Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2019 to September 30, 2019

The following Management's Discussion & Analysis ("MD&A") was prepared as of November 6, 2019, and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and nine month periods ended September 30, 2019, and significant trends that may affect the future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2019, and notes contained therein, and the 2018 annual consolidated financial statements and MD&A. The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CERV". Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com**.

Overview of Cervus

Cervus owns and operates equipment dealerships, representing leading Original Equipment Manufacturers ("OEMs") in assigned geographies. Our customers operate businesses corresponding with our Agriculture, Transportation, and Industrial segments.

While our customers' business and industries are diverse, our business model is similar across our operating segments. As the OEM authorized dealer, we market and sell equipment solutions appropriate for our customers' applications, be it farming, commercial transport, or warehousing and material handling. We refer to this aspect of our business as "equipment" or "wholegoods." Equally important is delivering the servicing, parts, rentals, training and ancillary services in support of the equipment. We refer to this aspect of our business as "product support."

Our customers value the ability of our dealerships to provide best in class equipment and operational uptime through efficient product support, thereby enhancing the profitability of their businesses. Customer relationships are built and maintained through this life cycle of equipment sales and product support.

Across our dealership locations, we strive to practice common and consistent customer service objectives. The accurate quoting of service work, attracting and retaining skilled trades personnel, efficient use of time and shop capacity, along with accessible parts inventory are all core factors in the delivery of product support to our customers. In our wholegoods departments, stocking appropriate inventory levels to meet market demand must be balanced by maintaining the sale of the inventory we carry. Further, in our Agricultural segment, we accept trades of used equipment as partial payment on most of the new equipment we sell. The value of the trade is agreed to when the order for new equipment is placed, which is often several months before the new equipment is delivered and the transaction is recorded. This requires discipline in determining the quality, condition, price, and market demand for used equipment taken on trade.

Many administrative and support functions of the business are centralized, such as accounting and payroll, finance, information technology, human resources, and marketing. This centralized function supports all segments of the business, without physically replicating these functions in each dealership.

Our selling, general and administrative ("SG&A") expenses are reviewed as a percent of gross profit, as we consider gross profit dollars to be more fundamental in guiding our expenditures than revenue.

Third Quarter Consolidated Results

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

($ thousands, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2019	**% Change Compared to 2018**	**2018**	**2019**	**% Change Compared to 2018**	**2018**
Equipment revenue	**228,637**	(26%)	310,250	**634,342**	(22%)	817,763
Product support revenue	**88,445**	8%	82,248	**245,143**	6%	232,026
Total revenue	**317,082**	(19%)	392,498	**879,485**	(16%)	1,049,789
Gross profit	**42,847**	(28%)	59,881	**132,450**	(16%)	157,079
Total other income	**766**	(54%)	1,672	**3,261**	8%	3,025
Selling, general and administrative expense	**(42,499)**	(4%)	(44,169)	**(128,017)**	(1%)	(129,511)
Income from operating activities	**1,114**	(94%)	17,384	**7,694**	(75%)	30,593
Net finance costs	**(3,422)**	119%	(1,565)	**(9,333)**	119%	(4,257)
Share of income of equity accounted investees, net of tax	**-**	0%	-	**-**	(100%)	124
Loss (income) before income tax expense	**(2,308)**	(115%)	15,819	**(1,639)**	(106%)	26,460
Income tax recovery (expense)	**633**	117%	(3,640)	**69**	101%	(6,714)
(Loss) income for the period	**(1,675)**	(114%)	12,179	**(1,570)**	(108%)	19,746
EBITDA[1]	**8,228**	(61%)	21,284	**27,104**	(37%)	43,361
Ratios						
Gross profit margin as a % of revenue	**13.5%**		15.3%	**15.1%**		15.0%
SG&A as a % of gross profit	**99.2%**		73.8%	**96.7%**		82.4%
(Loss) income per share						
Basic	**(0.11)**	(114%)	0.78	**(0.10)**	(108%)	1.26
Diluted	**(0.11)**	(115%)	0.74	**(0.10)**	(108%)	1.20
Basic - Adjusted[1]	**(0.10)**	(114%)	0.74	**(0.15)**	(112%)	1.23
Reconciliation of adjusted (loss) income before income tax expense:						
(Loss) income before income tax expense	**(2,308)**	(115%)	15,819	**(1,639)**	(106%)	26,460
Adjustments:						
Unrealized foreign currency loss (gain) included in other income	**207**		(730)	**(1,016)**		(57)
(Gain) on sale of Commercial operations	**-**		-	**-**		(480)
Adjusted (loss) income before income tax expense[1]	**(2,101)**	(114%)	15,089	**(2,655)**	(110%)	25,923

(1) - This MD&A makes reference to certain non-IFRS financial measures to assist users in assessing Cervus' performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures."

Third Quarter Overview

The third quarter results reflect the continued headwinds facing Western Canadian Agriculture. Despite these short-term realities, we achieved increased parts and service revenues across the Company and our strong performance reducing used Agriculture equipment inventory.

In our second quarter report, we discussed our view that disciplined used equipment inventory management is a critical success factor when navigating cyclical markets. Used Agriculture equipment levels across Western Canadian dealers remain in excess of market demand. Dealers are incurring inventory carrying costs of interest and obsolescence, while the ability to accept additional equipment trades is also constrained. Ultimately, these near-term barriers are relieved by reducing inventory levels to align with market demand.

We have taken action, reducing our used Agriculture equipment inventory by $33 million or 18% compared to the second quarter of 2019, which is also below the inventory levels reported at September 30, 2018 and December 31, 2018. Inventory write-downs associated with this aggressive reduction increased $6.5 million in the quarter and $4.9 million year to date compared to 2018. These actions have enabled progression towards an appropriate level of used inventory more in line with market demand, illustrated by our comparatively strong inventory turn ratios at 3.87 for new Agriculture equipment and 1.65 for used Agriculture equipment[(1)].

The excess supply of used equipment, combined with macro-economic factors, have impacted new Agriculture equipment revenue and profitability in 2019. In our second quarter report, we announced our expectation that reduced new equipment revenue, margin, and incentives would impact new equipment gross profit by $15 to $20 million, across the third and fourth quarters of 2019. Consistent with our guidance, in the third quarter we realized $11 million of this estimated reduction and expect a remaining reduction of between $8 to $12 million in the fourth quarter of 2019, compared to the same periods in 2018.

By facing the difficult industry conditions and rebalancing our inventory this year, we anticipate a strong balance sheet with capacity for both new and used equipment sales and improved profit margins in future years at sustainable levels, while limiting prolonged exposure to inventory carrying costs and valuation risk.

Highlights of Consolidated Financial Results

Revenue

Overall revenue decreased 19% in the quarter, due to a 26% decline in equipment sales, partly offset by an 8% increase in product support revenue. The majority of this decrease was from new equipment in our Agriculture segment as discussed above, while a decline in truck sales in our Transportation segment relative to strong sales of 2018 was a secondary factor.

In our Agriculture segment, equipment revenue declined 28% in the quarter and 24% year to date as the Western Canadian Agriculture industry continues to face headwinds, including reduced farm income in 2018 compounded by increased input costs, reduced commodity prices, trade disputes and poor weather conditions. In this environment, producers are choosing to postpone new equipment purchases as they hold late model equipment purchased in recent years.

Turning to our Transportation segment, equipment revenue declined 22% in the quarter relative to the strong sales of 2018 as dealers experienced increased competition, particularly in the fleet market. New equipment revenue decreased 17% year to date and was also impacted by factory delays, which had eased by the end of the second quarter.

Despite the headwinds shared across Canadian equipment dealers, our product support revenue remained resilient, improving 8% in the quarter and 6% year to date. The largest increase in product support was in our Agriculture segment as demand for parts and service continued through the harvest window, building on the busy winter and spring following a difficult 2018 harvest. We continue to expect consistent performance within our product support departments and anticipate opportunities for this foundational component of our dealerships across industry cycles.

(1) – Refer to Non-IFRS Measures herein

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

Gross Profit

Gross profit declined 28% or $17 million in the quarter and 16% or $25 million year to date. As discussed in the 'Third Quarter Overview' above, this decline in the quarter includes $11 million in reduced gross profit from Agriculture new equipment sales due to lower revenue, margins and incentives and a $6.5 million increase in equipment inventory write-downs compared to the third quarter of 2018.

The growth in product support revenue contributed an additional $2.3 million to gross profit in the quarter and $5.5 million year to date.

Gross profit as a percent of revenue decreased in the quarter primarily due to compressed equipment margins and increased equipment write-downs. Year to date, gross profit as a percent of revenue was flat, as reduced equipment margins were offset by the shift in sales mix towards higher margin product support revenue

Selling, General and Administrative ("SG&A") Expenses and Net Finance Costs

SG&A expense decreased 4% in the quarter and 1% year to date, primarily due to a decrease in sales commissions and annual performance incentives, which was partly offset by the inclusion of the Red Deer Agriculture dealership acquired in the fourth quarter of 2018 and restructuring charges of $1.3 million incurred in the third quarter of 2019.

The increase in net finance costs of $1.9 million in the quarter and $5.1 million year to date is primarily due to the adoption of IFRS 16.

Income

Income before income tax decreased $18 million in the quarter and $28 million year to date, principally due to the $17 million reduction in gross profit in the quarter and $25 million year to date, as discussed above. The adoption of IFRS 16 also decreased income before income tax by $1.2 million in the quarter and $2.7 million year to date.

Adjusted income before income tax decreased $17 million in the quarter and $29 million year to date.

Inventory

The focus on reducing our used Agriculture inventory resulted in a decrease of $33 million in the quarter, relative to the second quarter of 2019.

Agriculture used equipment inventory turnover for the trailing twelve-month period ended September 30, 2019 was 1.65 times, compared to 1.75 times at September 30, 2018, and 1.78 times at December 31, 2018. Inventory turnover is calculated as the trailing twelve month used equipment cost of sales divided by the quarterly average used inventory for the most recent four quarters.

Shareholder Distributions

A quarterly dividend of $0.11 per share was declared to shareholders of record as at September 30, 2019, a 10% increase from September 30, 2018. The Company repurchased 0.1 million shares under its Normal Course Issuers Bid at a cost of $0.1 million, and 0.3 million common shares at a cost $3.9 million, in the three and nine months ended September 30, 2019, respectively.

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

The following provides an overview of management's 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 the driving variable in the Company's results. Canadian producers manage complex, capital intensive businesses, and are heavily influenced by seasonal weather conditions, commodity prices, and input costs.

Following several years of record or near record net farm income, Western Canadian producers have encountered higher input costs, lower commodity prices, uncertainty associated with international trade, and increased Canadian dollar cost of equipment due to foreign exchange.

The 2019 harvest season has been delayed in our Western Canadian region by difficult weather conditions, which has not improved farmer sentiment following the challenging harvest conditions also experienced in 2018. This continued delay of harvest remains an opportunity to market used equipment in season, although the difficult conditions have reinforced producer's caution towards capital commitments.

As discussed in the 'Third Quarter Overview' our current priority is reducing used equipment inventory, which combined with the macro-economic headwinds has resulted in a decrease in new equipment revenue in the short-term. We estimate a reduction in new equipment gross profit in the fourth quarter of 2019 of between $8 to $12 million due to lower revenue, margins and incentives, compared to 2018.

Deferral of equipment purchases by producers may provide additional opportunities for parts, service and other solutions as we support the equipment population in our market. This is an opportunity to strengthen our base by providing best in class uptime towards the end of the harvest window, while building on the continued health of our product support business.

In our Australia region, the agriculture outlook remains stable. Commodity prices for dairy have remained elevated due to a decline in global production, while demand for exports, particularly from China, has provided an area of growth for producers. In our New Zealand region, there has been a decline in farmer sentiment and we are focused on reducing equipment inventory in line with current demand.

Transportation

The North American trucking market ended 2018 with total class 8 truck sales of 285,000 units[1] and PACCAR is anticipating sales in the range of 310,000 to 320,000[2] units for 2019. Our Transportation segment has experienced factory delays combined with increased competition, particularly in the fleet market, which have negatively impacted year to date sales.

The industry continues to show signs of excess freight capacity and a decrease in freight rates, which are likely to taper customer purchasing decisions for the remainder of the year and into 2020. PACCAR is anticipating a return to class 8 truck sales for 2020 in the range of 230,000 to 260,000 units[2], consistent with sales levels experienced in 2016 and 2017.

With equipment demand anticipated to return to historical levels, our focus will be on continuing to expand and strengthen our product support offerings. Our Saskatchewan region continues its stable performance and in Ontario our efforts remain on increasing our truck population and maintaining the internal efficiencies gained in 2018.

Industrial

In our Industrial segment, we have increased our product support offerings and built on our training and rental lines with the addition of storage solutions. While still in the early stages, storage solutions is a new and growing revenue stream for the division and we look to expand this business line. We continue to look for long term opportunities to leverage the high customer interaction of the material handling markets, while focusing on maintaining internal efficiencies in the near term.

[1] PACCAR, PACCAR Achieves Record Annual Revenues and Net Income, January 2019, www.paccar.com

[2] PACCAR, PACCAR Achieves Excellent Quarterly Revenues and Earnings, October 2019, www.paccar.com

Third Quarter Business Segment Performance

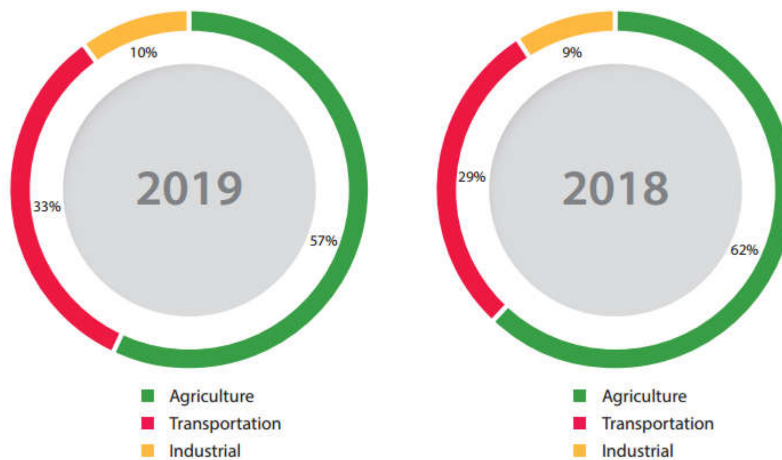
Cervus has three reportable segments: Agricultural, Transportation, and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and metrics to estimate use as outlined in Note 14 of the accompanying unaudited condensed interim consolidated financial statements.

The Agricultural equipment segment consists of interests in 36 John Deere dealership locations with 15 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand and 6 in Australia.

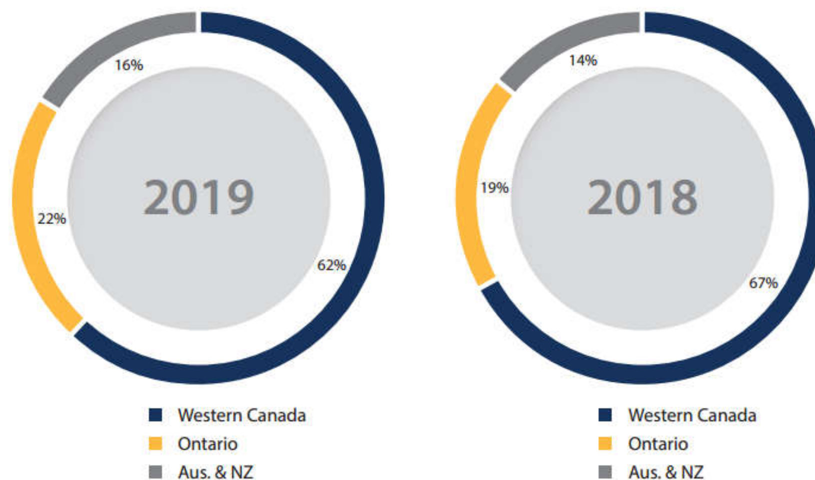
The Transportation segment consists of 19 dealership locations with 4 Peterbilt truck dealerships and 1 Collision Centre operating in Saskatchewan, 12 Peterbilt truck dealerships operating in Ontario, and 2 parts and service locations operating in Ontario.

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

Gross Profit by Segment



Gross Profit by Geography



Agricultural Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30			Nine month periods ended September 30		
	2019	**% Change Compared to 2018**	**2018**	**2019**	**% Change Compared to 2018**	**2018**
Revenue						
New equipment	**81,679**	(43%)	142,229	**266,272**	(33%)	394,689
Used equipment	**93,801**	(7%)	101,177	**200,018**	(9%)	219,551
Total equipment revenue	**175,480**	(28%)	243,406	**466,290**	(24%)	614,240
Parts	**34,000**	14%	29,776	**80,791**	10%	73,231
Service	**12,493**	10%	11,306	**34,325**	13%	30,463
Rental and other	**1,058**	(2%)	1,079	**3,697**	(1%)	3,733
Total product support revenue	**47,551**	13%	42,161	**118,813**	11%	107,427
Total revenue	**223,031**	(22%)	285,567	**585,103**	(19%)	721,667
Gross profit	**25,108**	(39%)	40,923	**74,866**	(23%)	97,660
Total other income	**610**	(5%)	641	**1,117**	(9%)	1,225
Selling, general and administrative expense	**(26,251)**	(4%)	(27,464)	**(75,508)**	(1%)	(76,503)
(Loss) income from operating activities	**(533)**	(104%)	14,100	**475**	(98%)	22,382
Net finance costs	**(2,455)**	206%	(802)	**(6,235)**	205%	(2,042)
Share of income of equity accounted investees, net of tax	**-**	0%	-	**-**	(100%)	124
(Loss) income before income tax expense	**(2,988)**	(122%)	13,298	**(5,760)**	(128%)	20,464
EBITDA[(1)]	**3,691**	(77%)	16,085	**11,570**	(59%)	28,339
Ratios						
Gross profit margin as a % of revenue	**11.3%**		14.3%	**12.8%**		13.5%
SG&A as a % of gross profit	**104.6%**		67.1%	**100.9%**		78.3%
Adjusted (loss) income before income tax expense[(1)]	**(2,988)**	(122%)	13,298	**(5,760)**	(128%)	20,464

(1) – Refer to Non-IFRS Measures herein

Revenue and Gross Profit

Producer headwinds reduced equipment demand, resulting in a 28% decrease in equipment revenue in the quarter and 24% year to date. Focused efforts on selling used equipment combined with these headwinds, contributed to the substantial decrease in new equipment revenue relative to the decline in used equipment revenue, in the quarter and year to date.

Product support revenue increased 13% in the quarter and 11% year to date as demand for parts and service continued through the harvest window, building on the busy winter and spring following a difficult 2018 harvest.

The 39% decrease in gross profit dollars in the quarter and 23% year to date, was due to a decrease in equipment revenue, margin compression, inventory write-downs and reduced OEM incentives on new equipment, as we prioritize reducing existing used inventory levels. The decrease in equipment gross profit was partly offset by increased gross profit dollars on product support revenue.

Gross profit as a percent of revenue decreased in the quarter and year to date primarily due to compressed equipment margins and increased equipment inventory write-downs.

SG&A and Net Finance Costs

SG&A expense decreased 4% in the quarter and 1% year to date. This trend is consistent with our overall results and was primarily due to a decrease in sales commissions and annual performance incentives, which were partly offset by the inclusion of the Red Deer dealership acquired in the fourth quarter of 2018 and restructuring charges of $1.0 million incurred in the third quarter of 2019.

The increase in net finance costs of $1.7 million in the quarter and $4.2 million year to date, is primarily due to the adoption of IFRS 16, which increased net finance costs by $1.4 million in the quarter and $3.8 million year to date.

Managing floorplan to utilize certain interest free periods provided by manufacturers, reduced interest otherwise payable on John Deere floor plans from $1.2 million to $0.3 million in the quarter and from $3.1 million to $0.4 million year to date.

Income

Income before income tax decreased $16 million in the quarter and $26 million year to date, primarily the result of the decrease in gross profit of $16 million in the quarter and $23 million year to date, as discussed above. The adoption of IFRS 16 also decreased income before income tax by $0.7 million in the quarter and $1.7 million in the year to date.

Transportation Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30 2019	% Change Compared to 2018	2018	Nine month periods ended September 30 2019	% Change Compared to 2018	2018
Revenue						
New equipment	**44,957**	(20%)	56,040	**142,251**	(17%)	171,110
Used equipment	**2,071**	(54%)	4,483	**6,940**	(26%)	9,373
Total equipment revenue	**47,028**	(22%)	60,523	**149,191**	(17%)	180,483
Parts	**24,446**	3%	23,828	**76,051**	6%	71,815
Service	**8,037**	6%	7,602	**24,031**	3%	23,401
Rental and other	**979**	(39%)	1,598	**3,057**	(38%)	4,919
Total product support revenue	**33,462**	1%	33,028	**103,139**	3%	100,135
Total revenue	**80,490**	(14%)	93,551	**252,330**	(10%)	280,618
Gross profit	**13,546**	(10%)	14,997	**44,098**	(3%)	45,480
Total other (loss) income	**(35)**	(104%)	917	**1,533**	104%	752
Selling, general and administrative expense	**(12,479)**	(2%)	(12,740)	**(40,022)**	1%	(39,592)
Income from operating activities	**1,032**	(67%)	3,174	**5,609**	(16%)	6,640
Net finance costs	**(888)**	22%	(729)	**(2,789)**	29%	(2,156)
Income before income tax expense	**144**	(94%)	2,445	**2,820**	(37%)	4,484
EBITDA[1]	**2,980**	(35%)	4,619	**11,178**	(6%)	11,934
Ratios						
Gross profit margin as a % of revenue	**16.8%**		16.0%	**17.5%**		16.2%
SG&A as a % of gross profit	**92.1%**		85.0%	**90.8%**		87.1%
Reconciliation of adjusted income before income tax expense:						
Income before income tax expense	**144**	(94%)	2,445	**2,820**	(37%)	4,484
Adjustments:						
Unrealized foreign currency loss (gain) included in other income	**226**		(574)	**(995)**		130
Adjusted income before income tax expense[1]	**370**	(80%)	1,871	**1,825**	(60%)	4,614

(1) - Refer to Non-IFRS Measures herein

Revenue and Gross Profit

Transportation segment equipment revenue decreased 22% in the quarter and 17% year to date compared to the robust sales in the prior year. Dealers experienced increased competition in the quarter, particularly in the fleet market. New equipment revenue was also impacted by factory delays in the year to date, which had eased by the end of the second quarter.

Product support revenue continued to improve, with a deliberate increase in our parts sales team facilitating a 3% increase in parts revenue in the quarter and 6% year to date.

Gross profit dollars decreased $1.5 million in the quarter and $1.4 million year to date, driven by lower equipment sales activity in the third quarter. The increase in gross profit margin as a percent of revenue reflects the shift in sales mix towards higher margin product support revenues.

SG&A and Net Finance Costs
SG&A expense decreased 2% in the quarter and increased 1% year to date. In the quarter and year to date, SG&A expense increased due to the investment in growing our parts sales team, partly offset by lower equipment sales commissions. In the quarter, this increase in SG&A expense was offset by a decrease in annual performance incentives compared to 2019.

The increase in net finance costs of $0.2 million in the quarter and $0.6 million year to date, is due to the adoption of IFRS 16 which increased net finance costs by $0.3 million in the quarter and $1.0 million year to date.

At September 30, 2019, approximately 30% (September 30, 2018 – 10%) of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Income
Adjusted income before income tax decreased $1.5 million in the quarter and $2.8 million year to date. This includes the adoption of IFRS 16, which decreased income before income tax by $0.5 million in the quarter and $0.9 million year to date.

The increase in unrealized foreign exchange gains for the year to date was due to the appreciation of the Canadian dollar, relative the US dollar. Most of our floorplan in the Transportation segment is payable in US dollars and fluctuations in exchanges rates result in unrealized foreign exchange gains or losses period to period.

Industrial Segment Results

($ thousands, except per share amounts)	Three month periods ended September 30 2019	% Change Compared to 2018	2018	Nine month periods ended September 30 2019	% Change Compared to 2018	2018
Revenue						
New equipment	**5,092**	(13%)	5,873	**15,516**	(22%)	19,992
Used equipment	**1,037**	131%	448	**3,345**	10%	3,048
Total equipment revenue	**6,129**	(3%)	6,321	**18,861**	(18%)	23,040
Parts	**2,751**	(5%)	2,907	**8,895**	(21%)	11,245
Service	**2,531**	7%	2,362	**7,287**	(9%)	8,001
Rental and other	**2,150**	20%	1,790	**7,009**	34%	5,218
Total product support revenue	**7,432**	5%	7,059	**23,191**	(5%)	24,464
Total revenue	**13,561**	1%	13,380	**42,052**	(11%)	47,504
Gross profit	**4,193**	6%	3,961	**13,486**	(3%)	13,939
Total other income	**191**	68%	114	**611**	(42%)	1,048
Selling, general and administrative expense	**(3,769)**	(5%)	(3,965)	**(12,487)**	(7%)	(13,416)
Income from operating activities	**615**		110	**1,610**	2%	1,571
Net finance costs	**(79)**		(34)	**(309)**		(59)
Income before income tax expense	**536**		76	**1,301**	(14%)	1,512
EBITDA[1]	**1,557**	168%	580	**4,356**	41%	3,088
Ratios						
Gross profit margin as a % of revenue	**30.9%**		29.6%	**32.1%**		29.3%
SG&A as a % of gross profit	**89.9%**		100.1%	**92.6%**		96.2%
Reconciliation of adjusted income (loss) before income tax expense:						
Income before income tax expense	**536**		76	**1,301**	(14%)	1,512
Adjustments:						
Unrealized foreign currency (gain) included in other income	**(19)**	(88%)	(156)	**(21)**	(89%)	(187)
(Gain) on sale of Commercial operations	**-**		-	**-**	(100%)	(480)
Adjusted income (loss) before income tax expense[1]	**517**		(80)	**1,280**	51%	845

(1) - Refer to Non-IFRS Measures herein

Overview

Due to the disposition of the four Construction dealerships in the first quarter of 2018, segment results for 2019 are not directly comparable to 2018. To aid in comparability of the ongoing Industrial segment, a same store analysis is presented on the following page.

Industrial Segment Same Store Results

($ thousands, except per share amounts)	Three month periods ended September 30 2019	% Change Compared to 2018	2018 Same Store	Nine month periods ended September 30 2019	% Change Compared to 2018	2018 Same Store
Revenue						
New equipment	**5,092**	(13%)	5,873	**15,516**	7%	14,441
Used equipment	**1,037**	131%	448	**3,345**	77%	1,895
Total equipment revenue	**6,129**	(3%)	6,321	**18,861**	15%	16,336
Parts	**2,751**	(5%)	2,907	**8,895**	5%	8,459
Service	**2,531**	7%	2,362	**7,287**	2%	7,177
Rental and other	**2,150**	20%	1,790	**7,009**	34%	5,218
Total product support revenue	**7,432**	5%	7,059	**23,191**	11%	20,854
Total revenue	**13,561**	1%	13,380	**42,052**	13%	37,190
Gross profit	**4,193**	6%	3,961	**13,486**	12%	12,049
Total other income	**191**	68%	114	**611**	39%	439
Selling, general and administrative expense	**(3,769)**	(5%)	(3,965)	**(12,487)**	8%	(11,574)
Income from operating activities	**615**		110	**1,610**	76%	914
Net finance costs	**(79)**		(34)	**(309)**		(26)
Income before income tax expense	**536**	605%	76	**1,301**	47%	888
EBITDA[1]	**1,557**	168%	580	**4,356**	80%	2,425
Ratios						
Gross profit margin as a % of revenue	**30.9%**		29.6%	**32.1%**		32.4%
SG&A as a % of gross profit	**89.9%**		100.1%	**92.6%**		96.1%
Reconciliation of adjusted income (loss) before income tax expense:						
Income before income tax expense	**536**	605%	76	**1,301**	47%	888
Adjustments:						
Unrealized foreign exchange (gain) included in other income	**(19)**	(88%)	(156)	**(21)**	(90%)	(219)
Adjusted income (loss) before income tax expense[1]	**517**		(80)	**1,280**	91%	669

(1) - Refer to Non-IFRS Measures herein

Revenue and Gross Profit

Equipment revenue decreased 3% in the quarter and increased 15% year to date. The third quarter of 2018 includes $1.6 million of new equipment revenue related to inventory held back from the sale of the Construction dealerships. Excluding this revenue from 2018, new equipment revenue increased 19% in the quarter, the result of catch up demand following customer deferral of equipment purchases in recent years.

Product support revenue increased 5% in the quarter and 11% year to date. This was primarily driven by the increase in rental and other of 20% in the quarter and 34% year to date, which includes our new storage and racking solutions business line.

Gross profit dollars increased 6% in the quarter and 12% year to date, as the increase in gross profit from our higher margin product support revenues more than offset the decrease in gross profit dollars resulting from the lower equipment revenue reported in the quarter.

SG&A and Net Finance Costs

SG&A expense decreased 5% in the quarter, primarily driven by a decrease in annual performance incentives. The administrative expenses incurred to establish the storage and racking solutions business line and retention of key senior personnel previously shared between the Construction and Industrial dealerships in 2018 are the principal factors in the 8% increase in SG&A expense year to date.

The increase in net finance costs of $0.1 million in the quarter and $0.3 million year to date, is primarily due to the adoption of IFRS 16 which increased net finance costs by $0.1 million in the quarter and $0.2 million year to date.

At September 30, 2019, approximately 53% (September 30, 2018 – 50%) of the Industrial segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Income

Adjusted income before income tax increased $0.6 million in the quarter and year to date, including the impact of IFRS 16.

Third Quarter Cash Flows

Cervus' primary sources and uses of cash flow for the nine months ended September 30, 2019 and 2018, are as follows:

9 months ended September 30 ($ thousands)	**2019**	**2018**	**Increase (Decrease) in Cash**
Net (loss) income	(1,570)	19,746	(21,316)
Effect of non-cash items in net earnings & changes in working capital	22,241	(32,911)	55,152
Cash provided from (used in) operating activities	20,671	(13,165)	33,836
Cash (used in) provided from investing activities	(11,464)	10,702	(22,166)
Cash (used in) financing activities	(9,006)	(4,273)	(4,733)
Net increase (decrease) in cash	**201**	**(6,736)**	**6,937**
Effect of foreign exchange on cash	839	1,044	(205)
Cash, beginning of period	6,106	14,502	(8,396)
Cash, end of period	**7,146**	**8,810**	**(1,664)**

Operating Activities
The principal factors in the $34 million increase in operating cash flow period over period were:

A $21 million decrease in cash from reduced income associated with decreased profitability in our Agriculture and Transportation segments.

A $23 million increase in cash from accounts receivable quarter over quarter, as the comparative period included an increase to accounts receivable of $18 million at period end which was subsequently collected.

A $23 million increase in cash from floorplan payables due to increased inventory financed through OEM floor plan facilities in the current period, compared to increased inventory financed through the Syndicated credit facility in the prior year. The Company seeks to optimize the financing of inventory between OEM floor plans and the Syndicated credit facility. However, floor plan facilities are included in 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 is increased, while cash provided from financing activities decreases. For the nine months ended September 30, 2019, a $67 million increase in inventory was financed by a $56 million increase in floor plan facilities, compared to a $67 million increase in inventory financed by a $33 million increase in floor plan facilities in the comparative period.

Investing Activities
The $22 million decrease in cash from investing activities period over period is primarily attributable to the non-recurrence of $14 million of proceeds received in the first quarter of 2018 on the sale of the Company's Commercial operations and a $6.8 million increase in cash used to purchase property and equipment.

Financing Activities
The $4.7 million increase in cash used in financing activities period over period was primarily attributable to the $3.2 million increase in cash used to purchase common shares, and $2.2 million increase in cash used for payment of finance lease liabilities.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	September 30, 2019	December 31, 2018
Current assets	**450,246**	406,261
Total assets	**665,123**	538,228
Current liabilities	**309,688**	253,061
Long-term financial liabilities	**115,712**	32,624
Shareholders' equity	**232,742**	243,700
Working capital[(1)]	**140,558**	153,200
Working capital ratio[(1)]	**1.45**	1.61

(1) - Refer to Non-IFRS Measures herein

Liquidity

Cervus' working capital decreased by $13 million to $141 million at September 30, 2019, when compared to $153 million at December 31, 2018. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at September 30, 2019, the Company had the ability to floor plan an additional $19 million of inventory and held $419 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is driven by revenue, gross profit, and judicious allocation of resources. At this time, there are no known factors that management is aware of that would affect 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.

Inventories

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

At September 30, 2019, the Company believes that the recoverable value of new and used equipment inventories exceeds its respective carrying value. For the three and nine months ended September 30, 2019, the Company recognized inventory valuation adjustments through cost of goods sold of $9.3 million and $14 million expense (September 30, 2018 - $2.8 million and $8.6 million expense).

Inventory by segment for the period ended September 30, 2019, compared to December 31, 2018, is as follows:

($ thousands)	September 30, 2019	December 31, 2018	Increase/ (Decrease)
Agricultural			
New	**90,264**	69,941	20,323
Used	**148,258**	155,597	(7,339)
Other	**32,052**	29,719	2,333
Total inventory	**270,574**	255,257	15,317
Transportation			
New	**70,162**	37,725	32,437
Used	**3,847**	4,730	(883)
Other	**21,466**	21,004	462
Total inventory	**95,475**	63,459	32,016
Industrial			
New	**5,504**	7,000	(1,496)
Used	**945**	1,375	(430)
Other	**1,151**	1,095	56
Total inventory	**7,600**	9,470	(1,870)
Total inventory	**373,649**	328,186	45,463

Due to seasonality of sales activity in our operating segments, comparability to inventory levels at December 31, 2018, may be limited. Therefore, we have provided inventory by segment for the period ended September 30, 2019, compared to September 30, 2018. A summary of the movement is as follows:

($ thousands)	September 30, 2019	September 30, 2018	Increase/ (Decrease)
Agricultural			
New	**90,264**	74,144	16,120
Used	**148,258**	158,587	(10,329)
Other	**32,052**	29,442	2,610
Total inventory	**270,574**	262,173	8,401
Transportation			
New	**70,162**	50,300	19,862
Used	**3,847**	4,130	(283)
Other	**21,466**	20,106	1,360
Total inventory	**95,475**	74,536	20,939
Industrial			
New	**5,504**	6,856	(1,352)
Used	**945**	965	(20)
Other	**1,151**	1,204	(53)
Total inventory	**7,600**	9,025	(1,425)
Total inventory	**373,649**	345,733	27,916

Capital Resources

We use our capital to finance current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at September 30, 2019 are as follows:

	September 30, 2019				December 31, 2018			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,609**	**25,536**	**2,451**	**94,622**	122,867	21,071	2,400	99,396
Capital facilities	**(a)**	**9,485**				9,942		
Floor plan facilities and rental equipment term loan financing	**(b)**	**220,110**				166,219		
Total borrowing		**255,131**				197,232		

(a) For capital facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $9.5 million (December 31, 2018 - $9.9 million) or the available unencumbered assets which is estimated at $6.9 million as at September 30, 2019 (December 31, 2018 - $2.4 million).

(b) For floorplan facilities, the amount available under the facilities is limited to the lesser of the pre-approved credit limit of $419 million (December 31, 2018 - $418 million) or the available unencumbered assets which is estimated at $19 million as at September 30, 2019 (December 31, 2018 - $34 million).

Operating and Other Bank Credit Facilities

At September 30, 2019, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four-year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at September 30, 2019, there was $25 million drawn on the facility and $2.5 million had been utilized for outstanding letters of credit to John Deere.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our revenue targets and working capital requirements for 2019.

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

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

	September 30, 2019	December 31, 2018
Total liabilities to net worth ratio[(1)] (not exceeding 4.0:1.0)	**2.77**	2.39
Fixed charge coverage ratio[(2)] (greater than or equal to 1.10:1.00)	**1.97**	2.38
Asset coverage ratio[(3)] (greater than 3.0:1.0)	**8.50**	11.82

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

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

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

Capital Facilities

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

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, Wells Fargo Equipment Finance Company, ECN Capital Corp., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At September 30, 2019, floor plan payables related to inventories were $212 million.

Floor plan payables at September 30, 2019 represented approximately 57% of our inventories (December 31, 2018 – 48%). Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $1.2 million and $3.1 million for the three and nine month periods ended September 30, 2019 (September 30, 2018 – $0.8 million and $2.2 million). This amount was offset by rebates applied during the three and nine month periods ended September 30, 2019, of $0.9 million and $2.6 million (September 30, 2018 - $0.7 million and $1.8 million). At September 30, 2019, approximately 53% (September 30, 2018 – 50%) of the Industrial segment's and 30% (September 30, 2018 – 10%) 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 0.9 million deferred share units outstanding. As at September 30, 2019 and 2018, the Company had the following weighted average shares outstanding:

(thousands)	September 30, 2019	September 30, 2018
Basic weighted average number of shares outstanding	**15,374**	15,680
Dilutive impact of deferred share plan	**-**	819
Diluted weighted average number of shares outstanding	**15,374**	16,499

Normal Course Issuer Bid ("NCIB")

For the three and nine months ended September 30, 2019, the Company had repurchased 0.1 million and 0.3 million common shares at a weighted average price of $12.28 and $12.71 per share, respectively, under the Bid.

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the Board of Directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the period ended September 30, 2019:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 29, 2019	0.1100	1,709	230	1,479
June 28, 2019	0.1100	1,685	209	1,476
September 30, 2019	0.1100	1,686	109	1,577
Total	**0.3300**	**5,080**	**548**	**4,532**

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

Dividend Reinvestment Plan ("DRIP")

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

During the three and nine month periods ended September 30, 2019, 0.1 million and 0.1 million (September 30, 2018 – 0.1 million and 0.1 million) common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' 2019 dividends declared and paid through September 30, 2019, are considered to be eligible dividends for tax purposes on the date paid.

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

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

Summary of Quarterly Results

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

($ thousands, except per share amounts)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenues	**317,082**	327,605	234,798	300,248
(Loss) income	**(1,675)**	2,817	(2,714)	5,031
Gross profit	**42,847**	46,879	42,722	51,999
Gross profit margin	**13.5%**	14.3%	18.2%	17.3%
EBITDA(1)	**8,228**	11,981	6,893	13,367
(Loss) income per share:				
Basic	**(0.11)**	0.18	(0.17)	0.32
Diluted	**(0.11)**	0.17	(0.17)	0.31
Adjusted (loss) income per share(1)				
Basic	**(0.10)**	0.15	(0.20)	0.35
Diluted	**(0.10)**	0.14	(0.20)	0.33
Weighted average shares outstanding				
Basic	**15,326**	15,445	15,546	15,593
Diluted	**15,326**	16,394	15,546	16,393

($ thousands, except per share amounts)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenues	392,499	408,585	248,706	272,726
Income (loss)	12,180	9,516	(1,948)	3,727
Gross profit	59,882	57,848	39,350	53,730
Gross profit margin	15.3%	14.2%	15.8%	19.7%
EBITDA(1)	21,285	19,385	2,693	13,622
Income (loss) per share:				
Basic	0.78	0.61	(0.12)	0.24
Diluted	0.74	0.58	(0.12)	0.23
Adjusted income (loss) per share(1)				
Basic	0.74	0.61	(0.12)	0.25
Diluted	0.71	0.58	(0.12)	0.24
Weighted average shares outstanding				
Basic	15,679	15,672	15,686	15,638
Diluted	16,498	16,483	15,686	16,335

(1) - Refer to Non-IFRS Measures herein

The comparative figures for 2018 include an adjustment relating to the first quarter of 2018. The adjustment results in an increase to cost of sales of $2.4 million, resulting a reduction in income tax expense of $0.6 million. The change in the comparative balance sheet was a decrease in inventory of $2.4 million , a decrease in income tax payable of $0.6 million and a decrease in retained earnings of $1.8 million.

Off-Balance Sheet Arrangements

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At September 30, 2019, payments in arrears by such customers aggregated $1.2 million (September 30, 2018 - $0.7 million). In addition, the Company is responsible for assuming the net residual value of all customer lease obligations held with Deere Credit, at the maturity of the contract, should the customer not elect to buy out the equipment at maturity. At September 30, 2019, the net residual value of such leases aggregated $315 million (September 30, 2018 - $292 million) of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company may owe Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $2.4 million at September 30, 2019 (September 30, 2018 - $2.8 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of $2.5 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

Transactions with Related Parties

Key Management Personnel Compensation

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

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.6 million (September 30, 2018 - $6.8 million). During the three and nine month periods ended September 30, 2019, the Company paid those individuals $0.1 million and $0.2 million (September 30, 2018 - $0.1 million and $0.1 million), for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgments

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2018, 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, 2018.

Business Risks and Uncertainties

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2018, as filed on SEDAR at www.sedar.com

Changes in Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the audited annual consolidated financial statements prepared for the year ended December 31, 2018 and as described in Note 3 of those financial statements.

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* effective January 1, 2019. IFRS 16 replaces existing lease guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying this standard recognized in retained earnings on the date of initial application (i.e., January 1, 2019). Accordingly, the comparative information has not been restated, and continues to be reported under IAS 17 and IFRIC 4. The details of the changes in accounting policies are described below.

(a) Definition of a Lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease under this standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) Leases in which the Company is Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e., these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of buildings, and leases of low-value office equipment. For leases of all other assets, which were classified as operating under IAS 17, the Company recognized right-of-use assets and lease liabilities.

i. Leases classified as Operating Leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases in which the Company is Lessee (continued)

ii. Leases previously classified as Finance Leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) Leases in which the Company is Lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for certain sub-leases. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of its sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that certain sub-leases are finance leases under IFRS 16.

(d) Impacts on Financial Statements

On transition to IFRS 16, the Company recognized an additional $84 million of right-of-use assets and $84 million of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate applicable to the lease assets at January 1, 2019. The weighted average rate applied is 8%.

$ thousands	**January 1, 2019**
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	$ 130,584
Discounted using the incremental borrowing rate at January 1, 2019	(57,446)
Finance lease liabilities recognized as at January 1, 2019	$ 73,138
Recognition exemption for:	
Leases of low-value assets	(25)
Extension options reasonably certain to be exercised	11,116
Lease liabilities recognized as at January 1, 2019	$ 84,229

(d) Impacts on Financial Statements (continued)

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

$ thousands	September 30, 2019	January 1, 2019
Buildings	**$ 80,122**	$ 82,748
Motor vehicles	**1,984**	1,341
Office equipment	**96**	140
Total right-of-use assets	**$ 82,202**	$ 84,229

The change in accounting policy affected the following items in the statement of financial position as at September 30, 2019:

($ thousands) Increase (decrease) in:	September 30, 2019
Current assets	
Trade and other receivables	$ 2,145
Non-current assets	
Other long-term assets	5,101
Property, plant and equipment	(6,841)
Right-of-use assets	82,202
Total assets	**$ 82,607**
Current liabilities	
Current portion of finance lease obligation	$ 6,525
Non-current liabilities	
Finance lease obligation	78,124
Deferred income tax liability	664
Total liabilities	**85,313**
Equity	
Retained earnings	(2,706)
Total equity	**$ (2,706)**

The change in accounting policy affected the following items in the statement of comprehensive (loss) income for the three and nine months ended September 30, 2019:

$ thousands Increase (decrease) in:	Three month period ended September 30, 2019	Nine month period ended September 30, 2019
Gross profit	**(315)**	**(290)**
Rent expense	(3,642)	(9,639)
Depreciation expense	2,726	7,114
Selling, general and administrative expense	**(916)**	**(2,525)**
Net finance costs	1,777	4,967
Loss before income tax expense	**1,176**	**2,732**
Income tax expense	-	664
Loss for the period	**1,176**	**3,396**

Initial Adoption of IFRS 16 – Leases

The Company adopted IFRS 16 – Leases effective January 1, 2019, and this is the third reporting period under this new standard. The comparative period has not been adjusted, as more fully discussed in Note 3 of the interim financial statements for the three and nine months ended September 30, 2019. The adoption of IFRS 16 results in an increase in depreciation and interest expense, and a reduction in rent expense. The adoption of IFRS 16 does not alter the cash payments made under rents compared to immediately prior to transition. To aid in comparability to prior periods, the current period impact of adopting IFRS 16 on components of the Statement of Comprehensive (Loss) Income is disclosed below and throughout this Management's Discussion and Analysis as follows:

Agricultural

($ thousands) Increase (decrease) in:	Three month period ended September 30, 2019	Nine month period ended September 30, 2019
Gross profit	**(33)**	**70**
Rent expense	(2,521)	(6,350)
Depreciation expense	1,771	4,287
Selling, general and administrative expense	**(750)**	**(2,063)**
Net finance costs	1,393	3,809
Loss before income tax expense	**676**	**1,676**

Transportation

($ thousands) Increase (decrease) in:	Three month period ended September 30, 2019	Nine month period ended September 30, 2019
Gross profit	**(282)**	**(360)**
Rent expense	(678)	(1,997)
Depreciation expense	551	1,633
Selling, general and administrative expense	**(127)**	**(364)**
Net finance costs	315	951
Loss before income tax expense	**470**	**947**

Industrial

($ thousands) Increase (decrease) in:	Three month period ended September 30, 2019	Nine month period ended September 30, 2019
Rent expense	(443)	(1,292)
Depreciation expense	404	1,194
Selling, general and administrative expense	**(39)**	**(98)**
Net finance costs	69	207
Loss before income tax expense	**30**	**109**

Responsibility of Management and Board

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the nine month period ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of our ICFR during the nine month period ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The control framework utilized to design the Company's ICFR is the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013). It should be noted a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

Additional IFRS Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. These measures are identified and defined below:

Gross Profit

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

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

Income (Loss) from Operating Activities

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

Non-IFRS Financial Measures

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

Adjusted (Loss) Income

Adjusted (loss) 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 (loss) income as follows:

Adjusted (Loss) Income

($ thousands, except per share amounts)	Three month periods ended September 30		Nine month periods ended September 30	
	2019	**2018**	**2019**	**2018**
(Loss) income	**(1,675)**	12,179	**(1,570)**	19,746
Adjustments:				
Unrealized foreign exchange loss (gain) [1]	**207**	(730)	**(1,016)**	(57)
Gain on sale of Commercial operations	**-**	-	**-**	(480)
Tax impact of adjustments	**(56)**	196	**273**	144
Adjusted (loss) income	**(1,524)**	11,645	**(2,313)**	19,353
Adjusted (loss) income per share:				
Basic	**(0.10)**	0.74	**(0.15)**	1.23
Diluted	**(0.10)**	0.71	**(0.15)**	1.17

Adjusted (Loss) Income Before Income Tax Expense

Three Months Ended September 30, 2019

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands) Three months ended September 30, 2019	Total	Agricultural	Transportation	Industrial
(Loss) income before income tax expense	**(2,308)**	(2,988)	144	536
Adjustments:				
Unrealized foreign exchange loss (gain)[1]	**207**	-	226	(19)
Adjusted (loss) income before income tax expense	**(2,101)**	(2,988)	370	517

Nine Months Ended September 30, 2019

Reconciliation of Adjusted (Loss) Income Before Income Tax Expense ($ thousands) Nine months ended September 30, 2019	Total	Agricultural	Transportation	Industrial
(Loss) income before income tax expense	**(1,639)**	(5,760)	2,820	1,301
Adjustments:				
Unrealized foreign exchange (gain)[1]	**(1,016)**	-	(995)	(21)
Adjusted (loss) income before income tax expense	**(2,655)**	(5,760)	1,825	1,280

Three Months Ended September 30, 2018

Reconciliation of Adjusted Income (Loss) Before Income Tax Expense ($ thousands) Three months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Income before income tax expense	**15,819**	13,298	2,445	76
Adjustments:				
Unrealized foreign exchange (gain)[1]	**(730)**	-	(574)	(156)
Adjusted income (loss) before income tax expense	**15,089**	13,298	1,871	(80)

Nine Months Ended September 30, 2018

Reconciliation of Adjusted Income Before Income Tax Expense ($ thousands) Nine months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Income before income tax expense	**26,460**	20,464	4,484	1,512
Adjustments:				
Unrealized foreign exchange (gain) loss[1]	**(57)**	-	130	(187)
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted income before income tax expense	**25,923**	20,464	4,614	845

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

EBITDA

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

Three Months Ended September 30, 2019

EBITDA ($ thousands) **Three months ended September, 2019**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net (loss) income	**(1,675)**	(5,086)	2,284	1,127
Add:				
Interest	**3,813**	2,683	1,023	107
Income taxes	**(633)**	2,098	(2,140)	(591)
Depreciation and Amortization	**6,723**	3,996	1,813	914
EBITDA[1]	**8,228**	3,691	2,980	1,557
EBITDA margin[1]	**2.6%**	1.7%	3.7%	11.5%
Reconciliation of adjusted EBITDA[1]:				
EBITDA[1]	**8,228**	3,691	2,980	1,557
Adjustments:				
Unrealized foreign exchange loss (gain)	**207**	-	226	(19)
Adjusted EBITDA[1]	**8,435**	3,691	3,206	1,538

Nine Months Ended September 30, 2019

EBITDA ($ thousands) **Nine months ended September 30, 2019**	**Total**	**Agricultural**	**Transportation**	**Industrial**
Net (loss) income	**(1,570)**	(5,517)	2,701	1,246
Add:				
Interest	**10,586**	6,845	3,322	419
Income taxes	**(69)**	(243)	119	55
Depreciation and Amortization	**18,157**	10,485	5,036	2,636
EBITDA[1]	**27,104**	11,570	11,178	4,356
EBITDA margin[1]	**3.1%**	2.0%	4.4%	10.4%
Reconciliation of adjusted EBITDA[1]:				
EBITDA[1]	**27,104**	11,570	11,178	4,356
Adjustments:				
Unrealized foreign exchange (loss)	**(1,016)**	-	(995)	(21)
Adjusted EBITDA[1]	**26,088**	11,570	10,183	4,335

Three Months Ended September 30, 2018

EBITDA ($ thousands) Three months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Net income	**12,179**	10,198	1,883	98
Add:				
Interest	**1,985**	962	977	46
Income taxes	**3,640**	3,100	562	(22)
Depreciation and Amortization	**3,480**	1,825	1,197	458
EBITDA[(1)]	**21,284**	16,085	4,619	580
EBITDA margin[(1)]	**5.4%**	5.6%	4.9%	4.3%
Reconciliation of adjusted EBITDA[(1)]:				
EBITDA[(1)]	**21,284**	16,085	4,619	580
Adjustments:				
Unrealized foreign exchange (gain)	**(730)**	-	(574)	(156)
Adjusted EBITDA[(1)]	**20,554**	16,085	4,045	424

Nine Months Ended September 30, 2018

EBITDA ($ thousands) Nine months ended September 30, 2018	Total	Agricultural	Transportation	Industrial
Net income	**19,746**	15,276	3,343	1,127
Add:				
Interest	**5,559**	2,512	2,899	148
Income taxes	**6,714**	5,188	1,141	385
Depreciation and Amortization	**11,342**	5,363	4,551	1,428
EBITDA[(1)]	**43,361**	28,339	11,934	3,088
EBITDA margin[(1)]	**4.1%**	3.9%	4.3%	6.5%
Reconciliation of adjusted EBITDA[(1)]:				
EBITDA[(1)]	**43,361**	28,339	11,934	3,088
Adjustments:				
Unrealized foreign exchange (gain) loss	**(57)**	-	130	(187)
(Gain) on sale of Commercial operations	**(480)**	-	-	(480)
Adjusted EBITDA[(1)]	**42,824**	28,339	12,064	2,421

(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, (gains) losses from sale of minority interests and real estate, and insurance proceeds received in excess of building cost.

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Working Capital

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

Equipment Inventory Turnover Ratio

Equipment inventory turnover ratio is calculated as trailing twelve month equipment cost of sales divided by the quarterly average equipment inventory for the most recent four quarters.

Note Regarding Forward-Looking Statements

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

Assumptions were made in preparing and making forward looking statements about Agriculture segment new equipment sales, new equipment gross profit dollars, OEM incentives and income. As part of its assumptions, Cervus assumes that our Western Canadian Agriculture operations will continue to face headwinds, including reduced Canadian Realized Net Farm Income, resulting from increased input costs and reduced commodity prices, trade disputes with China and challenging harvest conditions in parts of our Western Canada region.

The most recent quarterly dividend payment of $0.11 per share was made to the shareholders of record as of September 30, 2019, on October 15, 2019. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends