



# CERVUS EQUIPMENT Q2 2021 RESULTS

August 16, 2021



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# FORWARD-LOOKING STATEMENTS

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 2021 Management Discussion & Analysis of Cervus Equipment Corporation dated August 13, 2021, 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 quarter ended June 30, 2021 under the section “Non-GAAP Financial Measures”, which is available electronically at [www.sedar.com](http://www.sedar.com) under Cervus’ profile.

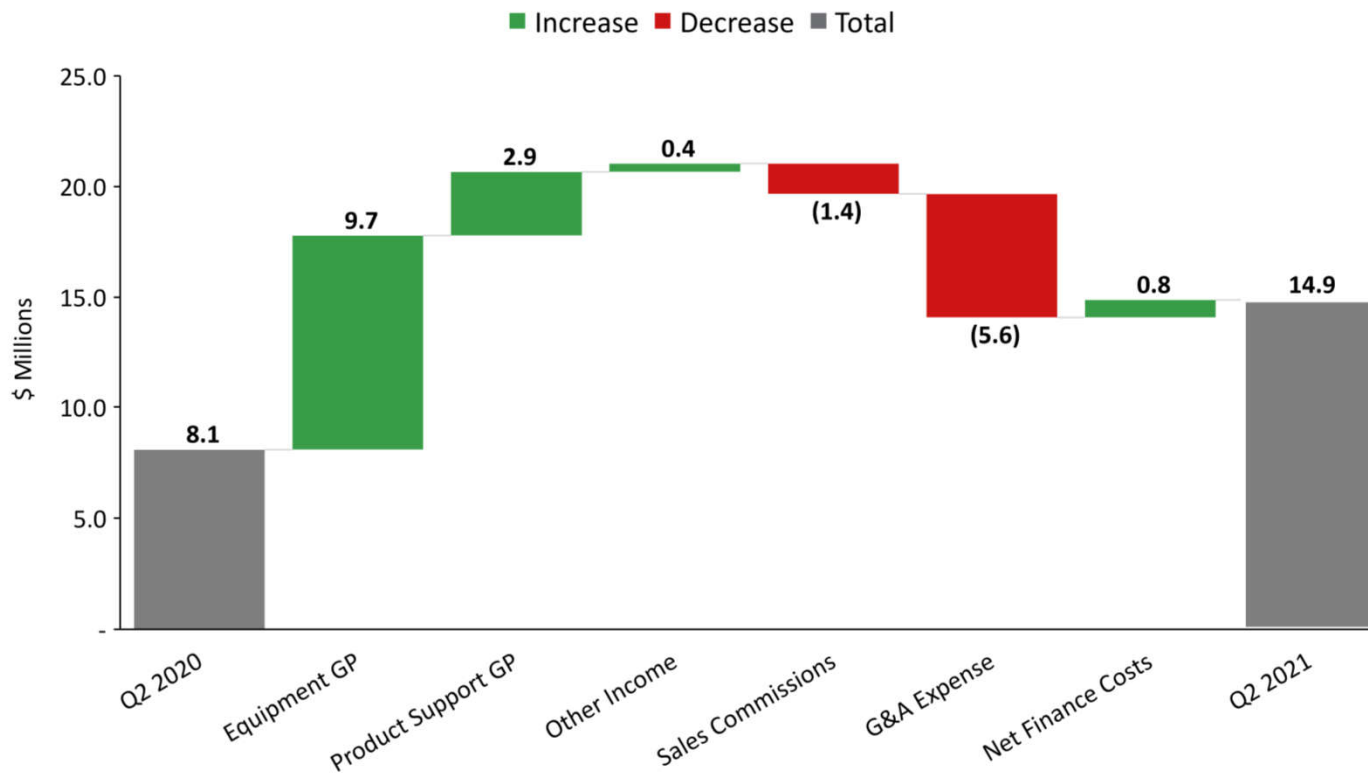
Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability 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 2021 RESULTS

*Adjusted NIBT Increased \$7 Million to \$15 Million – A New Second Quarter Record*

**Adjusted NIBT Reconciliation from Q2 2020 to Q2 2021**



## Q2 2021 Overview

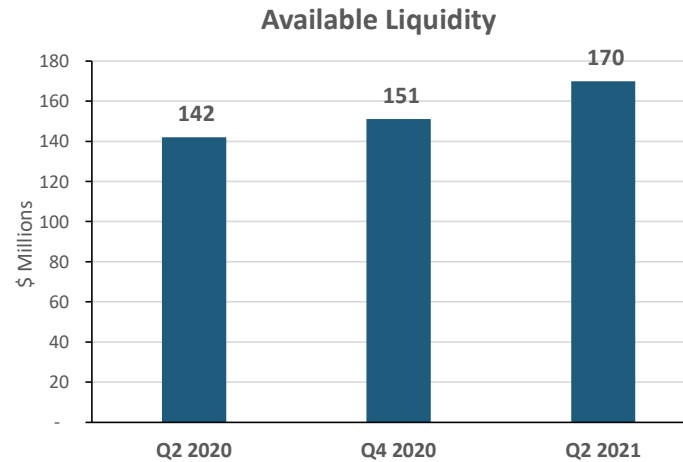
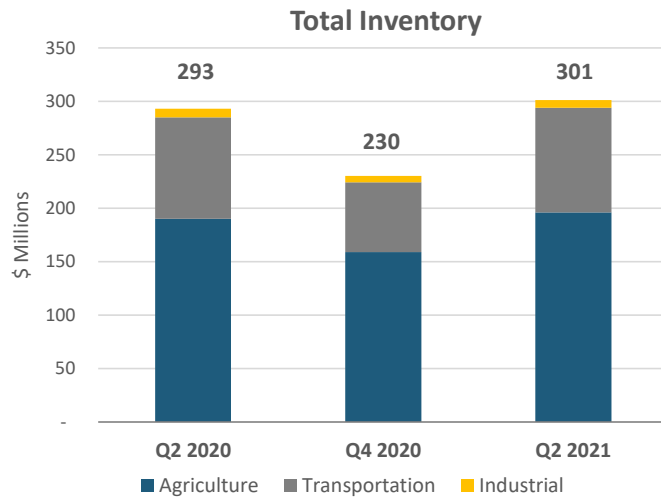
- Equipment gross profit increased \$9.7 million, on increased demand and supply shortages.
- Product support gross profit increased \$2.9 million, with parts, service and rental and other all contributing to the increase.
- G&A expenses increased \$5.6 million, reflecting a realignment with activity levels.
- Income before tax increased \$4.8 million on elevated gross profit, partially offset by increased G&A expenses.
- Adjusted income before tax increased \$4.1 million in Transportation, \$2.9 million in Agriculture and \$0.6 million in Industrial

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Adjusted Net Income Before Income Tax ("NIBT") is a non-GAAP financial measure, which excludes unrealized gains and losses from foreign currency and government subsidies.

# BALANCE SHEET OVERVIEW

*Strong Balance Sheet with \$170 Million of Financing Available*

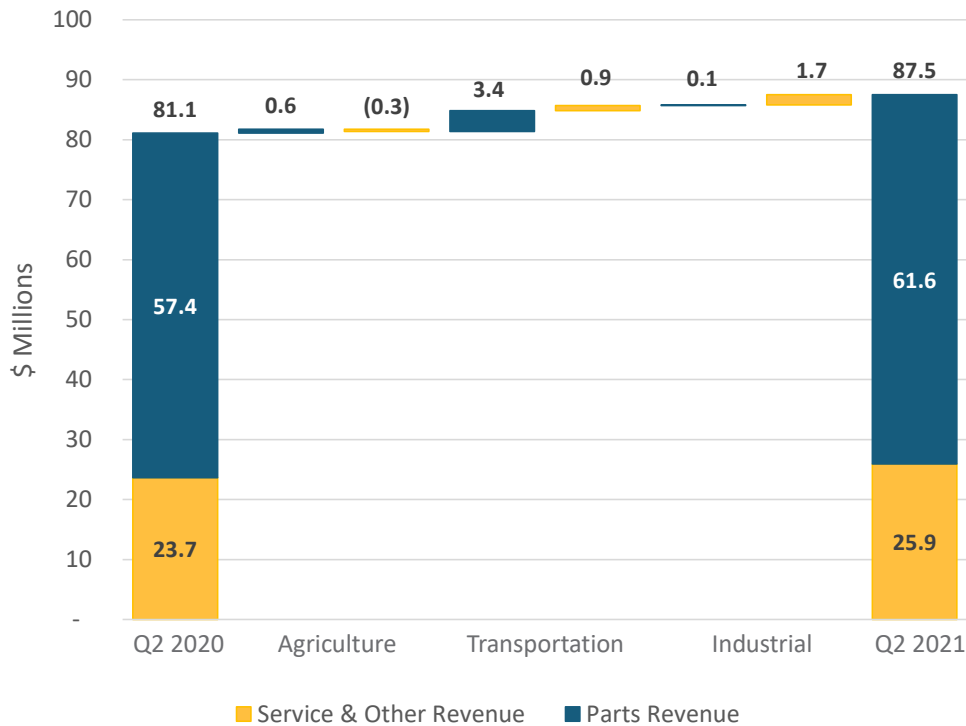


- Overall inventory increased \$8 million from Q2 2020, comprised of a \$6 million increase in Agriculture and a \$3 million increase in Transportation
- Overall inventory increased \$71 million from Q4 2020 driven by seasonality
- Cash position remains strong at \$46 million, exceeding term debt of \$4.6 million.
- Liquidity increased 20% from Q2 2020
- Quarterly dividend of \$0.11 per share declared for the second quarter of 2021
- Strong positioning relative to our lending covenants with significant operating flexibility

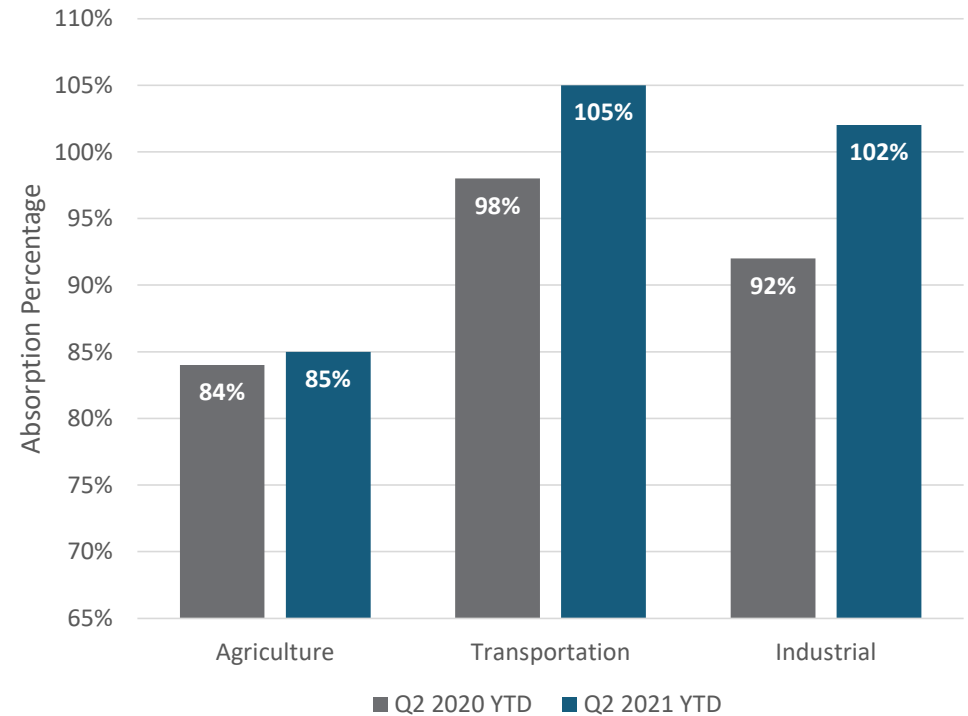
# PRODUCT SUPPORT PROVIDES STABILITY

*Product Support Growth and Cost Efficiencies Improve Absorption*

Stability in Product Support Revenue Across Cycles



Improved Absorption Across All Divisions



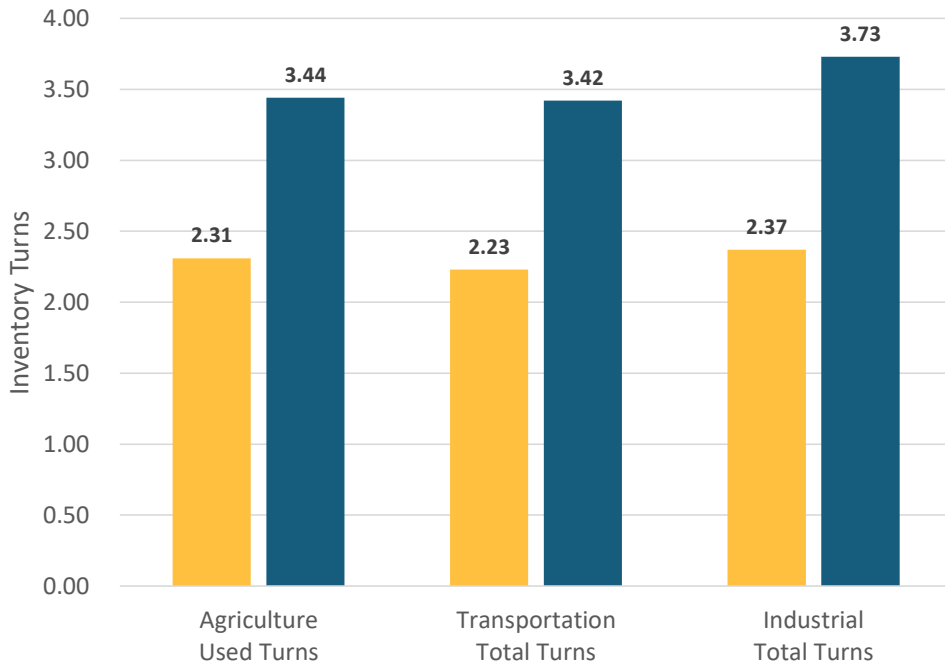
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Absorption is a non-GAAP financial measure, calculated as product support gross profit, divided by total operating costs. Total operating costs is calculated as total SG&A expenses plus net finance costs, less equipment commissions expense, amortization of intangibles, and floorplan interest expense. Please refer to our Forward-Looking Statements & Non-GAAP Measures disclosures.

# INVENTORY TURNS & RETURN ON INVESTED CAPITAL

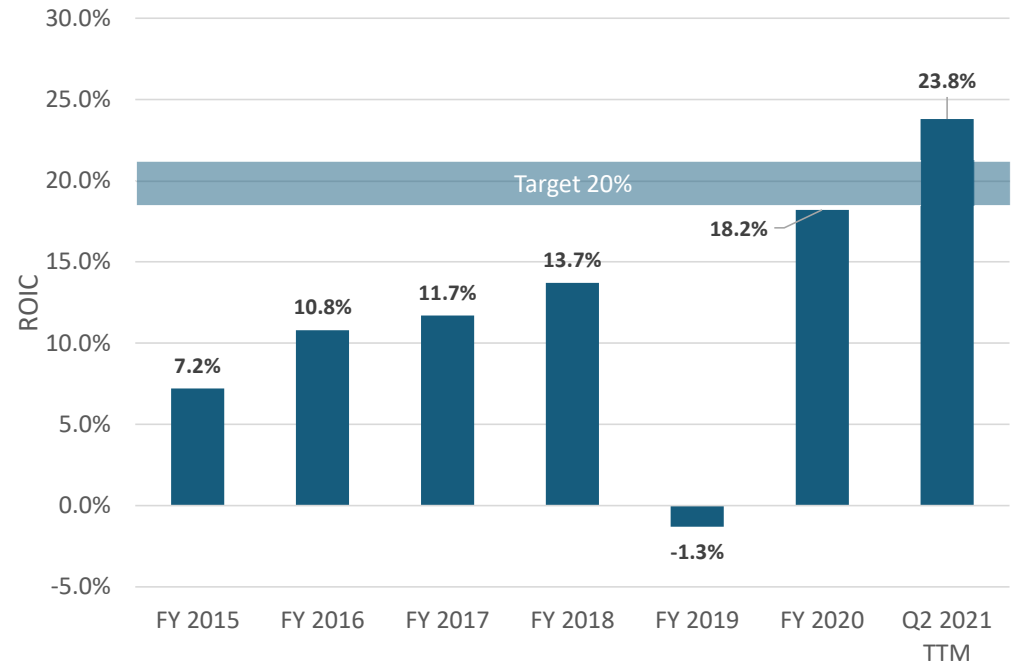
*Disciplined Allocation of Capital*

Focus on Inventory Management Drives Turn Ratio



■ Q2 2020 TTM ■ Q2 2021 TTM

Disciplined Inventory Management Stabilizes ROIC



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Inventory Turns is a non-GAAP financial measure, calculated as trailing twelve-month cost of goods sold (COGS), divided by average inventory. Agriculture inventory turns is based on used equipment inventory, Transportation and Industrial is based on combined new and used equipment inventory.

ROIC (Return On Invested Capital) is a non-GAAP measure, calculated as trailing twelve-month EBIT less floorplan interest, divided by average net debt (excluding floorplan debt) plus book value of equity.

Please refer to our Forward-Looking Statements & Non-GAAP Measures disclosures.



# INDUSTRY OUTLOOK

*Supply Chain Constraints and Arid Weather Weigh on Canadian Outlook, Australia and New Zealand Maintain Momentum*

## Agriculture

### *Canada*

- Increases in U.S. and Canadian equipment orders, compounded by supply chain disruptions, have resulted in delayed deliveries and extended lead times for equipment.
- Arid growing conditions have resulted in regionalized crop loss and deterioration in grade across the prairie provinces.
- John Deere will discontinue the consignment of inventory effective November 1, 2021, aligning the Canadian distribution model with the U.S.

### *Australia & New Zealand*

- In Australia, global demand remains strong for agriculture commodities with favorable weather conditions continuing to support crop prospects and pasture production for the next growing season.<sup>1</sup>
- New Zealand continues to benefit from a strong pricing environment, with production holding up well for most agriculture commodities.
- Equipment availability has been able to keep pace with customer demand in both regions, but impending constraints still linger through the supply chain.

# INDUSTRY OUTLOOK

*Strong Industry Demand and Supply Chain Disruptions Expected to Continue*

## Transportation

- Strong customer demand is reflected in our order backlog with substantially all of our new truck inventory committed to customers (up from ~50% on June 30, 2020).
- PACCAR estimates 2021 North American Class 8 truck industry sales will range between 260,000 – 280,000 units,<sup>2</sup> anticipated growth of 20% to 29% over 2020.
- Component supply shortages and extended lead times for shipping and upfitting are expected to continue to delay the timing of deliveries and sales in the year.

## Industrial

- Improvements in Alberta and Saskatchewan’s resource sectors have been positive for customer sentiment.
- Training revenues, a leading indicator for economic growth, more than doubled in Q2 2021 relative to Q2 2020.
- Constraints in the global supply chain are expected to extend equipment delivery timelines.





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