	458
EBITDA[(1)]	**21,285**	16,084	4,619	582
Reconciliation of adjusted EBITDA[(1)]:				
EBITDA[(1)]	**21,285**	16,084	4,619	582
Adjustments:				
Unrealized foreign currency (gain)	**(730)**	-	(574)	(156)
Adjusted EBITDA[(1)]	**20,555**	16,084	4,045	426

Nine Months Ended September 30, 2018

EBITDA ($ thousands) Nine months ended September 30, 2018	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net income attributable to shareholders	**21,548**	17,077	3,343	1,128
Add:				
Interest	**5,559**	2,512	2,899	148
Income taxes	**7,354**	5,828	1,141	385
Depreciation and Amortization	**11,342**	5,363	4,551	1,428
EBITDA[(1)]	**45,803**	30,780	11,934	3,089
Reconciliation of adjusted EBITDA[(1)]:				
EBITDA[(1)]	**45,803**	30,780	11,934	3,089
Adjustments:				
Unrealized foreign currency (gain) loss	**(57)**	-	130	(187)
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted EBITDA[(1)]	**45,266**	30,780	12,064	2,422

Three Months Ended September 30, 2017

EBITDA ($ thousands) **Three months ended September 30, 2017**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net income (loss) attributable to shareholders	**9,453**	9,446	(659)	666
Add:				
Interest	**1,766**	947	721	98
Income taxes	**3,915**	3,966	(304)	253
Depreciation and Amortization	**3,554**	1,709	1,194	651
EBITDA(1)	**18,688**	16,068	952	1,668
Reconciliation of adjusted EBITDA(1):				
EBITDA(1)	**18,688**	16,068	952	1,668
Adjustments:				
Unrealized foreign currency (gain)	**(255)**	-	(47)	(208)
(Gain) on sale of land and building	-	-	-	-
Adjusted EBITDA(1)	**18,433**	16,068	905	1,460

Nine Months Ended September 30, 2017

EBITDA ($ thousands) **Nine months ended September 30, 2017**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net income (loss) attributable to shareholders	**16,190**	14,516	(100)	1,774
Add:				
Interest	**5,897**	2,941	2,473	483
Income taxes	**7,064**	6,333	(43)	774
Depreciation and Amortization	**11,067**	5,185	3,907	1,975
EBITDA(1)	**40,218**	28,975	6,237	5,006
Reconciliation of adjusted EBITDA(1):				
EBITDA(1)	**40,218**	28,975	6,237	5,006
Adjustments:				
Unrealized foreign currency (gain)	**(1,078)**	-	(870)	(208)
(Gain) on sale of land and building	**(419)**	(419)	-	-
Adjusted EBITDA(1)	**38,721**	28,556	5,367	4,798

(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, and (gains) losses from sale of minority interests and real estate.

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Working Capital

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