MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD FROM JANUARY 1, 2021 TO JUNE 30, 2021

CERVUS EQUIPMENT CORPORATION

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Management's Discussion & Analysis

Management's Discussion & Analysis ("MD&A") is provided to enable readers to assess the financial position and the results of the consolidated operations of Cervus Equipment Corporation ("Cervus" or the "Company") for the three and six months ended June 30, 2021. It was prepared as of August 13, 2021. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2021, and notes contained therein. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" 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 increases productivity, operational uptime, re-sale value and ultimately their profitability.

Arrangement Agreement

Subsequent to quarter end, the Company entered into an arrangement agreement (the "Arrangement Agreement") providing for a plan of arrangement pursuant to which all the issued and outstanding shares of the Company would be acquired by Brandt Tractor Ltd. for cash consideration of $19.50 per share. The transaction is expected to close in the fourth quarter of 2021 and is subject to various regulatory and other approvals including approval by the shareholders of the Company. Additional details with respect to the transaction are contained within the Arrangement Agreement and the Company's press release with respect to the proposed transaction, both of which will be filed on SEDAR at www.sedar.com.

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 drive 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.

Second Quarter Consolidated Results

($ thousands, except per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2021	% Change Compared to 2020	2020	2021	% Change Compared to 2020	2020
Equipment revenue	**$ 314,820**	21%	$ 259,886	**$ 489,448**	11%	$ 442,383
Product support revenue	**87,524**	8%	81,083	**166,830**	7%	155,463
Total revenue	**402,344**	18%	340,969	**656,278**	10%	597,846
Cost of sales before inventory impairment	**(338,413)**	17%	(288,514)	**(546,611)**	9%	(501,482)
Inventory impairment	**(226)**	(83%)	(1,328)	**(329)**	(81%)	(1,703)
Gross profit	**63,705**	25%	51,127	**109,338**	16%	94,661
Other income	**2,141**		3,710	**3,582**		424
Equipment commissions	**(5,357)**	34%	(3,984)	**(8,292)**	24%	(6,677)
G&A expenses	**(42,406)**	15%	(36,820)	**(80,440)**	8%	(74,639)
Income from operating activities	**18,083**	29%	14,033	**24,188**	76%	13,769
Net finance costs	**(1,967)**	(29%)	(2,766)	**(3,901)**	(36%)	(6,057)
Income before income tax	**16,116**	43%	11,267	**20,287**	163%	7,712
Income tax expense	**(3,469)**		(1,991)	**(4,652)**		(1,139)
Income for the period	**12,647**	36%	9,276	**15,635**	138%	6,573
EBITDA[1]	**23,468**	18%	19,903	**34,971**	39%	25,170
Ratios						
Gross profit margin as a % of revenue	**15.8%**		15.0%	**16.7%**		15.8%
Total SG&A as a % of gross profit	**75.0%**		79.8%	**81.2%**		85.9%
Income per share						
Basic	**$ 0.82**		$ 0.59	**$ 1.01**		$ 0.42
Diluted	**$ 0.80**		$ 0.57	**$ 0.99**		$ 0.41
Basic - Adjusted[1]	**$ 0.76**		$ 0.44	**$ 0.91**		$ 0.47
Reconciliation of adjusted income before income tax:						
Income before income tax	**16,116**	43%	11,267	**20,287**	163%	7,712
Adjustments:						
Unrealized foreign exchange loss (gain) included in other income	**322**	114%	(2,365)	**436**	(75%)	1,712
Government subsidies	**(1,562)**	91%	(818)	**(2,659)**	225%	(818)
Adjusted income before income tax[1]	**$ 14,876**	84%	$ 8,084	**$ 18,064**	110%	$ 8,606

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

Second Quarter Overview

Cervus delivered exceptional results in the second quarter achieving record income before tax, a significant increase of $4.8 million over the second quarter of 2020, or a $7 million increase on an adjusted basis. Increased earnings were delivered across all of our operating segments.

This accelerated performance reflects the convergence of recovering activity levels in our end markets and enhanced sales practices, with Cervus' strategic focus on growing product support revenues and gross margins. The Agriculture segment benefited from a positive growing season through the majority of the second quarter of 2021 in all our geographies, combined with strong commodity prices. Our Transportation and Industrial segments were well positioned to take advantage of the rebound in economic activity and the resulting increase in demand for equipment and product support offerings, with both revenues and margins increasing as customers contend with limited supply.

Overall revenue growth was 18% in the quarter, while gross profit increased 25%, reflecting enhanced margin realization on equipment sales. This revenue growth was achieved, despite the continued impact of the pandemic and the delay of equipment deliveries.

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

Revenue

Total revenue increased 18% in the quarter, comprised of a 21% increase in equipment revenue and an 8% increase in product support revenue, driven by growth across all our segments.

Agriculture equipment revenue increased 10% in the quarter and 4% year to date, primarily driven by increased customer demand for new equipment, supported by strong market fundamentals in all our geographies. Product support revenue increased 1% in the quarter and 6% year to date, as our execution 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, was partly offset by the impact of parts supply shortages and a relatively easy seeding season in the second quarter of 2021.

In our Transportation and Industrial segments, combined equipment revenue increased 54% in the quarter and 30% year to date, as our sales teams capitalized on an increase in economic activity and capital spending. Combined product support revenue for the segments increased 17% in the quarter and 9% year to date, reflecting the easing of pandemic related restrictions and continued initiatives to increase over the counter parts sales, including through our on the road sales team in the Transportation segment.

Gross Profit

Gross profit increased 25% in the quarter and 16% year to date, driven by increases in equipment and product support revenue across all our operating segments. Gross profit margin as a percent of revenue increased, reflecting the strong pricing and demand for equipment and product support offerings.

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

G&A expenses, which exclude equipment commissions, increased 15% in the quarter and 8% year to date, driven by the strategic initiatives and new locations in our Agriculture segment discussed above, and the easing of pandemic related cost reductions relative to the prior year, in alignment with the recovery in business activity. Overall, SG&A, as a percent of gross profit, decreased from 79.8% to 75.0% in the quarter, and similarly year to date, reflecting continued focus on expense management.

Net finance costs decreased 29% in the quarter and 36% year to date, as we benefited from reductions in the average level of interest-bearing floor plan payable and long-term debt, as well as lower interest rates.

Income

Income before tax increased $4.8 million in the quarter and $13 million year to date on elevated gross profit and more efficient scaling of operating costs. Adjusted income before tax increased $7 million in the quarter and $9 million year to date.

Balance Sheet

Inventory

Total inventory increased $8 million from June 30, 2020. The majority of this variance arose within our Agriculture segment which experienced a $38 million increase in new equipment and parts inventories, partly offset by a $32 million reduction in used equipment inventory. Agriculture used equipment turnover for the trailing twelve-month period ended June 30, 2021 accelerated to 3.44 times from 2.31 times at June 30, 2020, surpassing our long-term used equipment inventory turnover objective of 2.50 times.[1]

Within the Transportation segment, new equipment inventory increased $2.4 million, quarter over quarter, to $72 million, with substantially all of these units committed to customers. By contrast, approximately half of the $69 million of new equipment inventory on hand at June 30, 2020 was committed to customers.

Shareholder Distributions

A quarterly dividend of $0.11 per share was declared to the shareholders of record as at June 30, 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 13 of the accompanying unaudited condensed interim consolidated financial statements.

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

Summary of Second Quarter Business Segment Results

Below is a summary of Cervus' segment results for the three months ended June 30, 2021 and 2020.

Three months ended June 30, 2021 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**$ 314,820**	$ 216,295	$ 91,497	$ 7,028	$ —
Product support revenue	**87,524**	44,993	34,481	8,050	—
Gross profit	**63,705**	39,906	18,284	5,515	—
Other income	**2,141**	1,735	279	127	—
Selling, general and administrative expense	**(47,763)**	(26,595)	(13,583)	(4,581)	(3,004)
Net finance (costs) income	**(1,967)**	(1,293)	(677)	(58)	61
Income (loss) before income tax	**16,116**	13,753	4,303	1,003	(2,943)
Unrealized foreign exchange loss (gain) included in other income	**322**	—	542	(220)	—
Government subsidies	**(1,562)**	(990)	(422)	(150)	—
Adjusted income (loss) before income tax[(1)]	**$ 14,876**	$ 12,763	$ 4,423	$ 633	$ (2,943)

Three months ended June 30, 2020 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**$ 259,886**	$ 196,101	$ 59,545	$ 4,240	$ —
Product support revenue	**81,083**	44,691	30,176	6,216	—
Gross profit	**51,127**	34,819	12,515	3,793	—
Other income	**3,710**	1,090	2,584	36	—
Selling, general and administrative expense	**(40,804)**	(23,795)	(11,495)	(3,619)	(1,895)
Net finance costs	**(2,766)**	(1,474)	(1,019)	(66)	(207)
Income (loss) before income tax	**11,267**	10,640	2,585	144	(2,102)
Unrealized foreign exchange (gain) included in other income	**(2,365)**	—	(2,293)	(72)	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted income (loss) before income tax [(1)]	**$ 8,084**	$ 9,822	$ 292	$ 72	$ (2,102)

Below is a summary of Cervus' segment results for the six months ended June 30, 2021 and 2020.

Six months ended June 30, 2021 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**$ 489,448**	$ 343,854	$ 134,163	$ 11,431	$ —
Product support revenue	**166,830**	82,849	68,481	15,500	—
Gross profit	**109,338**	66,647	32,552	10,139	—
Other income	**3,582**	1,850	1,457	275	—
Selling, general and administrative expense	**(88,732)**	(49,362)	(25,585)	(8,494)	(5,291)
Net finance (costs) income	**(3,901)**	(2,608)	(1,193)	(117)	17
Income (loss) before income tax	**20,287**	16,527	7,231	1,803	(5,274)
Unrealized foreign exchange loss (gain) included in other income	**436**	—	716	(280)	—
Government subsidies	**(2,659)**	(1,115)	(1,159)	(385)	—
Adjusted income (loss) before income tax[1]	**$ 18,064**	$ 15,412	$ 6,788	$ 1,138	$ (5,274)

Six months ended June 30, 2020 ($ thousands)	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Equipment revenue	**$ 442,383**	$ 330,230	$ 103,262	$ 8,891	$ —
Product support revenue	**155,463**	78,329	63,839	13,295	—
Gross profit	**94,661**	59,982	26,764	7,915	—
Other income (loss)	**424**	1,324	(1,025)	125	—
Selling, general and administrative expense	**(81,316)**	(45,740)	(23,952)	(7,716)	(3,908)
Net finance costs	**(6,057)**	(3,347)	(2,155)	(118)	(437)
Income (loss) before income tax	**7,712**	12,219	(368)	206	(4,345)
Unrealized foreign exchange loss included in other income	**1,712**	—	1,597	115	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted income (loss) before income tax [1]	**$ 8,606**	$ 11,401	$ 1,229	$ 321	$ (4,345)

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

Agriculture Segment Results

($ thousands)	Three month periods ended June 30 2021	% Change Compared to 2020	2020	Six month periods ended June 30 2021	% Change Compared to 2020	2020
Equipment						
New equipment	**$ 146,060**	32%	$ 110,551	**$ 226,452**	16%	$ 195,007
Used equipment	**70,235**	(18%)	85,550	**117,402**	(13%)	135,223
Total equipment revenue	**216,295**	10%	196,101	**343,854**	4%	330,230
Product support revenue	**44,993**	1%	44,691	**82,849**	6%	78,329
Total revenue	**261,288**	9%	240,792	**426,703**	4%	408,559
Cost of sales before inventory impairment	**(221,189)**	8%	(205,062)	**(359,814)**	4%	(347,365)
Inventory impairment	**(193)**	(79%)	(911)	**(242)**	(80%)	(1,212)
Gross profit	**39,906**	15%	34,819	**66,647**	11%	59,982
Other income	**1,735**	59%	1,090	**1,850**	40%	1,324
Equipment commissions	**(3,926)**	18%	(3,318)	**(6,218)**	14%	(5,465)
G&A expenses	**(22,669)**	11%	(20,477)	**(43,144)**	7%	(40,275)
Income from operating activities	**15,046**	24%	12,114	**19,135**	23%	15,566
Net finance costs	**(1,293)**	(12%)	(1,474)	**(2,608)**	(22%)	(3,347)
Income before income tax	**13,753**	29%	10,640	**16,527**	35%	12,219
EBITDA(1)	**18,305**	19%	15,372	**25,650**	16%	22,059
Ratios						
Gross profit margin as a % of revenue	**15.3%**		14.5%	**15.6%**		14.7%
Total SG&A as a % of gross profit	**66.6%**		68.3%	**74.1%**		76.3%
Reconciliation of adjusted income before income tax:						
Income before income tax	**13,753**	29%	10,640	**16,527**	35%	12,219
Adjustments:						
Government subsidies	**(990)**	21%	(818)	**(1,115)**	36%	(818)
Adjusted income before income tax(1)	**$ 12,763**	30%	$ 9,822	**$ 15,412**	35%	$ 11,401

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

Revenue and Gross Profit

Total equipment revenue in our Agriculture segment increased 10% in the quarter and 4% year to date, driven by increased customer demand for new equipment, supported by 2020 record Canadian farm income. This was partly offset by a decrease in used equipment revenue, reflecting reduced used equipment inventory levels following the successful right-sizing of this inventory in the prior year.

Product support revenue increased 1% in the quarter and 6% year to date, driven by a 2% increase in parts revenue in the quarter and 9% year to date. This marginal growth reflects the impact of parts supply shortages and an easy seeding season compared to the prior year. The year to date 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.

The increases in gross profit in the quarter and year to date reflects the increase in new equipment and product support revenue, and gross profit margin as a percent of revenue. Gross profit margin as a percent of revenue increased, as we realized higher margins on equipment sales in the current quarter and year to date.

G&A and Net Finance Costs

G&A expenses, excluding equipment commissions, increased 11% in the quarter and 7% for the year to date, primarily related to the strategic initiatives and new locations discussed above, as well as the impact of temporary cost reduction measures implemented in the second quarter of 2020 in response to the COVID-19 pandemic.

Our focus on used equipment inventory turnover as a critical measure of dealership performance, drove a $32 million decrease in Agriculture used inventory quarter over quarter. The reduction of floor planned inventory and other debt levels, caused net finance costs to decrease 12% in the quarter and 22% year to date.

Income

Income before tax increased $3.1 million in the quarter and $4.3 million year to date, primarily the result of increased gross profit and the reduction in net finance costs, partly offset by an increase in SG&A expenses. Adjusted income before tax increased $2.9 million quarter to date and $4.0 million year to date.

Transportation Segment Results

($ thousands)	Three month periods ended June 30 2021	% Change Compared to 2020	2020	Six month periods ended June 30 2021	% Change Compared to 2020	2020
Equipment						
New equipment	**$ 87,211**	50%	$ 58,047	**$ 127,934**	28%	$ 100,191
Used equipment	**4,286**	186%	1,498	**6,229**	103%	3,071
Total equipment revenue	**91,497**	54%	59,545	**134,163**	30%	103,262
Product support revenue	**34,481**	14%	30,176	**68,481**	7%	63,839
Total revenue	**125,978**	40%	89,721	**202,644**	21%	167,101
Cost of sales before inventory impairment	**(107,694)**	40%	(76,833)	**(170,070)**	22%	(139,954)
Inventory impairment	**—**	(100%)	(373)	**(22)**	(94%)	(383)
Gross profit	**18,284**	46%	12,515	**32,552**	22%	26,764
Other income (loss)	**279**	(89%)	2,584	**1,457**	242%	(1,025)
Equipment commissions	**(1,127)**	128%	(495)	**(1,624)**	84%	(884)
G&A expenses	**(12,456)**	13%	(11,000)	**(23,961)**	4%	(23,068)
Income from operating activities	**4,980**		3,604	**8,424**		1,787
Net finance costs	**(677)**	(34%)	(1,019)	**(1,193)**	(45%)	(2,155)
Income (loss) before income tax	**4,303**		2,585	**7,231**		(368)
EBITDA(1)	**6,129**	17%	5,231	**10,729**	125%	4,762
Ratios						
Gross profit margin as a % of revenue	**14.5%**		13.9%	**16.1%**		16.0%
Total SG&A as a % of gross profit	**74.3%**		91.8%	**78.6%**		89.5%
Reconciliation of adjusted income before income tax:						
Income (loss) before income tax	**4,303**		2,585	**7,231**		(368)
Adjustments:						
Unrealized foreign exchange loss (gain) included in other income	**542**	(124%)	(2,293)	**716**	55%	1,597
Government subsidies	**(422)**	100%	—	**(1,159)**	100%	—
Adjusted income before income tax(1)	**$ 4,423**		$ 292	**$ 6,788**		$ 1,229

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

Revenue and Gross Profit

Transportation equipment revenue increased 54% in the quarter and 30% year to date, driven primarily by strong second quarter performance as investment in fleet and vocational trucks rebounded from pandemic levels, a reflection of increasing economic activity. In the second quarter of 2020, our customers limited capital expenditures and delayed deliveries into the third quarter in response to the pandemic, contributing to the quarter over quarter increase in equipment revenue.

Parts revenue increased 15% in the quarter and 10% year to date, the result of stronger demand and continued initiatives to market over the counter parts to our customers, including through our on the road sales team. Service revenue increased 12% quarter over quarter, also benefiting from higher activity levels as COVID-19 related restrictions eased, relative to the prior year. Overall, product support revenues increased 14% in the quarter and 7% year to date, over 2020 levels.

Gross profit increased 46% in the quarter and 22% year to date, driven by increases in equipment and product support revenues. Gross profit margin as a percent of revenue also increased in the quarter, as elevated demand for equipment supported pricing.

G&A and Net Finance Costs

G&A expenses, excluding equipment commissions increased 13% in the quarter and 4% year to date, as pandemic related cost containment measures were eased, in alignment with the recovery in business activity. SG&A as a percent of gross profit decreased quarter over quarter and year to date.

The reduction of average interest-bearing debt levels contributed to the decrease in net finance costs of 34% in the quarter and 45% year to date. At June 30, 2021, approximately 8% (June 30, 2020 – 5%) 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 $1.7 million in the quarter and $8 million year to date, driven by the increase in gross profit and lower net finance costs, partly offset by an increase in SG&A expenses as discussed above. Adjusted income before tax increased $4.1 million in the quarter and $6 million year to date.

The decrease in unrealized foreign exchange gains for the quarter was due to the depreciation 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 June 30 2021	% Change Compared to 2020	2020	Six month periods ended June 30 2021	% Change Compared to 2020	2020
Equipment						
New equipment	**$ 5,170**	60%	$ 3,240	**$ 8,495**	26%	$ 6,743
Used equipment	**1,858**	86%	1,000	**2,936**	37%	2,148
Total equipment revenue	**7,028**	66%	4,240	**11,431**	29%	8,891
Product support revenue	**8,050**	30%	6,216	**15,500**	17%	13,295
Total revenue	**15,078**	44%	10,456	**26,931**	21%	22,186
Gross profit	**5,515**	45%	3,793	**10,139**	28%	7,915
Other income	**127**	253%	36	**275**	120%	125
Equipment commissions	**(304)**	78%	(171)	**(450)**	37%	(328)
G&A expenses	**(4,277)**	24%	(3,448)	**(8,044)**	9%	(7,388)
Income from operating activities	**1,061**		210	**1,920**		324
Net finance costs	**(58)**	(12%)	(66)	**(117)**	(1%)	(118)
Income before income tax	**1,003**		144	**1,803**		206
EBITDA(1)	**1,890**	105%	923	**3,529**	103%	1,739
Ratios						
Gross profit margin as a % of revenue	**36.6%**		36.3%	**37.6%**		35.7%
Total SG&A as a % of gross profit	**83.1%**		95.4%	**83.8%**		97.5%
Reconciliation of adjusted income before income tax:						
Income before income tax	**1,003**		144	**1,803**		206
Adjustments:						
Unrealized foreign exchange (gain) loss included in other income	**(220)**	206%	(72)	**(280)**	343%	115
Government subsidies	**(150)**	100%	—	**(385)**	100%	—
Adjusted income before income tax(1)	**$ 633**		$ 72	**$ 1,138**		$ 321

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

Revenue and Gross Profit

Equipment revenue in our Industrial segment increased 66% in the quarter and 29% year to date, as customers increased capital expenditures in response to elevated economic activity. Product support revenue increased 30% in the quarter and 17% year to date, driven by strong demand for rental equipment and training programs as well as growth in parts and service revenue.

Gross profit increased 45% in the quarter and 28% year to date, driven by the increased equipment and product support revenue discussed above. The increase in gross profit margin as a percent of revenue reflects increased demand for, and pricing of equipment and product support offerings.

G&A and Net Finance Costs

G&A expenses, excluding equipment commissions increased 24% in the quarter and 9% year to date, as pandemic related cost containment measures were eased, in alignment with the recovery in business activity. SG&A as a percent of gross profit decreased quarter over quarter and year to date.

Net finance costs were relatively flat quarter over quarter and year to date. At June 30, 2021, approximately 31% (June 30, 2020 – 33%) 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 $0.9 million for the quarter and $1.6 million year to date. Adjusted income increased $0.6 million in the quarter and $0.8 million year to date.

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.

Agriculture

Agriculture, particularly in Western Canada, remains a significant contributor to the Company’s results. Producers manage complex, capital intensive businesses, and are heavily influenced by seasonal weather conditions, commodity prices, and input costs. Our Australia and New Zealand operations have historically accounted for a quarter of total Agriculture segment revenue, and in 2020, generated 26% of Agriculture's total segment revenue.

This year’s growing season across Western Canada has been defined by a combination of extreme heat and dry weather conditions to varying degrees depending on region. These hot, dry conditions have exposed prairie crop to prolonged periods of intense heat-stress and low soil moisture, which is expected to result in lost yield and lower quality. Grain and oilseed producers are anticipating an early and light harvest this year, with crops in many areas already past the point where they would benefit from rain.[1] This deterioration in quality and yield of crop could have a detrimental impact on income prospects for farmers, and in turn their propensity for large capital expenditures. While it is unlikely the sector will repeat last year's strong crop performance, solid demand and price fundamentals should help offset some of the impact on farm income.[2] Government assistance has also introduced additional flexibility to crop insurance programs, allowing farmers to put more poor-quality crops towards livestock feed.[3]

Equipment availability continues to be a challenge for our Canadian operations, as supply chain disruptions coupled with the increase in US and Canadian equipment orders has extended product lead times. Our ability to capture market demand will continue to be affected by product availability and prolonged lead times from manufacturers, while the extended delivery timelines for previously ordered equipment may also impact the timing of sales in season. Manufacturers are also prioritizing the limited availability of certain key component parts for the manufacture of new equipment, extending lead times on replacement parts used in routine maintenance.

In Australia, global demand continues to be strong for agriculture commodities, supported by generally positive market fundamentals.[4] Seasonal weather conditions have remained favorable, with good winter rains supporting crop prospects and pasture production for the next growing season.[4] New Zealand also continues to benefit from a strong pricing environment, with production holding up well for most agriculture commodities. Equipment availability has been able to keep pace with customer demand in both regions, but impending constraints still linger through the supply chain.

John Deere has advised its Canadian agriculture equipment dealer network of changes to its distribution model which will take effect on November 1, 2021. Under the revised model, goods invoiced on or after the effective date will no longer be distributed on a consignment basis, resulting in such units being recognized as equipment inventory of the dealer. This change aligns the Canadian distribution model with the current U.S. model. See sub-section titled "John Deere Distribution Terms", included in section titled "Consolidated Financial Position & Liquidity", for more information on these changes.

Transportation

In our Transportation segment, it is anticipated demand for new equipment will continue to rebound in 2021, linked to renewed customer and industry confidence, as well as the summer re-opening of provincial economies.

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[1] The Western Producer, *Writing on the wall for prairie crops*, July 2021, https://www.producer.com/news/writing-on-the-wall-for-prairie-crops/?module=carousel&pgtype=homepage&i=1

[2] TD Economics, *Provincial Economic Forecast: Rising Tide Lifts All Boats*, June 2021, https://economics.td.com/provincial-economic-forecast

[3] CBC News, *Alberta crop insurance program adjusted to let farmers harvest early for livestock feed*, July 2021, https://www.cbc.ca/news/canada/calgary/crop-insurance-drought-livestock-alberta-ottawa-1.6114515

[4] Australian Government Department of Agriculture, Water and the Environment, *Agriculture overview: June quarter 2021*, June 2021, https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/agriculture-overview

While our inventory of new trucks remains relatively comparable with this time last year, substantially all of this inventory at June 30, 2021 is committed to customers, up from approximately half last year. This increase in customer demand is reflected in our order backlog for the second half of 2021 and deliveries in 2022.

In its second quarter 2021 earnings release, PACCAR, the owner of Peterbilt, affirmed that customer demand for new trucks remains strong, with class 8 truck retail sales in North America estimated to be in the range of 260,000 - 280,000 units in 2021.[5] However, PACCAR expressed that truck markets are still tempered by the industry-wide undersupply of semiconductor chips.[5]

This increase in market demand, combined with semiconductor and other parts shortages that persisted through the second quarter, continue to extend equipment production and delivery timelines. Compounding this backlog has been 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.

With pandemic-related restrictions progressively easing in Ontario, the province's economic recovery is still on track to take hold in the second half of the year with consumer activity on the rise. TD expects Saskatchewan's resource-rich economy will realize the benefits of the recent upcycle in commodity markets including the swift rebound in oil prices.[2] Industry players should benefit from the recovering demand in commodities, which could encourage more capital 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 higher oil prices previously mentioned, as well as economic re-opening plans for the summer season. Training revenues, which are a leading indicator for economic growth, more than doubled in the second quarter of 2021 when compared to the same quarter of 2020.

Our dealerships have seen a rise in demand for equipment, as restrictions ease and customers have had another quarter to ramp up activity. However, similar to our other segments, Industrial is experiencing challenges sourcing product in a timely manner, as pandemic related disruptions still reverberate through the supply chain.

COVID-19 Impact

While the second quarter of 2021 saw a significant easing of pandemic restrictions and a rebound in economic activity, there remains uncertainty regarding the efficacy of vaccines against variant strains of COVID-19. In turn, there remains uncertainty regarding the potential risks these variant strains pose towards the ongoing fight against the pandemic. At this time, the impacts from the latest waves are still reverberating through global supply chain channels, evidenced by the product shortages and delays previously mentioned. Cervus, and the industries in which we operate, continue to work together towards a return to normality.

[5] PACCAR, *PACCAR Achieves Very Good Quarterly Revenues and Profits*, July 2021, https://www.paccar.com/news/current-news/2021/paccar-achieves-very-good-quarterly-revenues-and-profits-1/

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 June 30**	**2019**	**2020**	**2021**	**Annual Objective by 2024**
Return On Invested Capital ("ROIC")(1)				
Consolidated	9.8%	2.4%	23.8%	**> 20%**
Average Product Support Gross Profit Growth				
Consolidated	5.7%	(6.6%)	9.7%	**8% - 10%**
Agriculture	9.0%	(0.6%)	7.0%	**8% - 10%**
Transportation	(0.1%)	(12.5%)	11.4%	**8% - 10%**
Industrial	12.4%	(13.8%)	18.3%	**8% - 10%**
Absorption				
Agriculture	81%	84%	85%	**95% - 100%**
Transportation	104%	98%	105%	**110% - 115%**
Industrial	102%	92%	102%	**110% - 115%**
Equipment Inventory Turnover(1)(2)				
Agriculture	1.62	2.31	3.44	**> 2.5**
Transportation	3.61	2.23	3.42	**> 3.5**
Industrial	2.60	2.37	3.73	**> 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 six months ended June 30, 2021 and 2020 are as follows:

Six month periods ended June 30 ($ thousands)	2021	2020	Increase (Decrease) in Cash
Net income	$ 15,635	$ 6,573	$ 9,062
Non-cash items in net earnings	18,889	20,478	(1,589)
Cash earnings	34,524	27,051	7,473
Changes in non-cash working capital	7,428	19,747	(12,319)
Tax and interest payments	(11,096)	(504)	(10,592)
Cash provided from operating activities	30,856	46,294	(15,438)
Cash (used in) investing activities	(4,460)	(2,238)	(2,222)
Cash (used in) financing activities	(7,984)	(24,267)	16,283
Net increase in cash	**18,412**	**19,789**	**(1,377)**
Effect of foreign exchange on cash	637	2,851	(2,214)
Cash, beginning of period	26,697	7,946	18,751
Cash, end of period	**$ 45,746**	**$ 30,586**	**$ 15,160**

Operating Activities

During the six months ended June 30, 2021, cash generated from operating activities decreased $15 million compared to the same period last year. While stronger pre-tax earnings contributed positively to operating cash flows, this increase was more than offset by:

- 2021 year to date tax liability and installments of $7 million, relative to a $6 million net refund during the same period in 2020; and
- A reduction in cash generated from non-cash working capital as outlined in the following table:

Six month periods ended June 30 ($ thousands)	2021	2020	Increase (Decrease) in Cash
Changes in non-cash working capital:			
Inventory	**$ (77,495)**	$ 23,781	$ (101,276)
Floor plan	**48,649**	(25,879)	74,528
Trade and other receivables	**4,454**	14,531	(10,077)
Trade and other liabilities	**31,820**	7,314	24,506
Total change in non-cash working capital	**$ 7,428**	$ 19,747	$ (12,319)

Investing Activities

The $2.2 million increase in cash used in investing activities period over period was primarily attributable to a $5.0 million increase in purchase of property and equipment, including the construction of our new Agriculture facility in Penhold, Alberta. This was partly offset by a $2.8 million increase in proceeds received from disposal of property and equipment.

Financing Activities

The $16 million decrease in cash used in financing activities reflects a period over period reduction in debt repayments with our operating and capital facilities having been fully repaid during 2020.

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 **Six month periods ended June 30** **($ thousands)**	**2021**	**2020**	**Increase (Decrease) in Cash**
Cash flow provided by operating activities	$ 30,856	$ 46,294	$ (15,438)
(-) Changes in non-cash working capital	(7,428)	(19,747)	12,319
(-) Purchase of property and equipment	(7,503)	(2,509)	(4,994)
(+) Purchase of dealerships & real estate	3,183	604	2,579
(+) Proceeds on disposal of property and equipment	3,686	905	2,781
(-) Proceeds on disposal of dealerships & real estate	—	—	—
Adjusted Free Cash Flow[1]	**$ 22,794**	**$ 25,547**	**$ (2,753)**

(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 (see “Capital Resources – Cautionary Note Regarding Dividends”).

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 generate incremental free cash in the future and is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow.

Product Support Revenue by Segment

The below tables show product support revenue by segment for the three and six months ended June 30, 2021 and 2020:

Summary of Second Quarter Product Support Revenue

Three months ended June 30, 2021 **($ thousands)**	**Total**	**Agriculture**	**Transportation**	**Industrial**
Parts	**$ 61,608**	$ 32,401	$ 26,532	$ 2,675
Service	**20,717**	11,070	7,243	2,404
Rental and other	**5,199**	1,522	706	2,971
Total product support revenue	**$ 87,524**	$ 44,993	$ 34,481	$ 8,050

Three months ended June 30, 2020 **($ thousands)**	**Total**	**Agriculture**	**Transportation**	**Industrial**
Parts	**$ 57,440**	$ 31,752	$ 23,106	$ 2,582
Service	**19,790**	11,258	6,486	2,046
Rental and other	**3,853**	1,681	584	1,588
Total product support revenue	**$ 81,083**	$ 44,691	$ 30,176	$ 6,216

Six months ended June 30, 2021 **($ thousands)**	**Total**	**Agriculture**	**Transportation**	**Industrial**
Parts	**$ 117,113**	$ 58,731	$ 53,053	$ 5,329
Service	**39,980**	21,222	14,149	4,609
Rental and other	**9,737**	2,896	1,279	5,562
Total product support revenue	**$ 166,830**	$ 82,849	$ 68,481	$ 15,500

Six months ended June 30, 2020 **($ thousands)**	**Total**	**Agriculture**	**Transportation**	**Industrial**
Parts	**$ 107,354**	$ 53,980	$ 48,169	$ 5,205
Service	**40,396**	21,648	14,328	4,420
Rental and other	**7,713**	2,701	1,342	3,670
Total product support revenue	**$ 155,463**	$ 78,329	$ 63,839	$ 13,295

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	June 30, 2021	December 31, 2020
Current assets	**$ 397,885**	309,391
Total assets	**598,326**	516,097
Current liabilities	**256,543**	177,110
Long-term financial liabilities	**76,520**	83,280
Total equity	**259,349**	248,708
Working capital[(1)]	**141,342**	132,281
Working capital ratio[(1)]	**1.55**	1.75

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

Working Capital

Cervus' working capital increased by $9 million to $141 million at June 30, 2021, when compared to $132 million at December 31, 2020. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at June 30, 2021, the Company had the ability to floor plan an additional $16 million of inventory with a pre-approved credit limit of $446 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 (see "Capital Resources – Cautionary Note Regarding Dividends").

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, much of our new John Deere equipment is on consignment from the OEM, 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 June 30, 2021, the Company believes that the recoverable value of equipment inventory exceeds its carrying value. For the three and six months ended June 30, 2021, the Company recognized non cash inventory impairment charges through cost of goods sold of $0.2 million and $0.3 million (June 30, 2020 - $1.3 million and $1.7 million).

Inventory by segment as at June 30, 2021, compared to December 31, 2020, is as follows:

($ thousands)	June 30, 2021	December 31, 2020	Increase/ (Decrease)
Agriculture			
New	**$ 71,105**	$ 52,784	$ 18,321
Used	**82,598**	70,513	12,085
Parts and other	**42,870**	35,510	7,360
Total inventory	**196,573**	158,807	37,766
Transportation			
New	**71,603**	40,412	31,191
Used	**1,799**	3,389	(1,590)
Parts and other	**24,407**	21,272	3,135
Total inventory	**97,809**	65,073	32,736
Industrial			
New	**2,933**	3,050	(117)
Used	**1,113**	1,175	(62)
Parts and other	**2,855**	1,103	1,752
Total inventory	**6,901**	5,328	1,573
Total inventory	**$ 301,283**	$ 229,208	$ 72,075

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 June 30, 2021, relative to June 30, 2020. A summary of the movement is as follows:

($ thousands)	June 30, 2021	June 30, 2020	Increase/ (Decrease)
Agriculture			
New	**$ 71,105**	$ 39,723	$ 31,382
Used	**82,598**	114,814	(32,216)
Parts and other	**42,870**	35,768	7,102
Total inventory	**196,573**	190,305	6,268
Transportation			
New	**71,603**	69,178	2,425
Used	**1,799**	3,632	(1,833)
Parts and other	**24,407**	22,061	2,346
Total inventory	**97,809**	94,871	2,938
Industrial			
New	**2,933**	5,853	(2,920)
Used	**1,113**	1,149	(36)
Parts and other	**2,855**	1,183	1,672
Total inventory	**6,901**	8,185	(1,284)
Total inventory	**$ 301,283**	$ 293,361	$ 7,922

John Deere Distribution Terms

John Deere has advised its Canadian agriculture equipment dealer network of changes to its distribution model which will take effect on November 1, 2021. Under the revised model, goods invoiced on or after the effective date will no longer be distributed on a consignment basis, resulting in such units being recognized as equipment inventory of the dealer. These units will be eligible to be financed in full by Cervus through trade credit or floor plan facilities made available by John Deere. In addition to floor plan financing made available through the OEM, Cervus has a strong cash position and ample availability under its various credit agreements which may be utilized in concert to optimize the means by which this inventory is carried.

Based on our recent historical levels of consigned equipment on hand, Cervus estimates that the average level of new equipment inventory will increase by approximately $50 million over the next twelve months as a result of this change, with seasonal fluctuations in this balance anticipated.

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 June 30, 2021 and December 31, 2020 is as follows:

	June 30, 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	$ 122,165	$ —	$ 11,431	$ 110,734	$ 122,288	$ —	$ 9,600	$ 112,688
Floor plan facilities and rental equipment term loan financing	(a)	137,767				89,505		
Total borrowing		$ 137,767				$ 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 $446 million (December 31, 2020 - $443 million) or the available unencumbered assets which are estimated at $16 million as at June 30, 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 June 30, 2021, there were no amounts drawn on the facility and $11.4 million had been utilized for outstanding letters of credit.

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:

	June 30, 2021	December 31, 2020
Total liabilities to net worth ratio(1) (not exceeding 4.0:1.0)	**1.88**	1.60
Fixed charge coverage ratio(2) (greater than or equal to 1.10:1.00)	**4.25**	3.19
Asset coverage ratio(3) (greater than 3.0:1.0)	**24.06**	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.

This definition was amended in the third quarter of 2020 to include government subsidies 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, PNC Equipment Finance, and De Lage Landen Financial Services Canada. At June 30, 2021, floor plan payables related to inventories were $133 million.

Floor plan payables at June 30, 2021 represented approximately 44% 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 and $0.7 million, respectively, for the three and six months ended June 30, 2021 (June 30, 2020 – $0.7 million and $1.5 million, respectively). This amount was offset by rebates applied during the three and six months ended June 30, 2021, of $0.3 million and $0.6 million, respectively (June 30, 2020 - $0.6 million and $1.3 million, respectively). At June 30, 2021, approximately 31% (June 30, 2020 – 33%) of the Industrial segment's and 8% (June 30, 2020 – 5%) 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 six month periods ended June 30, 2021 and 2020, the Company had the following weighted average shares outstanding:

(thousands)	June 30, 2021	June 30, 2020
Basic weighted average number of shares outstanding	**15,413**	15,554
Dilutive impact of deferred share plan	**368**	540
Dilutive impact of options	**28**	—
Diluted weighted average number of shares outstanding	**15,809**	16,094

Normal Course Issuer Bid ("NCIB")

For the three and six months ended June 30, 2021, no shares had been repurchased under the September 2020 Bid.

Dividends Paid and Declared to Shareholders

The following table summarizes our dividends paid for the period ended June 30, 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
June 30, 2021	0.1100	1,700	126	1,574
Total	**$ 0.2200**	**$ 3,394**	**$ 235**	**$ 3,159**

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 respective three and six month periods ended June 30, 2021, 0.1 million and 0.1 million common shares were issued through the Company's dividend reinvestment plan (June 30, 2020 – 0.1 million and $0.1 million).

Dividend Taxation

Cervus' 2021 dividends declared and paid through June 30, 2021, are considered to be eligible dividends for tax purposes on the date paid.

Cautionary Note Regarding Dividends (see "Cautionary 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.

In addition to the foregoing and pursuant to the terms of the Arrangement Agreement, the Company has agreed not to declare or pay any common share dividends on or prior to the completion or termination of the proposed transaction.

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)	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenue	**$ 402,344**	$ 253,934	$ 273,878	$ 356,163
Income	**12,647**	2,987	5,491	13,023
Gross profit	**63,705**	45,633	50,685	56,989
Gross profit margin	**15.8%**	18.0%	18.5%	16.0%
EBITDA[1]	**23,468**	11,502	16,315	26,410
Income per share:				
Basic	**0.82**	0.19	0.36	0.84
Diluted	**0.80**	0.19	0.34	0.81
Adjusted income per share[1]				
Basic	**0.76**	0.15	0.28	0.57
Diluted	**0.74**	0.14	0.27	0.54
Weighted average shares outstanding				
Basic	**15,447**	15,382	15,363	15,430
Diluted	**15,845**	15,869	15,954	16,130

($ thousands, except per share amounts)	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revenue	$ 340,969	$ 256,877	$ 259,549	$ 317,082
Income (loss)	9,276	(2,703)	(7,048)	(1,675)
Gross profit	51,127	43,534	36,901	42,847
Gross profit margin	15.0%	16.9%	14.2%	13.5%
EBITDA[1]	19,903	5,267	838	8,230
Income (loss) per share:				
Basic	0.59	(0.17)	(0.46)	(0.11)
Diluted	0.57	(0.17)	(0.46)	(0.11)
Adjusted income (loss) per share[1]				
Basic	0.44	0.02	(0.50)	(0.10)
Diluted	0.43	0.02	(0.50)	(0.10)
Weighted average shares outstanding				
Basic	15,629	15,478	15,344	15,326
Diluted	16,169	15,478	15,344	15,326

(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 June 30, 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 June 30, 2021, the residual value of such leases aggregated $292 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 $3.0 million at June 30, 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 $11.4 million at June 30, 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 various share-based compensation plans 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 remains 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 June 30, 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.

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.

There have been no changes in the design of the Company’s internal control over financial reporting during the three and six month periods ended June 30, 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 June 30, 2021, on July 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 increase 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 increase 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 growth 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 enhance 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 June 30		Six month periods ended June 30	
($ thousands, except per share amounts)	**2021**	**2020**	**2021**	**2020**
Income for the period	**$ 12,647**	$ 9,276	**$ 15,635**	$ 6,573
Adjustments:				
Unrealized foreign exchange loss (gain)[1]	**322**	(2,365)	**436**	1,712
Government subsidies	**(1,562)**	(818)	**(2,659)**	(818)
Tax impact of adjustments	**312**	851	**559**	(209)
Adjusted income for the period	**11,719**	6,944	**13,971**	7,258
Adjusted income per share:				
Basic	**$ 0.76**	$ 0.44	**$ 0.91**	$ 0.47
Diluted	**$ 0.74**	$ 0.43	**$ 0.88**	$ 0.45

Adjusted Income (Loss) Before Income Tax

Reconciliation of Adjusted Income (Loss) Before Income Tax ($ thousands)					
Three months ended June 30, 2021	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Income (loss) before income tax	**$ 16,116**	$ 13,753	$ 4,303	$ 1,003	$ (2,943)
Adjustments:					
Unrealized foreign exchange loss (gain)[1]	**322**	—	542	(220)	—
Government subsidies	**(1,562)**	(990)	(422)	(150)	—
Adjusted income (loss) before income tax	**$ 14,876**	$ 12,763	$ 4,423	$ 633	$ (2,943)

Reconciliation of Adjusted Income (Loss) Before Income Tax ($ thousands)					
Three months ended June 30, 2020	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Income (loss) before income tax	**$ 11,267**	$ 10,640	$ 2,585	$ 144	$ (2,102)
Adjustments:					
Unrealized foreign exchange (gain) [1]	**(2,365)**	—	(2,293)	(72)	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted income (loss) before income tax	**$ 8,084**	$ 9,822	$ 292	$ 72	$ (2,102)

Reconciliation of Adjusted Income (Loss) Before Income Tax ($ thousands) Six months ended June 30, 2021	Total	Agriculture	Transportation	Industrial	Corporate
Income (loss) before income tax	**$ 20,287**	$ 16,527	$ 7,231	$ 1,803	$ (5,274)
Adjustments:					
Unrealized foreign exchange loss (gain)(1)	**436**	—	716	(280)	—
Government subsidies	**(2,659)**	(1,115)	(1,159)	(385)	—
Adjusted income (loss) before income tax	**$ 18,064**	$ 15,412	$ 6,788	$ 1,138	$ (5,274)

Reconciliation of Adjusted Income (Loss) Before Income Tax ($ thousands) Six months ended June 30, 2020	Total	Agriculture	Transportation	Industrial	Corporate
Income (loss) before income tax	**$ 7,712**	$ 12,219	$ (368)	$ 206	$ (4,345)
Adjustments:					
Unrealized foreign exchange loss(1)	**1,712**	—	1,597	115	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted income (loss) before income tax	**$ 8,606**	$ 11,401	$ 1,229	$ 321	$ (4,345)

(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 trade and floor plan payables as well as 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:

EBITDA ($ thousands) **Three months ended June 30, 2021**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**12,647**	13,753	4,303	1,003	(6,412)
Add:					
Interest	**2,247**	1,391	718	85	53
Income taxes	**3,469**	—	—	—	3,469
Depreciation and Amortization	**5,105**	3,161	1,108	802	34
EBITDA[1]	**23,468**	18,305	6,129	1,890	(2,856)
EBITDA margin[2]	**5.8 %**	7.0 %	4.9 %	12.5 %	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**23,468**	18,305	6,129	1,890	(2,856)
Adjustments:					
Unrealized foreign exchange loss (gain)	**322**	—	542	(220)	—
Government subsidies	**(1,562)**	(990)	(422)	(150)	—
Adjusted EBITDA[1]	**22,228**	17,315	6,249	1,520	(2,856)

EBITDA ($ thousands) **Three months ended June 30, 2020**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**9,276**	10,640	2,585	144	(4,093)
Add:					
Interest	**3,233**	1,573	1,242	86	332
Income taxes	**1,991**	—	—	—	1,991
Depreciation and Amortization	**5,403**	3,159	1,404	693	147
EBITDA[1]	**19,903**	15,372	5,231	923	(1,623)
EBITDA margin[2]	**5.8 %**	6.4 %	5.8 %	8.8 %	
Reconciliation of adjusted EBITDA[1]:					
EBITDA[1]	**19,903**	15,372	5,231	923	(1,623)
Adjustments:					
Unrealized foreign exchange (gain)	**(2,365)**	—	(2,293)	(72)	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted EBITDA[1]	**16,720**	14,554	2,938	851	(1,623)

EBITDA ($ thousands) **Six months ended June 30, 2021**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**$ 15,635**	$ 16,527	$ 7,231	$ 1,803	$ (9,926)
Add:					
Interest	**4,471**	2,811	1,281	172	207
Income taxes	**4,652**	—	—	—	4,652
Depreciation and Amortization	**10,213**	6,312	2,217	1,554	130
EBITDA[(1)]	**34,971**	25,650	10,729	3,529	(4,937)
EBITDA margin[(2)]	**5.3%**	6.0%	5.3%	13.1%	
Reconciliation of adjusted EBITDA[(1)]:					
EBITDA[(1)]	**34,971**	25,650	10,729	3,529	(4,937)
Adjustments:					
Unrealized foreign exchange loss (gain)	**436**	—	716	(280)	—
Government subsidies	**(2,659)**	(1,115)	(1,159)	(385)	—
Adjusted EBITDA[(1)]	**$ 32,748**	$ 24,535	$ 10,286	$ 2,864	$ (4,937)

EBITDA ($ thousands) **Six months ended June 30, 2020**	**Total**	**Agriculture**	**Transportation**	**Industrial**	**Corporate**
Net income (loss)	**$ 6,573**	$ 12,219	$ (368)	$ 206	$ (5,484)
Add:					
Interest	**6,785**	3,557	2,378	166	684
Income taxes	**1,139**	—	—	—	1,139
Depreciation and Amortization	**10,673**	6,283	2,752	1,367	271
EBITDA[(1)]	**25,170**	22,059	4,762	1,739	(3,390)
EBITDA margin[(2)]	**4.2%**	5.4%	2.8%	7.8%	
Reconciliation of adjusted EBITDA[(1)]:					
EBITDA[(1)]	**25,170**	22,059	4,762	1,739	(3,390)
Adjustments:					
Unrealized foreign exchange loss	**1,712**	—	1,597	115	—
Government subsidies	**(818)**	(818)	—	—	—
Adjusted EBITDA[(1)]	**$ 26,064**	$ 21,241	$ 6,359	$ 1,854	$ (3,390)

(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 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)	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Income (loss) before tax	**$16,116**	$ 4,170	$ 8,313	$ 18,304	$ 11,267	$ (3,555)	$ (8,807)	$ (2,308)	$ 2,811	$ (2,144)
(+) Unrealized foreign exchange loss (gain)	**322**	114	(712)	(667)	(2,365)	4,077	(831)	207	(625)	(598)
(+) Finance costs	**2,133**	2,098	2,008	2,419	2,921	3,449	3,188	3,598	3,233	3,037
(-) Floor plan interest expense	**(629)**	(432)	(309)	(589)	(1,014)	(1,383)	(1,210)	(1,139)	(1,050)	(1,009)
Return	**17,942**	**5,950**	**9,300**	**19,467**	**10,809**	**2,588**	**(7,660)**	**358**	**4,369**	**(714)**
Shareholders' equity	**259,349**	249,390	248,708	243,297	231,767	220,136	227,138	232,742	237,885	240,747
(+) Long-term debt	**2,236**	2,510	2,938	3,158	18,645	44,544	33,370	31,621	75,691	45,995
(+) Current portion of long-term debt	**2,400**	2,547	2,872	2,840	8,150	10,199	9,795	11,204	12,048	13,488
(-) Cash	**(45,746)**	(37,768)	(26,697)	(26,762)	(30,586)	(24,473)	(7,946)	(7,146)	(10,256)	(2,562)
Total Invested Capital	**218,239**	**216,679**	**227,821**	**222,533**	**227,976**	**250,406**	**262,357**	**268,421**	**315,368**	**297,668**
Return - trailing 12 months	**52,659**	45,526	42,164	25,204	6,095	(346)	(3,647)	13,466	28,660	38,278
Total Invested Capital - 4 quarter average	**221,318**	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	**23.8%**	**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)	**Q2 YTD**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 166,830**	**$ 87,524**	**$ 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	**17,048**	**9,677**	**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	**183,878**	**97,201**	**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	**104,923**	**54,575**	**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	**8,090**	**4,503**	**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	**113,013**	**59,078**	**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	**70,865**	**38,123**	**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 ($)	**6,277**	**4,020**	**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 (%)	**9.7%**	**11.8%**	**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	**88,732**	**47,763**	**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	**(8,292)**	**(5,357)**	**(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	**(1,887)**	**(992)**	**(895)**	**(3,887)**	(1,055)	(1,053)	(892)	(887)	**(4,655)**	(984)	(1,169)	(1,251)	(1,251)
(+) Net finance costs	**3,901**	**1,967**	**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	**(1,061)**	**(629)**	**(432)**	**(3,295)**	(309)	(589)	(1,014)	(1,383)	**(4,408)**	(1,210)	(1,139)	(1,050)	(1,009)
Total Operating Costs	**81,393**	**42,752**	**38,641**	**156,078**	**40,238**	**39,320**	**37,680**	**38,840**	**162,609**	**41,141**	**40,247**	**39,781**	**41,441**
Absorption	**87%**	**89%**	**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)	**Q2 YTD**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$ 82,849**	**$ 44,993**	**$ 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	**12,122**	**6,629**	**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	**94,971**	**51,622**	**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	**51,852**	**27,846**	**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	**5,583**	**2,945**	**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	**57,435**	**30,791**	**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	**37,536**	**20,831**	**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 ($)	**2,442**	**487**	**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 (%)	**7.0%**	**2.4%**	**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	**49,362**	**26,595**	**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	**(6,218)**	**(3,926)**	**(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	**(1,140)**	**(565)**	**(575)**	**(2,677)**	(757)	(758)	(583)	(579)	**(3,098)**	(640)	(818)	(820)	(820)
(+) Net finance costs	**2,608**	**1,293**	**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	**(432)**	**(232)**	**(200)**	**(1,448)**	(245)	(282)	(310)	(611)	**(2,272)**	(479)	(701)	(505)	(588)
Total Operating Costs	**44,180**	**23,165**	**21,015**	**86,806**	**22,223**	**23,044**	**21,058**	**20,481**	**88,269**	**21,745**	**22,720**	**21,477**	**22,328**
Absorption	**85%**	**90%**	**79%**	**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)	**Q2 YTD**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$68,481**	**$34,481**	**$ 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	**3,914**	**2,479**	**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	**72,395**	**36,960**	**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	**44,973**	**22,514**	**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	**2,024**	**1,266**	**758**	**3,165**	835	791	715	824	**3,649**	984	866	1,079	720
Product support cost of sales - total	**46,997**	**23,780**	**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	**25,398**	**13,180**	**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 ($)	**2,609**	**2,596**	**13**	**(2,770)**	245	244	(3,055)	(204)	**(1,028)**	(390)	(617)	(141)	120
Product Support Gross Profit Growth (%)	**11.4%**	**24.5%**	**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	**25,585**	**13,583**	**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	**(1,624)**	**(1,127)**	**(497)**	**(1,968)**	(561)	(523)	(495)	(389)	**(1,945)**	(494)	(449)	(686)	(316)
(-) Amortization of intangibles	**(418)**	**(209)**	**(209)**	**(799)**	(196)	(194)	(205)	(204)	**(1,116)**	(225)	(243)	(324)	(324)
(+) Net finance costs	**1,193**	**677**	**516**	**3,240**	358	727	1,019	1,136	**3,455**	1,081	779	828	767
(-) Floor plan interest	**(609)**	**(389)**	**(220)**	**(1,813)**	(56)	(300)	(692)	(765)	**(2,063)**	(720)	(423)	(521)	(399)
Total Operating Costs	**24,127**	**12,535**	**11,592**	**45,848**	**11,488**	**11,003**	**11,122**	**12,235**	**49,646**	**12,776**	**11,943**	**12,202**	**12,726**
Absorption	**105%**	**105%**	**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)	**Q2 YTD**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**	**Annual**	**Q4**	**Q3**	**Q2**	**Q1**
Product support revenues - reported	**$15,500**	**$ 8,050**	**$ 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	**1,012**	**569**	**443**	**1,846**	575	359	454	458	**1,974**	402	478	543	551
Product support revenues - total	**16,512**	**8,619**	**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	**8,098**	**4,215**	**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	**483**	**292**	**191**	**869**	271	160	208	230	**926**	193	238	235	260
Product support cost of sales - total	**8,581**	**4,507**	**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	**7,931**	**4,112**	**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 ($)	**1,226**	**937**	**289**	**(822)**	326	(71)	(987)	(90)	**818**	(213)	172	513	346
Product Support Gross Profit Growth (%)	**18.3%**	**29.5%**	**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	**8,494**	**4,581**	**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	**(450)**	**(304)**	**(146)**	**(690)**	(218)	(144)	(171)	(157)	**(813)**	(167)	(207)	(211)	(228)
(-) Amortization of intangibles	**(329)**	**(218)**	**(111)**	**(411)**	(102)	(101)	(104)	(104)	**(441)**	(119)	(108)	(107)	(107)
(+) Net finance costs	**117**	**58**	**59**	**249**	59	72	66	52	**232**	35	60	70	67
(-) Floor plan interest	**(20)**	**(8)**	**(12)**	**(34)**	(8)	(7)	(12)	(7)	**(73)**	(11)	(15)	(25)	(23)
Total Operating Costs	**7,812**	**4,109**	**3,703**	**13,744**	**3,550**	**2,915**	**3,398**	**3,881**	**15,256**	**4,157**	**3,480**	**3,661**	**3,957**
Absorption	**102%**	**100%**	**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)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Agriculture										
Used equipment cost of sales - trailing 12 months	**$ 261,839**	**$ 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	**76,207**	**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	**3.44**	**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	**221,309**	**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	**64,745**	**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	**3.42**	**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	**17,099**	**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	**4,579**	**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	**3.73**	**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 AND SIX MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

CERVUS EQUIPMENT CORPORATION

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CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2021 and December 31, 2020

($ thousands)	Note	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		$ **45,746**	$ 26,697
Accounts receivable and other assets		**50,856**	53,486
Inventories	5	**301,283**	229,208
Total current assets		**397,885**	309,391
Non-current assets			
Other long-term assets		**11,715**	11,660
Property and equipment		**129,734**	134,685
Intangible assets		**36,013**	37,223
Goodwill		**22,979**	23,138
Total non-current assets		**200,441**	206,706
Total assets		$ **598,326**	$ 516,097
Liabilities			
Current liabilities			
Trade and other liabilities		$ **112,345**	$ 82,731
Floor plan payables	6	**132,979**	83,509
Current portion of term debt	6	**2,400**	2,872
Current portion of lease obligation		**8,819**	7,998
Total current liabilities		**256,543**	177,110
Non-current liabilities			
Term debt	6	**2,236**	2,938
Lease obligation		**74,284**	80,342
Deferred income tax liability		**5,914**	6,999
Total non-current liabilities		**82,434**	90,279
Total liabilities		**338,977**	267,389
Equity			
Shareholders' capital	8	**86,265**	85,525
Deferred share plan		**4,409**	5,290
Other reserves		**4,722**	5,207
Accumulated other comprehensive income		**1,660**	2,632
Retained earnings		**162,293**	150,054
Total equity		**259,349**	248,708
Total liabilities and equity		$ **598,326**	$ 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
For the three and six month periods ended June 30, 2021 and 2020

		Three month periods ended June 30		Six month periods ended June 30	
($ thousands)	**Note**	**2021**	**2020**	**2021**	**2020**
Revenue					
Equipment sales		**$ 314,820**	$ 259,886	**$ 489,448**	$ 442,383
Parts		**61,608**	57,440	**117,113**	107,354
Service		**20,717**	19,790	**39,980**	40,396
Rentals and other		**5,199**	3,853	**9,737**	7,713
Total revenue		**402,344**	340,969	**656,278**	597,846
Cost of sales		**(338,639)**	(289,842)	**(546,940)**	(503,185)
Gross profit		**63,705**	51,127	**109,338**	94,661
Other income	9	**2,141**	3,710	**3,582**	424
Selling, general and administrative expense		**(47,763)**	(40,804)	**(88,732)**	(81,316)
Income from operating activities		**18,083**	14,033	**24,188**	13,769
Finance income		**166**	155	**330**	313
Finance costs		**(2,133)**	(2,921)	**(4,231)**	(6,370)
Net finance costs	10	**(1,967)**	(2,766)	**(3,901)**	(6,057)
Income before income tax expense		**16,116**	11,267	**20,287**	7,712
Income tax expense		**(3,469)**	(1,991)	**(4,652)**	(1,139)
Income for the period		**12,647**	9,276	**15,635**	6,573
Other comprehensive (loss) income					
Foreign currency translation differences for foreign operations, net of tax		**(865)**	2,719	**(972)**	755
Total comprehensive income for the period		**11,782**	11,995	**14,663**	7,328
Net income per share:					
Basic	11	$ 0.82	$ 0.59	$ 1.01	$ 0.42
Diluted	11	$ 0.80	$ 0.57	$ 0.99	$ 0.41

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 six month periods ended June 30, 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**
Income for the period		—	—	—	—	6,573	6,573
Foreign currency translation adjustments, net of tax		—	—	—	755	—	755
Total comprehensive income for the period		—	—	—	755	6,573	7,328
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(1,946)	(1,946)
Shares issued through Dividend Reinvestment Plan ("DRIP")		355	—	—	—	—	355
Shares issued through deferred share plan		3,887	(3,887)	—	—	—	—
Share-based payment transactions		—	(1,115)	7	—	—	(1,108)
Transactions with owners		4,242	(5,002)	7	—	(1,946)	(2,699)
Balance June 30, 2020		**$ 87,982**	**$ 5,269**	**$ 5,202**	**$ 619**	**$ 132,695**	**$ 231,767**
Balance December 31, 2020		**$ 85,525**	**$ 5,290**	**$ 5,207**	**$ 2,632**	**$ 150,054**	**$ 248,708**
Income for the period		—	—	—	—	15,635	15,635
Foreign currency translation adjustments, net of tax		—	—	—	(972)	—	(972)
Total comprehensive (loss) income for the period		—	—	—	(972)	15,635	14,663
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(3,396)	(3,396)
Shares issued through DRIP	8	173	—	—	—	—	173
Shares issued through deferred share plan	8	567	(567)	—	—	—	—
Share-based payment transactions		—	(314)	(485)	—	—	(799)
Transactions with owners		740	(881)	(485)	—	(3,396)	(4,022)
Balance June 30, 2021		**$ 86,265**	**$ 4,409**	**$ 4,722**	**$ 1,660**	**$ 162,293**	**$ 259,349**

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 six month periods ended June 30, 2021 and 2020

		Six month periods ended June 30	
($ thousands)	**Note**	**2021**	**2020**
Cash flows from operating activities			
Income for the period		**$ 15,635**	$ 6,573
Adjustments for:			
Income tax expense		**4,652**	1,139
Depreciation		**8,326**	8,894
Amortization of intangibles		**1,887**	1,779
Equity-settled share-based payment transactions		**(799)**	(1,108)
Net finance costs	10	**4,141**	6,472
Unrealized foreign exchange loss	9	**436**	1,712
Non-cash impairment of inventories	5	**329**	1,703
Gain on sale of property and equipment	9	**(83)**	(113)
Change in non-cash working capital	12	**7,428**	19,747
Cash provided from operating activities		**41,952**	46,798
Cash taxes (paid) received		**(6,625)**	6,302
Interest paid		**(4,471)**	(6,806)
Net cash provided from operating activities		**30,856**	46,294
Cash flows from investing activities			
Interest received		**330**	313
Purchase of property and equipment		**(7,503)**	(2,509)
Payments for intangible assets		**(973)**	(947)
Proceeds from disposal of property and equipment		**3,686**	905
Net cash (used in) investing activities		**(4,460)**	(2,238)
Cash flows from financing activities			
Net repayments of term debt		**(1,040)**	(16,394)
Dividends paid		**(2,443)**	(3,047)
Payment of lease obligation		**(4,434)**	(4,665)
Payment of deposits with manufacturers		**(67)**	(161)
Net cash (used in) financing activities		**(7,984)**	(24,267)
Increase in cash and cash equivalents		**18,412**	19,789
Effect of foreign currency translation on cash		**637**	2,851
Cash and cash equivalents, beginning of period		**26,697**	7,946
Cash and cash equivalents, end of period		**$ 45,746**	$ 30,586

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.

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 August 13, 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)	**June 30, 2021**	**December 31, 2020**
New equipment	**$ 145,641**	$ 96,247
Used equipment	**85,510**	75,077
Parts and accessories	**67,896**	56,957
Work-in-progress	**2,236**	927
Total inventories	**$ 301,283**	$ 229,208

Included in cost of sales for the three and six month periods ended June 30, 2021 are amounts related to inventory impairments of $0.2 million and $0.3 million, respectively, (2020 - $1.3 million and $1.7 million, respectively).

6. Loans and Borrowings

Pre-Approved Credit Limits and Available Credit Facilities

The Company has various facilities, the amounts 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 June 30, 2021, and December 31, 2020, are as follows:

	June 30, 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	**$122,165**	**$ —**	**$11,431**	**$ 110,734**	$ 122,288	$ —	$ 9,600	$ 112,688
Floor plan facilities and rental equipment term loan financing	**(a)**	**137,767**				89,505		
Total borrowing		**137,767**				89,505		
Total current portion long term debt		**(2,400)**				(2,872)		
Total inventory floor plan facilities		**(132,979)**				(83,509)		
Deferred debt issuance costs		**(152)**				(186)		
Total long term debt		**$ 2,236**				$ 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 $446 million (December 31, 2020 - $443 million) or the available unencumbered assets which are estimated at $16 million as at June 30, 2021 (December 31, 2020 - $14 million).

As at June 30, 2021, the Company is in compliance with all its covenants.

7. Financial Instruments

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal, and remaining maturities.

Financial instruments recorded or disclosed at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;

Level 2: Reflects valuation techniques based on inputs other than quoted prices included in level 1 that are observable either directly or indirectly;

7. Financial Instruments (continued)

Level 3: Reflects valuation techniques with significant unobservable market inputs. There were no level 3 instruments in current or prior year.

Carrying Value and Fair Value of Financial Assets and Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		June 30, 2021			December 31, 2020		
			Fair Value			Fair Value	
($ thousands)	**Category**	**Carrying**	**Level 1**	**Level 2**	**Carrying**	**Level 1**	**Level 2**
Financial Assets							
Cash and cash equivalents [a]	Amortised cost	**$ 45,746**			$ 26,697		
Accounts receivable and other assets [a]	Amortised cost	**35,691**			31,916		
Derivative financial instruments	Fair value through profit and loss	**2,984**		2,984	2,075		2,075
Other investments	Fair value through profit and loss	**7,857**		7,857	6,548		6,548
Other long-term assets	Amortised cost	**3,194**			3,253		
Finance lease receivables[a]	Amortised cost	**2,385**			3,140		
Financial Liabilities							
Trade and other liabilities [a]	Other liabilities	**109,383**			80,595		
Floor plan payables [a]	Other liabilities	**132,979**			83,509		
Term debt [b]	Other liabilities	**4,636**		4,636	5,810		5,810
Derivative financial liability	Held-for-trading	**2,962**		2,962	2,136		2,136
Lease obligation	Other liabilities	**83,103**			88,340		

(a) The carrying value approximates fair value due to the immediate or short-term maturity.

(b) The carrying values of the current and long-term portions of term debt approximate fair value because the applicable interest rates on these liabilities are at rates similar to prevailing market rates.

For derivative financial instruments or forward exchange contracts, fair value is based on market comparison technique based on quoted prices.

8. Capital and Other Components of Equity

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

Share Capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2020	15,349	$ 83,740
Issued under the DRIP	52	355
Issued under the deferred share plan	243	3,887
Balance at June 30, 2020	15,644	87,982
Issued under the DRIP	7	50
Issued under the deferred share plan	3	(373)
Repurchased under normal course issuer bid ("NCIB")	(290)	(2,134)
Balance at December 31, 2020	15,364	85,525
Issued under the DRIP	**13**	**173**
Issued under the deferred share plan	**77**	**567**
Balance at June 30, 2021	**15,454**	**$ 86,265**

9. Other Income

Other income for the three and six month periods ended June 30, 2021 and 2020 is comprised of the following:

	Three month periods ended June 30		Six month periods ended June 30	
($ thousands)	**2021**	**2020**	**2021**	**2020**
Net gain (loss) on sale of property and equipment	**$ 46**	$ (23)	**$ 83**	$ 113
Unrealized foreign exchange (loss) gain[(a)]	**(322)**	2,365	**(436)**	(1,712)
Government subsidies[(b)]	**1,562**	818	**2,659**	818
Other income	**855**	550	**1,276**	1,205
Total other income	**$ 2,141**	$ 3,710	**$ 3,582**	$ 424

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

(b) Included in other income for the three and six month periods ended June 30, 2021, is $1.6 million and $2.7 million, respectively, related to the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs. Included in other income for the three and six months ended June 30, 2020, is a $0.8 million government wage subsidy received by Agriculture New Zealand related to the COVID-19 pandemic.

10. Finance Income and Finance Costs

	Three month periods ended June 30		Six month periods ended June 30	
($ thousands)	**2021**	**2020**	**2021**	**2020**
Finance income	**$ 166**	$ 155	**$ 330**	$ 313
Interest expense on mortgage and term debt obligations	**(233)**	(279)	**(255)**	(715)
Interest expense on financial liabilities	**(2,014)**	(2,954)	**(4,216)**	(6,070)
Finance costs	**$ (2,247)**	$ (3,233)	**$ (4,471)**	$ (6,785)
Net finance costs recognized separately	**(1,967)**	(2,766)	**(3,901)**	(6,057)
Net finance costs recognized in cost of sales	**(114)**	(312)	**(240)**	(415)
Total net finance costs	**$ (2,081)**	$ (3,078)	**$ (4,141)**	$ (6,472)

11. Earnings per Share

Per Share Amounts

Both basic and diluted per share amounts have been calculated using the net earnings of the Company as the numerator. No adjustments to net earnings were necessary for the three and six month periods ended June 30, 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 June 30		Six month periods ended June 30	
(thousands)	**2021**	**2020**	**2021**	**2020**
Issued common shares opening	**15,402**	15,575	**15,364**	15,349
Effect of shares issued under the DRIP	**6**	18	**8**	37
Effect of shares issued under the deferred share plan	**39**	36	**41**	168
Weighted average number of common shares	**15,447**	15,629	**15,413**	15,554

Weighted Average Number of Diluted Shares

The calculations of diluted earnings per share for the three and six month periods ended June 30, 2021 and 2020 were based on the income attributable to common shareholders and the weighted average number of common shares outstanding after adjusting for the effects of dilutive potential common shares as follows:

	Three month periods ended June 30		Six month periods ended June 30	
(thousands)	**2021**	**2020**	**2021**	**2020**
Weighted average number of common shares (basic)	**15,447**	15,629	**15,413**	15,554
Effect of dilutive securities:				
Deferred share plan	**368**	540	**368**	540
Options	**30**	—	**28**	—
Weighted average number of shares (diluted)	**15,845**	16,169	**15,809**	16,094

12. Supplemental Cash Flow Information

	Six month periods ended June 30	
($ thousands)	**2021**	**2020**
Changes in non-cash working capital:		
Inventories	**$ (77,495)**	$ 23,781
Floor plan payables	**48,649**	(25,879)
Trade and other receivables	**4,454**	14,531
Trade and other liabilities	**31,820**	7,314
Total change in non-cash working capital	**$ 7,428**	$ 19,747

13. 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 June 30, 2021					
Revenue					
Equipment sales	$ 216,295	$ 91,497	$ 7,028	$ —	**$ 314,820**
Parts	32,401	26,532	2,675	—	**61,608**
Service	11,070	7,243	2,404	—	**20,717**
Rentals and other	1,522	706	2,971	—	**5,199**
Total revenue	$ 261,288	$ 125,978	$ 15,078	$ —	**$ 402,344**
Other income	1,735	279	127	—	**2,141**
Depreciation and amortization	(3,161)	(1,108)	(802)	(34)	**(5,105)**
Finance income	52	—	—	114	**166**
Finance expense including amounts in costs of sales	(1,391)	(718)	(85)	(53)	**(2,247)**
Income (loss) for the period before income tax	13,753	4,303	1,003	(2,943)	**16,116**
Capital additions	2,846	76	(51)	2,533	**5,404**
Six months ended June 30, 2021					
Revenue					
Equipment sales	$ 343,854	$ 134,163	$ 11,431	$ —	**$ 489,448**
Parts	58,731	53,053	5,329	—	**117,113**
Service	21,222	14,149	4,609	—	**39,980**
Rentals and other	2,896	1,279	5,562	—	**9,737**
Total revenue	$ 426,703	$ 202,644	$ 26,931	$ —	**$ 656,278**
Other income	1,850	1,457	275	—	**3,582**
Depreciation and amortization	(6,312)	(2,217)	(1,554)	(130)	**(10,213)**
Finance income	106	—	—	224	**330**
Finance expense including amounts in costs of sales	(2,811)	(1,281)	(172)	(207)	**(4,471)**
Income (loss) for the period before income tax	16,527	7,231	1,803	(5,274)	**20,287**
Capital additions	3,530	127	66	3,780	**7,503**
Segmented assets and liabilities as at June 30, 2021					
Reportable segment assets	$ 350,345	$ 156,112	$ 37,416	$ 54,453	**$ 598,326**
Intangible assets	21,248	8,637	6,128	—	**36,013**
Goodwill	19,766	2,547	666	—	**22,979**
Reportable segment liabilities	186,810	118,449	21,053	12,665	**338,977**

13. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Three months ended June 30, 2020					
Revenue					
Equipment sales	$ 196,101	$ 59,545	$ 4,240	$ —	**$ 259,886**
Parts	31,752	23,106	2,582	—	**57,440**
Service	11,258	6,486	2,046	—	**19,790**
Rentals and other	1,681	584	1,588	—	**3,853**
Total revenue	$ 240,792	$ 89,721	$ 10,456	$ —	**$ 340,969**
Other income	1,090	2,584	36	—	**3,710**
Depreciation and amortization	(3,159)	(1,404)	(693)	(147)	**(5,403)**
Finance income	30	—	—	125	**155**
Finance expense including amounts in costs of sales	(1,573)	(1,242)	(86)	(332)	**(3,233)**
Income (loss) for the period before income tax	10,640	2,585	144	(2,102)	**11,267**
Capital additions	498	54	54	268	**874**
Six months ended June 30, 2020					
Revenue					
Equipment sales	$ 330,230	$ 103,262	$ 8,891	$ —	**$ 442,383**
Parts	53,980	48,169	5,205	—	**107,354**
Service	21,648	14,328	4,420	—	**40,396**
Rentals and other	2,701	1,342	3,670	—	**7,713**
Total revenue	$ 408,559	$ 167,101	$ 22,186	$ —	**$ 597,846**
Other income (loss)	1,324	(1,025)	125	—	**424**
Depreciation and amortization	(6,283)	(2,752)	(1,367)	(271)	**(10,673)**
Finance income	66	—	—	247	**313**
Finance expense including amounts in costs of sales	(3,557)	(2,378)	(166)	(684)	**(6,785)**
Income (loss) for the period before income tax	12,219	(368)	206	(4,345)	**7,712**
Capital additions	1,187	311	65	946	**2,509**
Segmented assets and liabilities as at June 30, 2020					
Reportable segment assets	$ 361,524	$ 175,446	$ 27,281	$ 14,041	**$ 578,292**
Intangible assets	23,035	9,741	4,505	—	**37,281**
Goodwill	19,718	2,547	666	—	**22,931**
Reportable segment liabilities	188,551	112,878	15,647	29,449	**346,525**

The Company primarily operates in Canada, but includes subsidiaries in Australia (Cervus Australia Pty Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.), which together operate 16 agriculture equipment dealerships. Gross revenues for the three and six month periods ended June 30, 2021, for the New Zealand and Australian territories were $61 million and $113 million, respectively (2020 – $58 million and $101 million, respectively). Non-current assets for New Zealand and Australia as at June 30, 2021, were $27 million (2020 – $30 million). The Australia and New Zealand operations are included in the Agriculture Segment.

14. Subsequent Event

Subsequent to quarter end, the Company entered into an arrangement agreement providing for a plan of arrangement pursuant to which all the issued and outstanding shares of the Company would be acquired by Brandt Tractor Ltd. for cash consideration of $19.50 per share. The transaction is expected to close in the fourth quarter of 2021 and is subject to various regulatory and other approvals including approval by the shareholders of the Company.