



CERVUS EQUIPMENT Q2 2020 RESULTS  
August 13, 2020



# FORWARD LOOKING INFORMATION

This presentation contains 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”, “targets”, “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” in the Second Quarter 2020 Management Discussion & Analysis of Cervus Equipment Corporation dated August 11, 2020, available electronically at [www.sedar.com](http://www.sedar.com) under Cervus’ profile.

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.

# NON-GAAP FINANCIAL MEASURES

This presentation 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, and are defined and reconciled to their most directly comparable GAAP measure within Cervus' Management's Discussion and Analysis for the three and six month periods ended June 30, 2020 under the section "Non-GAAP Financial Measures", which is available electronically at [www.sedar.com](http://www.sedar.com) under Cervus' profile.

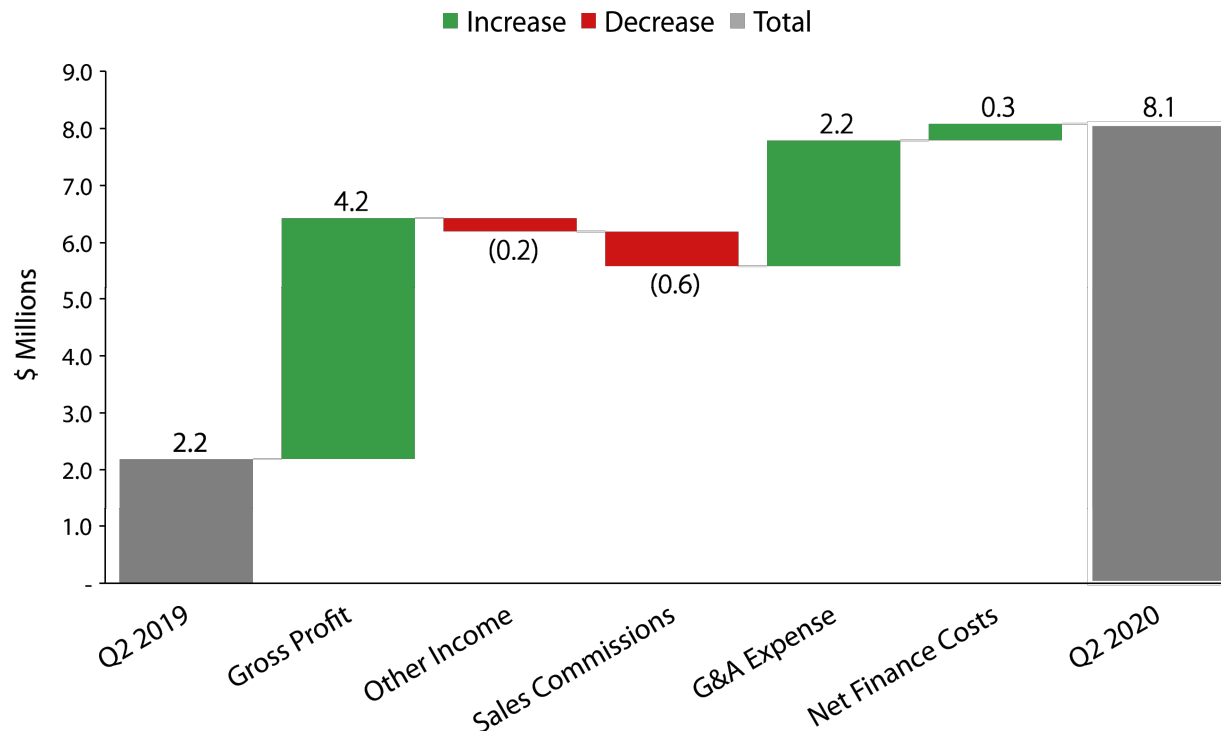
Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit and cash flow from operations and to provide additional information on how these cash resources are used.

This presentation is intended for educational and informational purposes only and does not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually. The reader should consult with a lawyer, accountant and other professionals in respect of contents hereof.

# Cervus Q2 2020 Results

## Q2 2020 OVERVIEW

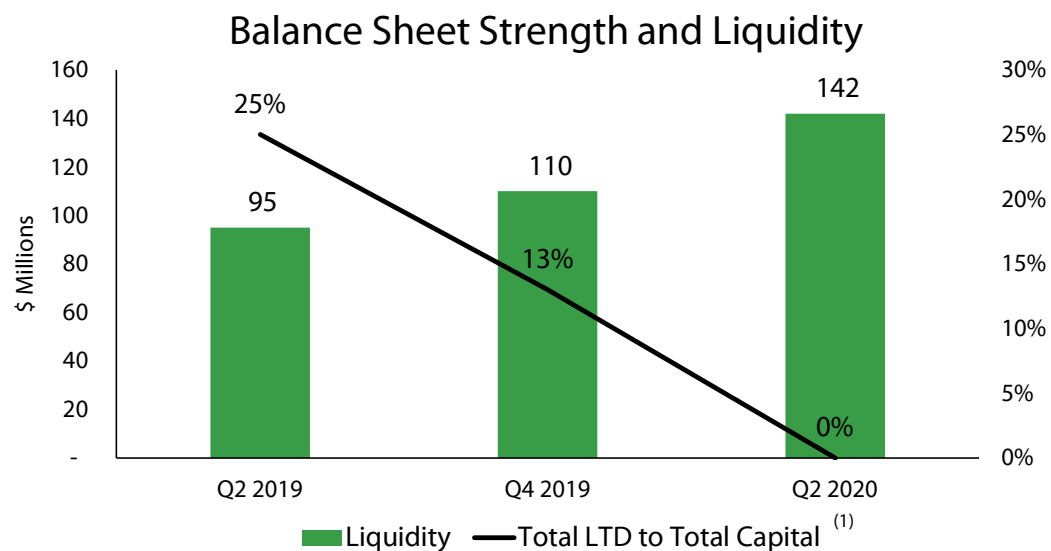
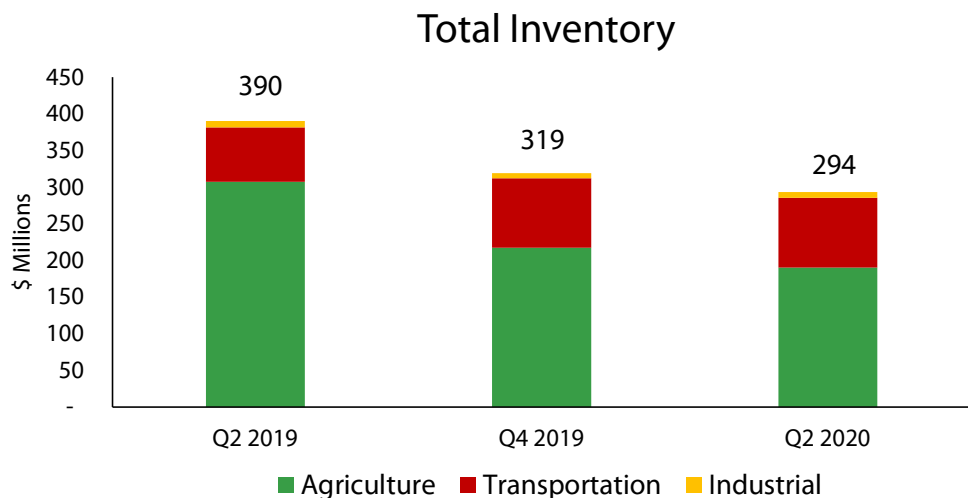
### Adjusted NIBT<sup>(1)</sup> Reconciliation From Q2 2019 to Q2 2020



(1) This is a non-GAAP financial measure, which excludes unrealized gains and losses from foreign currency and New Zealand wage subsidy.

- Ag used equipment revenue up 51%
- Combined Transportation and Industrial equipment revenue down 17% due to COVID-19
- Ag product support revenue up 14%, offset by combined Transportation and Industrial product support revenue down 17%
- G&A expenses decreased \$2.2 million or 6%
- Income before tax increased \$8 million, including \$1.7 million increase in unrealized foreign exchange gain and \$0.8 million in New Zealand wage subsidy
- Adjusted Net Income Before Income Tax ("NIBT") increased \$6 million

# Balance Sheet Overview



- Overall inventory decreased \$96 million from Q2 2019, as the \$117 million decrease in Agriculture was partly offset by a \$21 million increase in Transportation
- Net long-term debt at Q2 2020 is \$nil, providing significant flexibility and capacity to take on debt
- Liquidity increased 29% from Q4 2019 and 49% from Q2 2019
- Quarterly dividend of \$0.015 per share declared for the second quarter
- Subsequent to the quarter, 255 thousand shares were repurchased at \$1.8 million

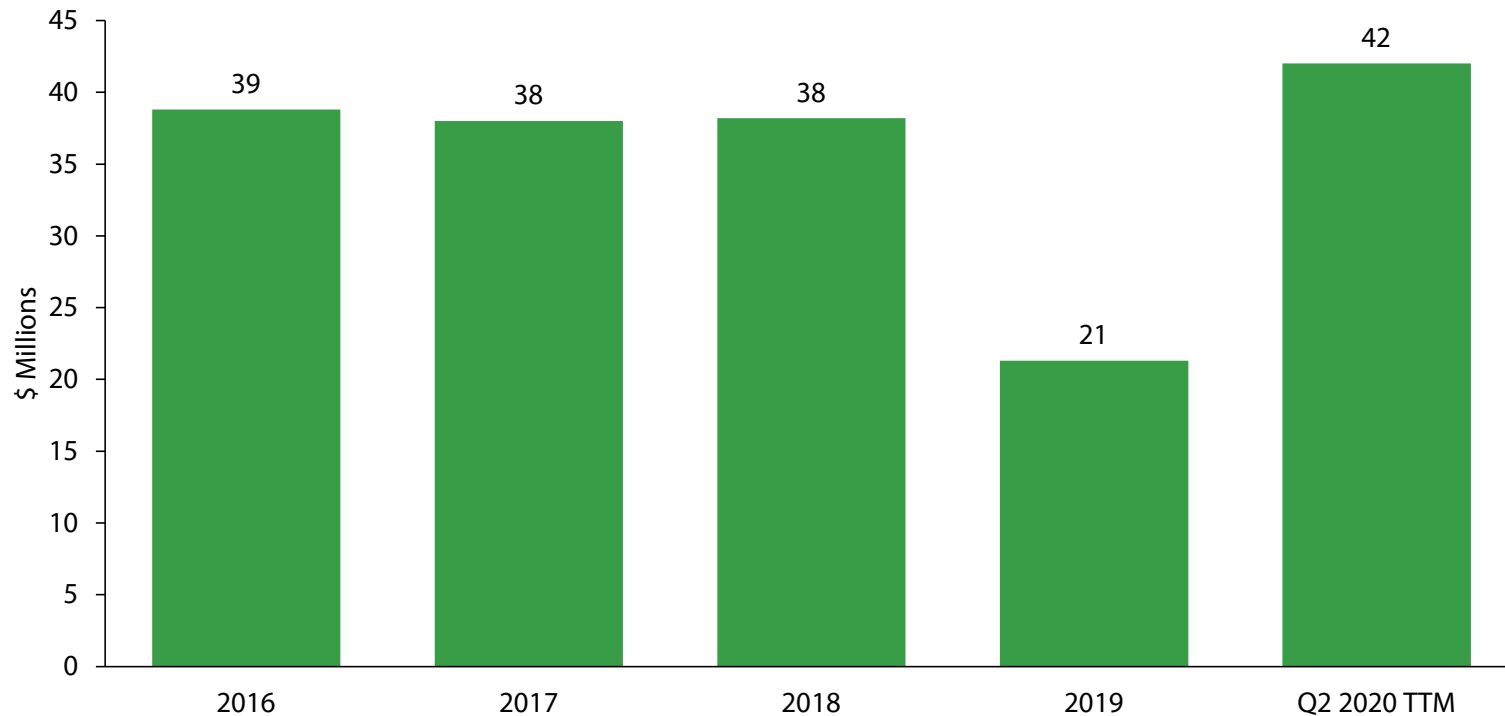
(1) Net Long-Term Debt to Total Capital is defined as net long-term debt (current and non-current portion of term debt, less cash and cash equivalents), divided by net long-term debt plus equity



# Adjusted Free Cash Flow <sup>(1)</sup>

*Strong Adjusted Free Cash Flow of \$42 Million  
for the Trailing Twelve Months Ended June 30, 2020*

## Adjusted Free Cash Flow - TTM



(1) This is a non-GAAP financial measure. Adjusted Free Cash Flow is defined 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.

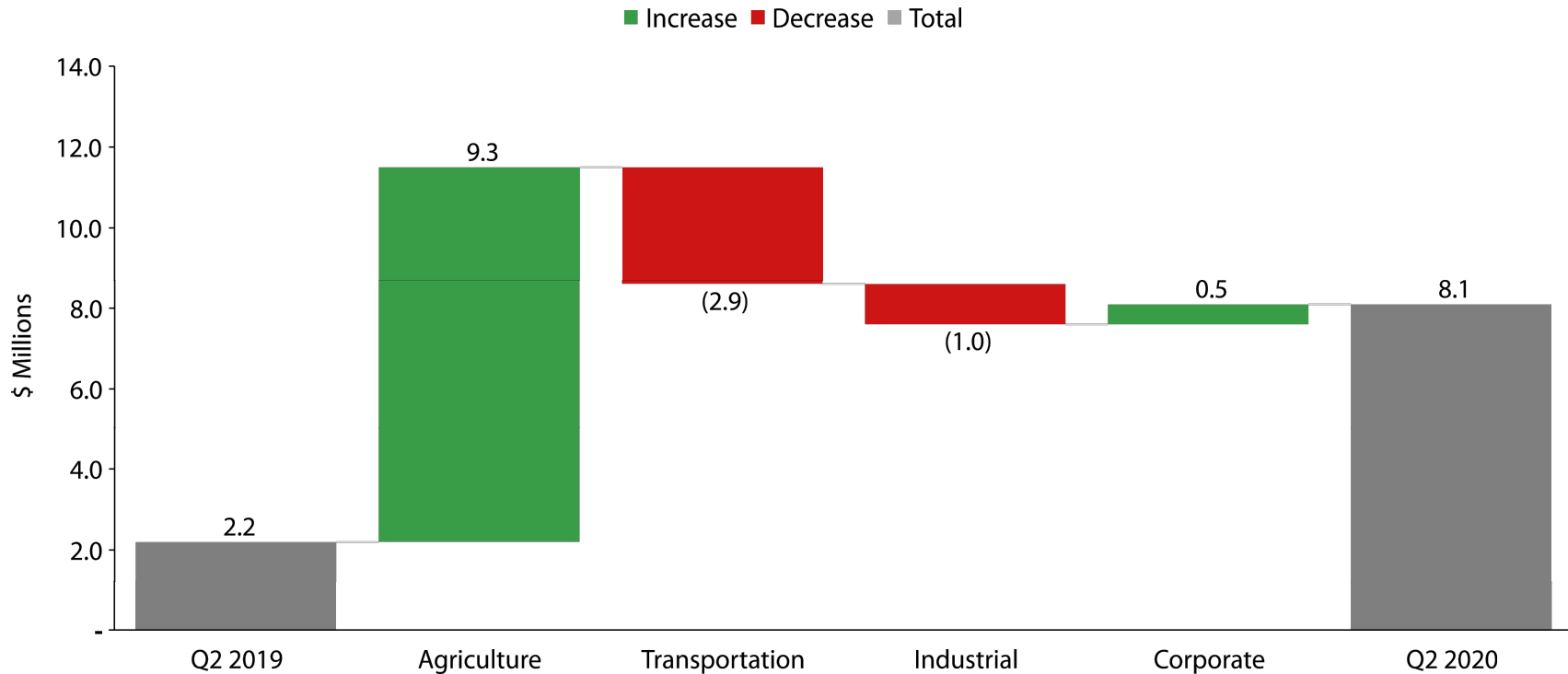
# Financial Covenants

*Financial Covenants Remain Healthy*

Financial Covenants	Q2 2020	Q4 2019
Total Liabilities to Net Worth Ratio Maximum	2.51 4.00	2.64 4.00
Fixed Charge Coverage Ratio Minimum	2.26 1.10	1.57 1.10
Asset Coverage Ratio Minimum	11.37 3.00	6.24 3.00

# Q2 2020 Segment Overview

## Adjusted NIBT<sup>(1)</sup> Reconciliation By Segment From Q2 2019 to Q2 2020



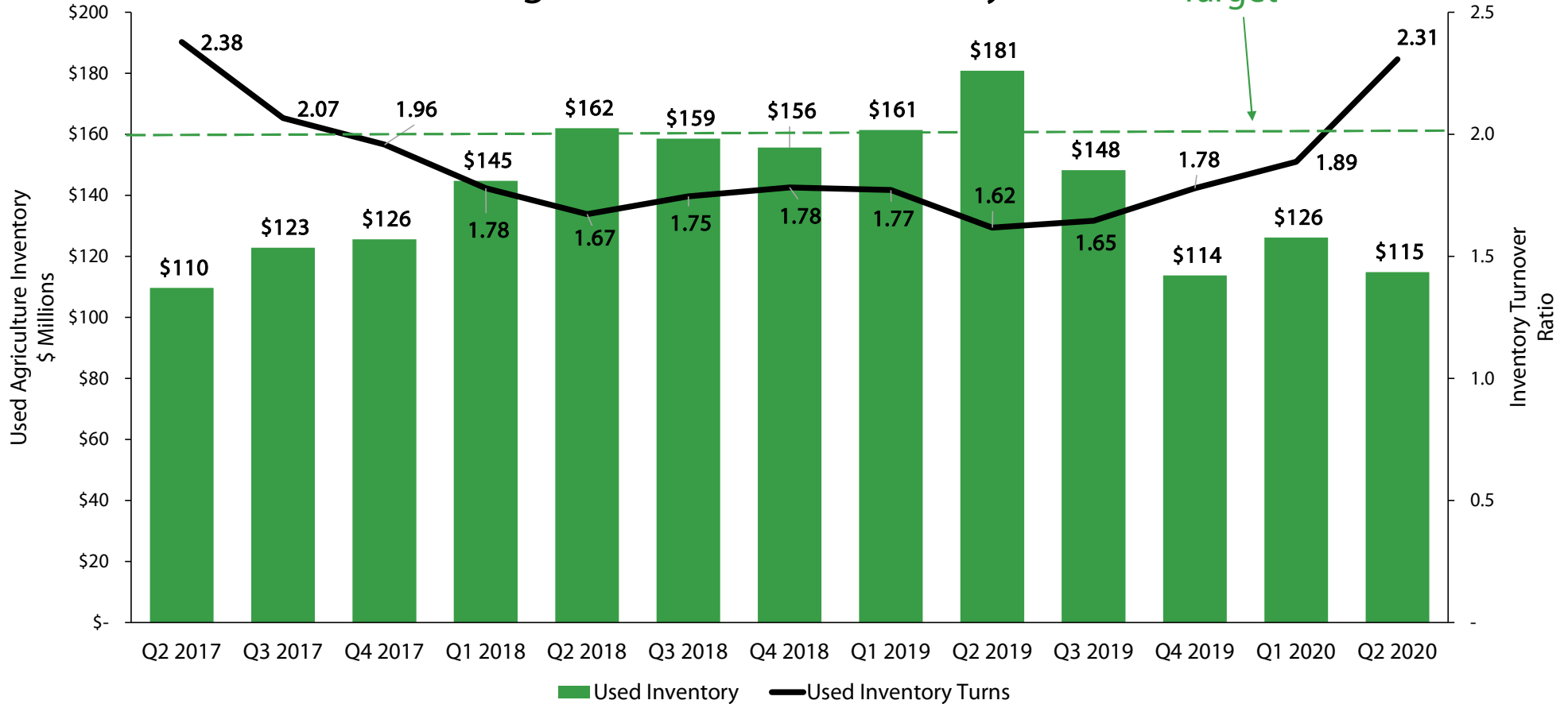
*Increased overall profitability was driven by the performance of our Agriculture segment, which was enabled by the focus of our restructured team, enhanced by the right equipment models and level of inventory for our market, implementation of new product support initiatives, and sustainable cost reductions across the segment.*

<sup>(1)</sup>This is a non-IFRS financial measure, which excludes unrealized gains and losses from foreign currency and New Zealand wage subsidy..



# Inventory Turns – Surpassed Short-Term Target

## Agriculture Used Inventory



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

# Industry Outlook

## Agriculture

### *Canada*

- Headwinds encountered in 2019 (China's ongoing trade embargo, reduced farm net cash income resulting from lower commodity prices and higher input costs) were compounded by rail disruptions and COVID-19 in 2020
- Customers remain cautious in managing their costs and cash flow
- In Alberta and Saskatchewan, warm weather and improvements in moisture levels continue to support crop development
- An anticipated heavy harvest is an opportunity to market equipment in season and to provide product support and equipment uptime to customers

### *Australia*

- Our Australian geography is experiencing positive growing conditions, which combined with an accelerated depreciation tax incentive for producers, provided some short-term accelerated equipment demand in the first half of the year.

# Industry Outlook

## Transportation

- Significant decrease in estimated 2020 industry class 8 truck sales by PACCAR
- COVID-19 related disruptions in consumer activity and constraints in supply chain and global demand are expected to continue to negatively impact manufacturing industries in Ontario
- Anticipate an increase in competition through the remainder of 2020 as fleets defer capital expenditures and dealers focus on reducing inventory levels
- The collapse in the price of oil and general decrease in economic activity has impacted operations in Saskatchewan

## Industrial

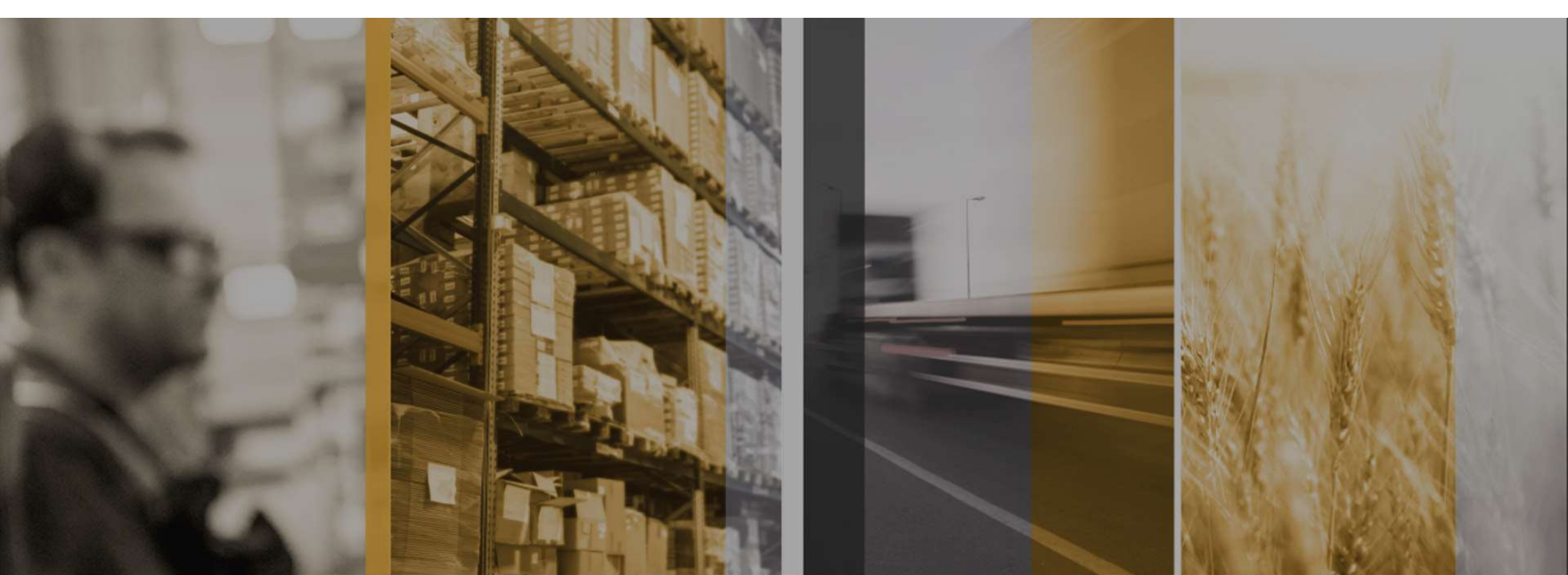
- The decrease in economic activity related to COVID-19, and a collapse in the price of oil, continue to weigh on economic activity in Alberta and Saskatchewan
- Training and preventative maintenance performed on-site at customer locations have resumed at reduced capacity to comply with physical distancing requirements



CERVUS EQUIPMENT Q2 2020 Q&A  
August 13, 2020







# THANK YOU



*[facebook.com/cervusequipment](https://facebook.com/cervusequipment)*



*[twitter.com/cervusequipment](https://twitter.com/cervusequipment)*



*[linkedin.com/company/cervus-equipment](https://linkedin.com/company/cervus-equipment)*



*[instagram.com/cervusequipment](https://instagram.com/cervusequipment)*

