



# CERVUS EQUIPMENT Q4 2019 RESULTS

March 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”, “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 Fourth Quarter 2019 Management Discussion & Analysis of Cervus Equipment Corporation dated March 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 quarter and year ended December 31, 2019 under the section "Non-GAAP Financial Measures", which is available electronically at [www.sedar.com](http://www.sedar.com) under Cervus' profile.

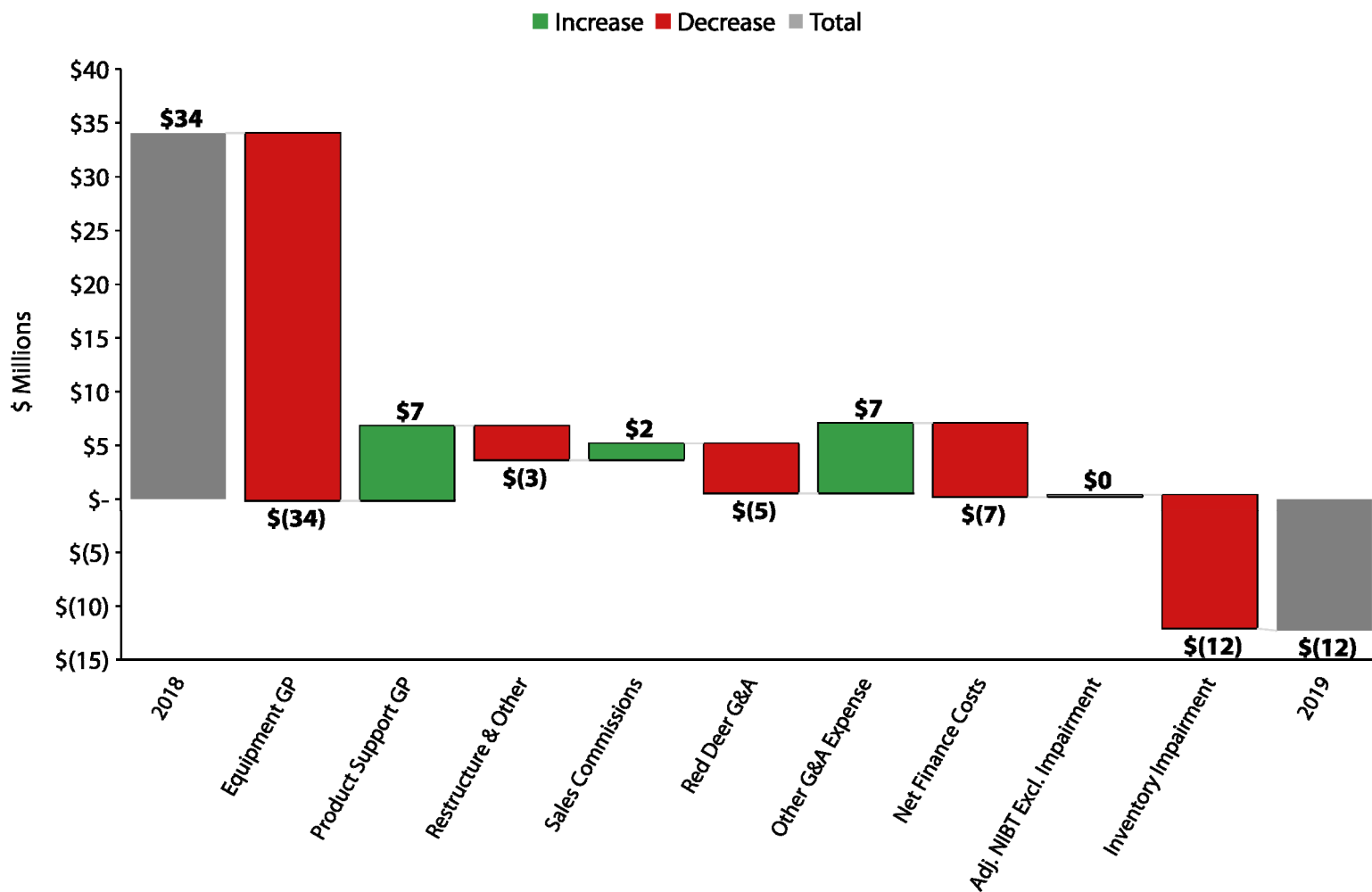
Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability 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 2019 Annual Results

## 2019 ANNUAL OVERVIEW

### Adjusted NIBT<sup>(1)</sup> Reconciliation from 2018 to 2019



- Ag new equipment revenue down 33%, used equipment revenue down 10%
- Transportation equipment revenue down 15%
- Product support revenue up 6%
- G&A excluding restructuring and Red Deer decreased \$7 million
- Increase in net finance costs primarily related to IFRS 16
- Income before tax decreased \$45 million

(1) This is a non-GAAP financial measure, which excludes gains and losses from foreign currency, sale of real estate and insurance proceeds received

# Balance Sheet Overview

- Decrease in overall inventory from Q2 2019 and Q4 2018
- Net long-term debt to total capital ratio well within long term objective of less than 35%
- Liquidity increased 20% from Q2 2019
- Strong adjusted free cash flow<sup>(2)</sup> of \$21 million in 2019
- Quarterly dividend of \$0.11 per share declared for the fourth quarter
- Repurchased \$3.9 million in Cervus shares in 2019

Balance Sheet (\$ millions)	Q4 2019	Q2 2019	Q4 2018
Total Inventory	\$ 320	\$ 390	\$ 328
Net LTD to Total Capital <sup>(1)</sup>	13%	25%	12%
Liquidity/Available Financing			
Floorplan	\$ 17	\$ 37	\$ 34
Syndicate	\$ 85	\$ 48	\$ 97
Total	\$ 102	\$ 85	\$ 131

(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

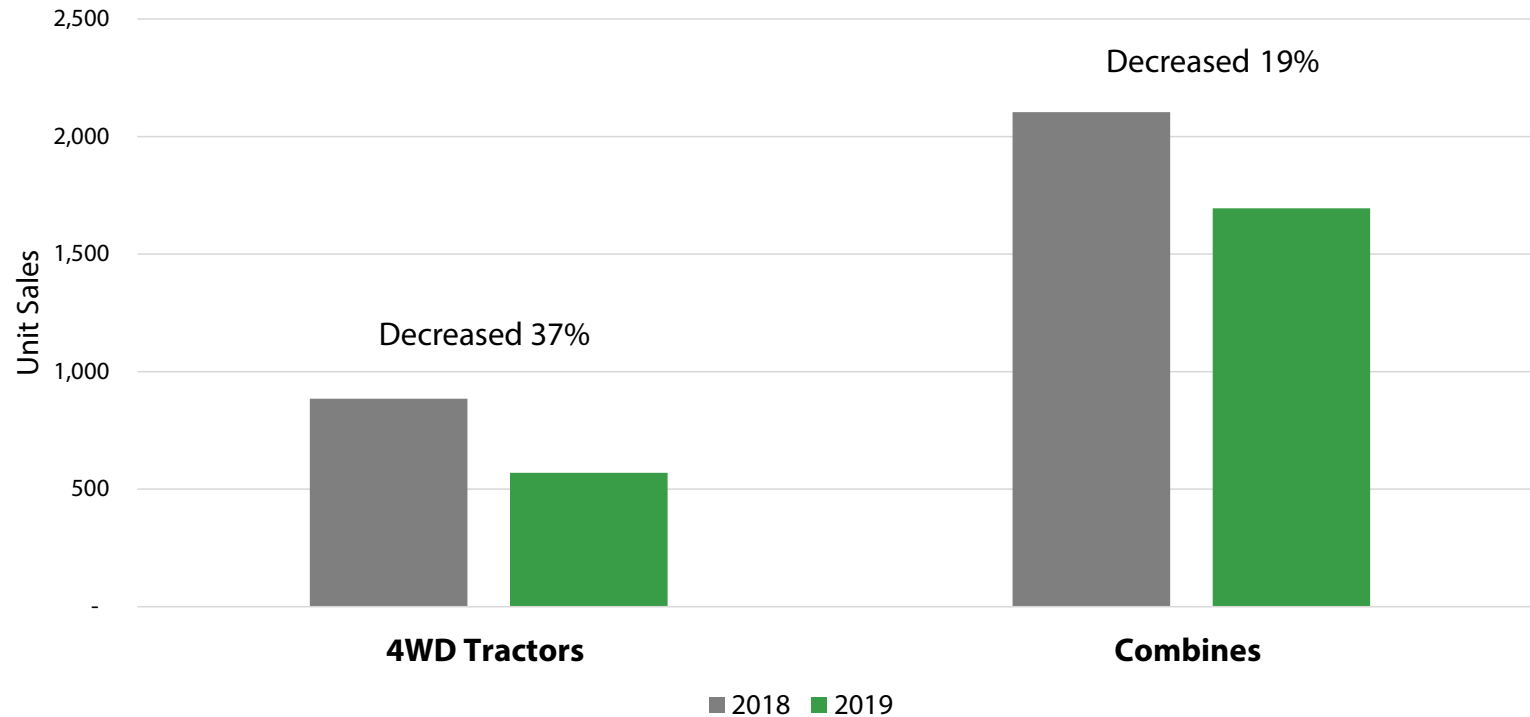
(2) This is a non-GAAP financial measure

# Financial Covenants

Financial Covenants	Q4 2019	Q3 2019
<b>Total Liabilities to Net Worth Ratio</b> Maximum	<b>2.64</b> 4.00	<b>2.77</b> 4.00
<b>Fixed Charge Coverage Ratio</b> Minimum	<b>1.57</b> 1.10	<b>1.97</b> 1.10
<b>Asset Coverage Ratio</b> Minimum	<b>6.24</b> 3.00	<b>8.50</b> 3.00

# Canadian Agriculture New Equipment Unit Sales

## Canadian Large Ag Equipment Sales Annual 2018 vs 2019



<sup>(1)</sup> Association of Equipment Manufacturers, AEM Ag Tractor Combine Report Shows Positive Growth in 2019, January 2020

# Canadian Regional Crop Quality and Status

Region	Crop Yield	Crop Quality	Year End Canola Harvest Complete	Year End Overall Harvest Complete
<b>Southern Alberta<sup>(1)</sup></b>	Below Average	Average	95%	97%
<b>North/Central Alberta<sup>(1)</sup></b>	Average	Average	88%	92%
<b>Saskatchewan<sup>(2)</sup></b>	Average	Below Average	91%	93%

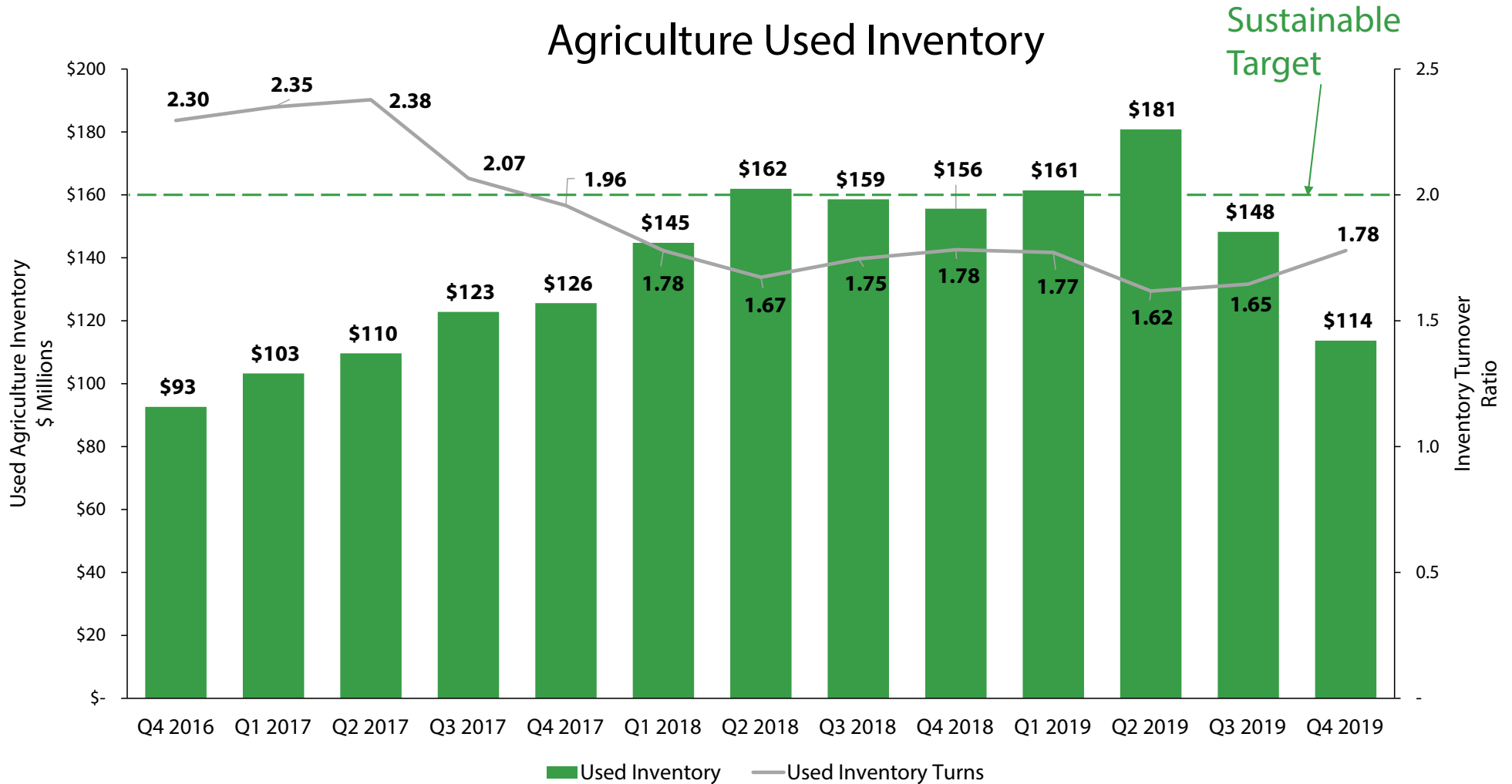
(1) Alberta Agriculture and Forestry, Alberta Crop Report, November 5, 2019, November 12, 2019 and December 3, 2019

(2) Saskatchewan Ministry of Agriculture, Crop Report, November 12 to 18, 2019



# Inventory Turns

## 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

- Railway disruptions in Canada have resulted in a build up of crops to be shipped, negatively impacting farmer cash flow in the short-term
- The drop in the price of oil and the decrease in interest rates may provide some relief for farmers on input costs
- The weakening CAD provides a cushion for commodity prices for producers and supports the value of used equipment
- Producers are adjusting to a new canola market
  - For the first five months of the 2019-2020 season shipments to Asia, including China, were down 34%, however, canola exports to western Europe were up 350%<sup>(1)</sup>
  - For 2020-2021, the seeded area for canola in Canada is forecast to decrease by 2% as farmers shift to seeding alternative crops<sup>(1)</sup>

(1) Canada: Outlook for Principal Field Crops, Agriculture and Agri-Food Canada, February 14, 2020

# Industry Outlook

## **Transportation**

- PACCAR forecasting return to mid-cycle truck demand in 2020 as compared to 2019, on slower freight market and rate conditions

## **Industrial**

- The recent drop in the price of oil and uncertainty around pipeline capacity challenges continue to weigh on economic activity in Alberta and Saskatchewan

## **COVID-19**

- Management continues to monitor the potential impacts on customer demand, service mobility and our supply chain, as well as interest and foreign exchange rates

# 2020 Focus – Strategy Execution

- Strong balance sheet with capacity to withstand macro-economic headwinds and industry cycles
- Continued progression towards our five year objectives
  - Actions to advance our strategy and to mainstream innovation and technology are underway
  - Exclusive partnership with Farm At Hand
  - Opening of a new agriculture location in Nipawin, Saskatchewan
  - Market opportunity to align and acquire top talent for expanding product support



# CERVUS EQUIPMENT Q4 2019 Q&A

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# THANK YOU



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