



CFA Institute

CFA Institute Research Challenge

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Team A

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Investment Summary

We issue a HOLD recommendation on Cervus Equipment (CERV) with a target price of CAD \$9.50 representing an upside of 12.16% from the \$8.47 closing price on January 31, 2020. Our target price is based on a Discounted Cash Flow to Equity Model (80% weight) and a Multiple Analysis valuation model (20% weight).

The key drivers for our recommendation:

Competitive position partially dependant on brand recognition of manufacturer:

Cervus' dealership sales rely on the competitive advantages created by their manufacturers. Brands such as John Deere and Peterbilt provide industry leading technological innovations providing equipment users with real time operational data to improve efficiency, and reduce equipment downtime. Cervus' equipment sales rely on manufacturers to produce products the market demands with respect to technology, quality, and equipment pricing.

Competitive product support offerings

Cervus' vast network of dealerships combined with its extensive capabilities allows superior customer service versus competitors, and Cervus' new strategy focus toward product support is a step in the right direction for greater profitability and financial stability in the long run. The transition to a product support strategy is likely to bring short-term losses and uncertainty in meeting company targets.

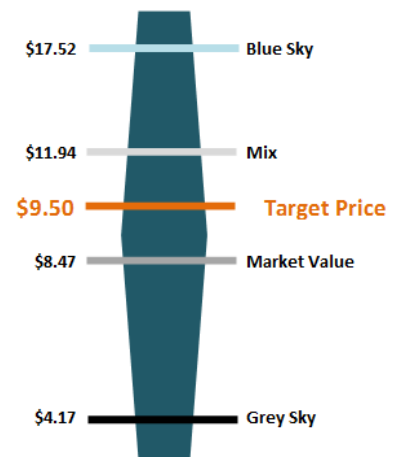
Inconsistent revenue within segments

Cervus' Industrial segment experienced a sharp decline in revenue growth from 2015-2018, with growth only in 2019 in their rentals. The Agriculture and Transportation segments experienced large revenue fluctuations from 2015-2019Q3. These fluctuations are related to the volatility in income that Cervus' customer base faces year to year. Volatility in annual revenues reduces confidence in Cervus' ability to have a strategic and effective business plan to mitigate risks relating to the financial health of their customers.

Upside potential, however assessed risk offsets return

Cervus has ambitious future goals, but historically Cervus misses more of their earnings guidance than they beat. On average, the earnings guidance typically presented to investors is overestimated. While our target price for Cervus has a 12.6% upside, the concerns with Cervus future business activities outlined in our valuation and investment risk outweigh the return. Cervus is a medium risk, low return investment and we currently rate it a HOLD.

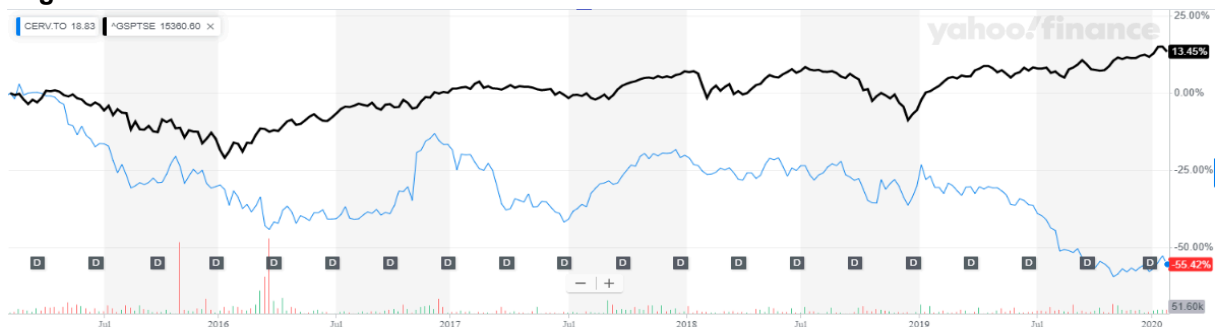
Figure 1: Target & Share Stats.



Share Highlights \$CAD	
Market Cap:	130.4M
Shares Outstanding:	15.4M
Trailing P/E:	46.5
Forward P/E:	24.3
52 Week Low:	6.41
52 Week High:	14.18
Annual Dividend:	\$ 0.44
Dividend Yield:	4.7%
Beta:	1.11
1 Year Return:	-32.4%
ROE:	1.5%
Net Margin:	0.3%
Quarterly Rev. Growth(yoy):	-19.2%

Source: Yahoo Finance

Figure 2: Cervus 5Y Stock Performance Relative to ^GSPTSE



Source: Yahoo Finance

Business Description

Founded in 1982, Cervus Equipment Corporation is involved in the sales and after sales service and maintenance of agriculture, transportation and industrial equipment. Cervus' headquarters is located in Calgary Alberta. Cervus' business model consists of both the acquisition and operation of authorized heavy equipment dealers within their three segments of business which include: agriculture, transportation, and industrial. Cervus has interests in 63 dealerships in Canada, New Zealand and Australia, and employs more than 1,500 people. The equipment brands represented by Cervus include John Deere agricultural equipment; Peterbilt transportation equipment; and Clark, Sellick, Doosan, JLG and Baumann material handling equipment. Cervus' Agriculture specific segment includes the ownership of 36 John Deere dealerships: 15 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 9 in New Zealand, and 6 in Australia. Its transportation segment includes: 4 Peterbilt truck dealerships and 1 Collision Centre in Saskatchewan, 12 Peterbilt truck dealerships and 2 parts and service locations in Ontario. There are a total of 8 owned and operated dealerships within the industrial segment of Cervus including: 5 Clark, Sellick, Doosan, JLG, Baumann material handling and forklift equipment dealerships in Alberta, 2 Clark, Sellick, Doosan, JLG, Baumann dealerships in Saskatchewan, and 1 Clark, Sellick, Doosan, JLG, Baumann dealership in Manitoba. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV". The sector in which the company is recognized is **Industrials - Heavy Machinery & Vehicles - Machinery & Heavy Vehicles**.

Current Highlights

Promising Growth Strategy: To operate efficient and sustainable dealerships. Cervus evaluates opportunities to expand its business and product line, and makes strategic acquisitions employing a proven integration plan.

Proven growth strategy: having grown from 8 dealerships in 2003, to 63 dealerships today

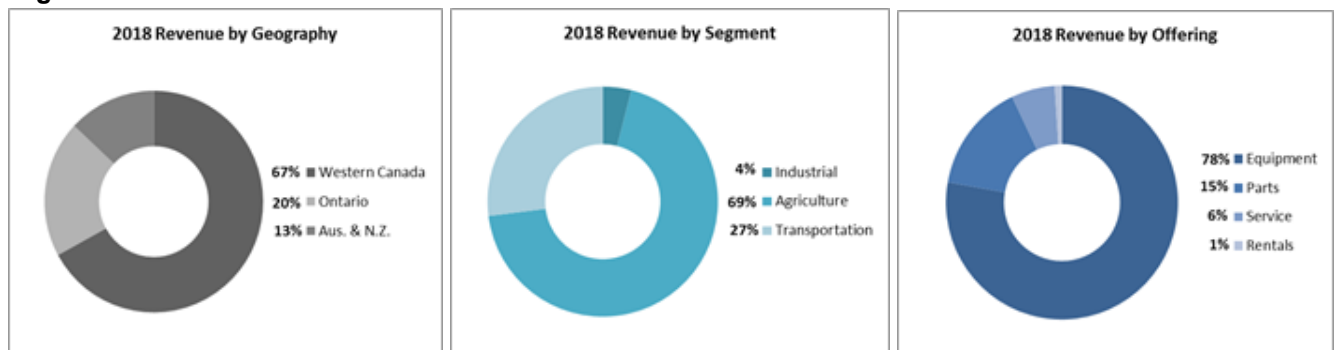
Diversification of sectors with strong globally recognized brands: Current manufacturers such as John Deere, Peterbilt, and Clark provide Cervus with equipment offerings well equipped with technical innovations to meet anticipated growing demand for ease of data access and comprehension.

Restructuring of historical business model: Future strategy prioritizes up selling of product support offerings in all segments, and increasing inventory turnover, resulting in an overall margin improvement and increased cash on hand (Appendix 4c).

Bearish Earnings Rating: Consensus estimates rank Cervus' overall earnings significantly more bearish than the Heavy Machinery & Vehicles average.

Consensus Downgrade: Consensus price target has been downgraded from \$12.90 to \$9.40, a 27.1% decrease.

Figure 3: 2018 Revenue Breakdown



Source: Cervus 2018 Annual Report

Industry Overview & Competitive Positioning

Industry Overview:

Agriculture:

The retail ag equipment industry is made of two streams of revenue: the sale of ag equipment and after-sale services to farmers. The industry is a low margin, high-risk industry, where most of the potential lies within the

product support side of the business offering higher margins and sustainable cash flow for dealers. While industry products are a necessity on farms, revenue remains exposed to the volatility of farm income, which affects farm demand for new equipment and consequently influences industry revenue. Factors such as rising global population and rising demand for improved operational efficiency are the key drivers for the ag equipment industry. We believe that Cervus' operational strategy will continue to sustain the company's profitability in the short run and increase profitability in the long run.

(Canada) Macro: Current downturn in the Ag sector affecting Industry sales. Dealerships sales take a big hit due to excess supply of used equipment and macroeconomic headwinds affecting net farm income. The combination of trade barriers, poor growing conditions, and rising costs reduced net farm income in 2018 impacting dealerships negatively in their 2019 balance sheets. With agriculture experiencing the lowest demand in 10 years, farmers are keeping their fleets instead of replacing them. As a result, dealers are incurring inventory carrying costs of interest and obsolescence, while also having a constraint of accepting additional equipment trades.

The value of data and the growing demand for precision technology on farm machinery. With uptime as a top priority, Cervus customers are moving toward a more data-driven industry. As machines and systems become more complex, the opportunity for dealers lies within the broadening of their product support services and the strengthening of their customer relationship for long term reliance.

Canadian farmers' consolidation pushes for dealership consolidation. Farmer consolidation and growing capital requirements for dealers have contributed to the need for dealerships to expand and grow. As a result, many small dealers have been forced to exit the market and are being acquired by larger dealerships since they have not been able to meet customer expectations.

Canadian Ag outlook for 2020. Canadian farm industry's future remains uncertain. According to TD Bank analysts and the outlook of Farm Credit Canada, prices are expected to remain low for most grain, oilseed and pulse commodities over the remainder of 2019 and into 2020, putting a limitation on growth in farm cash receipts and net farm income (Appendix 3b). Trade disputes continue to weigh on agriculture commodity prices and overall farmer sentiment which, in turn, tempers demand for industry product and service offerings.

Australian Ag end market looks prosperous. Agriculture outlook remains stable, commodity prices for dairy have remained high as a result of a decline in global production, while demand for exports, particularly from China, has provided producers with an area for growth.

New Zealand has declining farm sentiment due to policy direction. Although exports are said to remain strong for the next two years (Appendix 3a), government policy relating to freshwater reform and future greenhouse gas obligations presents a major challenge for farmers impacting their sentiment for the future.

Overall: Given the competitive space that the Canadian agriculture equipment market is currently in and projected to remain in for the foreseeable future, Cervus' new strategy, balanced approach and a focus toward product support, fits perfectly in current downturn market conditions as farmers will need Cervus products services and parts to keep running their equipment. We believe Cervus' new strategy is a step in the right direction as it allows the company to reduce carrying cost from used equipment inventory in the short run and increase profitability in the long run by taking advantage of their already huge machine population. Regarding farmers consolidation, this trend will continue to impact Cervus profitability in a positive way as bigger farms value the services that scale brings to their operations. This trend matters as it brings the opportunity for multi dealerships like Cervus the opportunity to keep expanding and consolidating in the market.

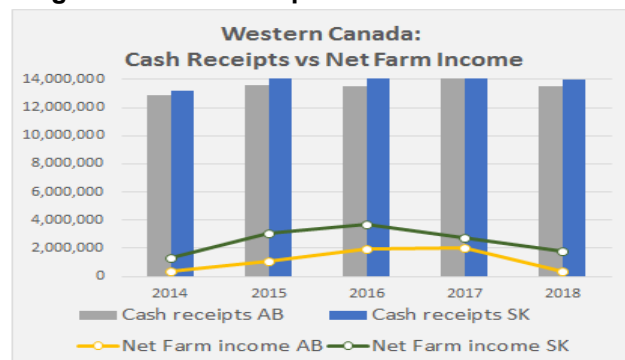
With the outlook for Canadian net farm income to plateau for 2020 and the company transitioning toward product support, our team believes that Cervus new equipment sales and the overall health of the company will continue to suffer in the short run. The growing demand for product support services and AG precision products in Canada, Australia, and New Zealand means Cervus should be able to capitalize and consolidate in the future.

Figure 4: Canadian Cash Crop Prices

Canadian Cash Crop Prices Compared			
Cash Crop	2020 Forecast	2019 Average	5-Year Average
Corn	\$ 206.00	\$ 210.00	\$ 190.00
Soybeans	\$ 440.00	\$ 432.00	\$ 470.00
Canola	\$ 465.00	\$ 427.00	\$ 468.00
Peas	\$ 243.00	\$ 242.00	\$ 306.00
Lentils	\$ 397.00	\$ 393.00	\$ 553.00
Spring Wheat	\$ 241.00	\$ 230.00	\$ 221.00
Feed Barley	\$ 255.00	\$ 258.00	\$ 207.00
Durum	\$ 253.00	\$ 244.00	\$ 289.00

Sources :Statistics Canada, AAFC, USDA, CME, MGEX and ICE Futures contracts, and FCC calculations.

Figure 5: Cash Receipts vs. Net Farm Income



Source:Statistics Canada. Table 32-10-0052-01 Net farm income (x 1,000)

Transportation & Trucking:

In 2018, 207,995 businesses primary activity related to trucking transportation in Canada; 42.5% in Ontario, 18.2% Quebec, 14.4% Alberta, and 13.5% British Columbia. As of 2018, the Canadian supply chain management sector is an estimated \$162B sector, with three core transport routes categorized as Core, Feeder, and Northern. Truck classification can be broken into 3 segments: light-weight, medium-weight, and heavy-weight. Fuel types range from natural gas, diesel, and electric, with diesel still considered the most reliable engine producing the great truck uptime. Cervus views their customers as purchasers of either Long-Haul, or Vocational Trucks.

Industry bottlenecks affecting fleet and trucker bottom dollar. Fleet managers and transporters are struggling with the hiring and retention of truck drivers in the industry. In addition due to increased competition from Amazon same day shipping via air and smaller transport trucks, in combination with larger shipments via rail transport profit margins are getting tighter. This translates into great operational costs for businesses in the transportation sector, reducing the cash available to scale their business.

Stricter Safety Regulations required by 2021. Transport Canada recently announced that by 2021 third party ELD's (electronic logging devices) will be mandatory in all trucks in Canada. While this will slingshot Canada ahead of the United States in terms of safety according to the Canadian Trucking Alliance (CTA). ELD's provide greater driver safety ensuring proper breaks are taken during travel, but depending how strict the rules are could pose an additional financial threat to the bottom line of Cervus' customer base.

Anticipating 2019 truck sales from the Class 8 truck industry. PACCAR is anticipating truck sales from 2019 Class 8 truck industry in the U.S. and Canada to range from 285,000-315,000 units. Despite a 29.4% sales growth from 2018, the forecasted outlook for 2020 onwards sees a reduction in production within the range of 230,000-260,000 Class 8 trucks being manufactured, this is comparable to their 2016 annual production.

Overall: Given the competitive space that the transportation industry is currently in and projected to remain in for the foreseeable future, Cervus' historical preference to push new truck sales will not match the foreseeable demand of their customer base. Regardless of the demand for new trucks, there is a guarantee that truck uptime is a necessity for fleets of all sizes. This growing demand for parts and service when needed is a market of focus that Cervus should be able to exploit and capitalize on.

Industrial: For Cervus, the Industrial Segment includes retail warehousing, oil, natural gas, construction, mining, and transportation. Cervus recognizes that customers in this space have minimal brand loyalty or preference, where optimal choice consists of products and services that can further enhance overall safety and efficiency of operations.

Appreciation of Canadian real estate space is creating a preference for existing floor plan optimization. Cervus' arrays of customers are prioritizing the maximization of existing warehouse space before seeking to expand facility operations elsewhere. This provides a geographical advantage for services that are located in the same space as these warehouses.

Push for data driven warehouse safety and optimization. Space optimization and ongoing enhancement of safety regulations requires businesses in this segment to provide employees with constant safety training as well as equipment that put operator safety as the top priority in addition to real time data analysis to help each operation understand how efficiently they are operating. The adoption of modern machinery allows them to better understand the true ROIC they are receiving, with better metrics to improve profitability.

Competitive Positioning:

Agriculture:

Cervus' size and scale ensure minimal downtime to customers. Cervus leverages its size and scale by providing customers a 24 hours uptime warranty. The vast network of dealerships, service bays, mobile technicians and its huge inventory in parts enables Cervus to provide quicker solutions over competitors. Cervus extensive capabilities make them the favorite supplier to meet upcoming and current consolidated farms expectations.

John Deere JDlink and precision technology suit demand for higher uptime. John Deere's constant innovative forward-thinking and superior investments in R&D among its competitors gives Cervus a competitive advantage by providing Cervus with leading-edge platforms in their equipment as a product differentiator in the markets. This technology also underpins the opportunity for Cervus to increase product support services revenue while at the same time increase and consolidate their customer base in the future.

Cervus dealership diversification helps mitigate markets' downturn risk and opens possibilities for growth. Cervus dealership locations in Western Canada, Australia, and New Zealand give Cervus the advantage of being better financially positioned over its competitors in cyclical markets with no downturn signaling. By being in three

markets, Cervus enjoys three completely different streams of revenue. Also unlike his competitors, Cervus has the opportunity to grow and consolidate in each location (Appendix 4a)

Cervus' strong reliance in the agriculture sector has reflected uncertainty in company performance.

Although Cervus has diversified revenue streams, a significant 67% of revenue of the company revenues rely on Western Canada agriculture operations. Cervus's strong dependency on Canadian net farm income has led the company results to be very uncertain throughout the years. Our team believes this is the biggest drawback that Cervus currently has and that their transitioning into product support will affect their performance in the short run. However, we do believe that if Cervus targets are met, they should be in a better position in terms of profitability and financial stability (Appendix 4b).

Transportation & Trucking

Peterbilt maintains an international presence & reputation as a superior quality truck. Peterbilt trucks have a reputation for reliability and best in class comfort. Engines, transmissions, drivetrains, and axles are sourced by their parent company PACCAR. PACCAR's MX engines are able to endure 1 million miles before requiring an engine overhaul. PACCAR integrated mechanics into Peterbilt trucks to allow their trucks to optimize fuel economy and minimize truck downtime. New Peterbilt trucks (Vocational and Long Haul) are priced higher than their competitors. Industry bottlenecks affect the ability of Peterbilt to be deemed an affordable fleet. Price point is becoming a more important concern to operators which is why Freightliner continues to dominate both United States and Canadian market share. Better resale values allow Cervus to attract top dollar for used Peterbilt trucks taken in on trade, while also reassuring customers that they are purchasing a new/used truck that will stand the test of time.

PACCAR's SMARTLINQ complements industry's demand for real time diagnosis and data. Narrow profit margins and competitive time frames for deliverables means trucks cannot afford inefficiencies. PACCAR's SMARTLINQ technology is a telematics system able to provide real time engine diagnostic issues, allowing technicians to deal with issues quickly and efficiently to ensure uptime. This technology is a complementary component to fuel Cervus' product support regardless of short-term decline of new truck sales.

Scalability of support network allows top quality service over industry competitors. Cervus' strategic acquisition of Peterbilt dealerships in Saskatchewan and Ontario provides Cervus with a national network to both source and repair customer trucks regardless of truck location. In addition, Cervus' continued desire to grow through acquisition will act as a catalyst to further grow network support. Therefore Cervus is able to beat competitors in truck uptime, and efficient quality of service (Appendix 4b, 4c).

Specialized sales of specialized dealership only parts: The growing complexity of engines and the computer systems being integrated into new production trucks promoted demand for certified mechanics who understand brand specific design and function. This promotes Cervus' brand loyalty of its customer base, as Cervus will be one of the few certified mechanical specialists in the Canadian region able to provide both parts and service effectively. Cervus can supply and maintain the vehicles needing fixing, as they also own the largest percentage of Peterbilt dealerships in Canada, which are regionally protected by dealership agreements created by Peterbilt themselves.

Industrial:

Minimal reconfiguration needed to meet a wide range of customer needs. Clark's ability to meet strict safety requirements of the hazardous material operations segment enhances their ability to meet less-stringent segments with ease.

Training services promote product support and new equipment sales. Cervus' safety inspections and safety training services provide an opportunity for upselling to customers when they are brought in. Calculated execution of this can produce product support revenue equal to the service provided; ultimately secure customer brand loyalty to Cervus.

Cervus future objective to be in closer geographical proximity to customers. Future strategy 2019 Q3 onward is to ensure geographical location of Cervus' Industrial operations are in closer proximity to customers. This will ensure faster serviceability and reduced transportation time of their mobile service providers. Faster completion of customer demands is seen as a direct way to increase customer loyalty and retention of product and service offerings to Cervus.

Financial Analysis

Cervus Financial Analysis was done by comparing it to 4 of its main competitors. All 2019 numbers were Sept 30th, trailing 12-month numbers.

Company Profitability on a Decline

Cervus's recent financial performance has been subject to higher declines when comparing itself to its peers with respect to gross margin, EBIT and EBITDA. Cervus's revenues have seen growth, however in the last 3 years (2017 -2019), their gross profit margins have dropped by 9%, EBIT margin by 50% and EBITDA margin by 25%. In comparison, their competitors' margins in these areas were all relatively stable (Appendix 5). This is a bad trend for Cervus as it leaves them with less capital each year that can be used to pay for other costs or pay off debt. Another area of concern for Cervus in recent years are its ROA, ROE and ROIC. In the last 3 years, their ROA has dropped by 59%, its ROE dropped by 76%, and its ROIC dropped by 62%. Again, with the exception of Rocky Mountain who saw the same drop offs, their competitors all had relatively stable numbers in these areas (Appendix 5). It should be noted that 2019 was an outlier here, which causes these percentages to look worse, however this is still a bad trend for Cervus as its competitors have clearly been better at using its assets and capital to generate profits for their companies.

2019 Was a Down Year for Cervus's Operational Efficiency

In recent years, operating efficiency is an area that Cervus has had an advantage when compared to its competitors. However, in 2019 we see a drop off in areas such as total asset turnover, accounts receivable turnover and inventory turnover. From 2018 to 2019 the asset turnover ratio sees a 27% drop from 2.6 to 1.9, accounts receivable sees a drop of 42% from 28.8 to 16.8 and inventory turnover goes from 3.7 to 2.7 for a 27% decline. In comparison their competitors all see stable numbers for the same period (Appendix 5). Compared to its peers, its numbers in 2019 are still on par or better, however, this is not a trend Cervus wants to see continuing in 2020 as it is a sign the company is no longer managing its assets efficiently.

Able to meet Short Term Obligations with Comparable Liquidity Ratios vs Peers

Its Current Ratio for 2018 and 2019 are 1.6 and 1.5, which is equal to the industry average of itself and its peers. (Appendix 5). This shows good liquidity from all companies. Where Cervus stands out is in its Cash Conversion Cycle, where it has 99 in 2018 and 125 in 2019. These are good numbers when compared to the industry average of its peers, which are 77.7 in 2018 and 63.9 in 2019. Timing is an important aspect of cash management, and this shows that although all companies have good liquidity metrics, Cervus is able to turn its investments, such as inventory and other resources into cash flows from sales faster than them.

2019 Sees Small Increase in Solvency Risk for Cervus

Debt to equity analysis saw a big jump from 2018 to 2019 of 84.7% to 149.6%, which is a 77% increase. Compared to its peers, which saw an average increase of only 15%. Cervus's EBITDA to Interest expense is another area that saw drastic dips in 2019, going from 5.7 in 2018 to 1.4 in 2019 a 75% decrease. Its peers in this area only saw a 30% decrease. Although 2019 is an outlier for Cervus, this is a sign that the company was a lot more leveraged than its competitors and might be relying too heavily on financing to pay its liabilities. If this should continue to trend into 2020, interest payment could become a concern for the company.

Valuation

Cervus Target Price:

We have calculated a target price of \$9.50. A detailed breakdown of our DCF can be found in Appendix 6. Our research shows that Cervus has a large dependency on the financial wealth of their customer base. Their customer base conducts business in competitive environments with low profit margins that can be affected by volatile commodity prices. Cervus maintains a relatively competitive position by selling equipment from respected brands and having an established product support network, but year to year revenue growth rates by category are inconsistent. Cervus has ambitious future goals, but historically misses more of their earnings guidance than they are able to beat. Figure 6 explains how we weighted our different forecasts of Cervus. The weights used to calculate our target price reflect the information stated above, where we anticipate management only able to partially deliver on their 5 year proposed plan.

Figure 6: Target Price Calculation

Final Value DCF				
DCF	Share Price	Weight	Contribution to Share Price	
Blue	\$ 17.52	5%	\$	0.88
Mix	\$ 11.94	80%	\$	9.55
Grey	\$ 4.17	15%	\$	0.63
Final DCF Value			\$	11.05

Calculating Target Price				
	Share Price	Weight	Contribution to Share Price	
DCF	\$ 11.05	0.8	\$	8.84
Multiples	\$ 3.30	0.2	\$	0.66
Cervus Target Price			\$	9.50
Upside relative to \$8.47 market value				12.19%

Source: Team Assessment

Figure 7: Historical Revenue Growth

Category	Historical				Average
Agriculture	2016A	2017A	2018A	9mon 2019A	
Equipment	2.1%	16.2%	15.9%	-24.0%	2.5%
Parts	4.3%	7.1%	0.1%	10.0%	5.4%
Service	1.8%	8.8%	3.9%	13.0%	6.9%
Rentals	7.6%	-18.1%	-2.3%	1.0%	-2.9%
Transportation					
Equipment	-2.6%	4.1%	28.5%	-17.0%	3.3%
Parts	-0.4%	-4.1%	11.0%	6.0%	3.1%
Service	-2.8%	-2.5%	15.2%	3.0%	3.2%
Rentals	2.7%	-26.6%	8.3%	-38.0%	-13.4%
Industrial					
Equipment	-29.1%	12.8%	-42.9%	-18.0%	-19.3%
Parts	-27.6%	3.9%	-50.7%	-21.0%	-23.8%
Service	-29.3%	5.6%	-48.8%	-9.0%	-20.4%
Rentals	-25.3%	-20.5%	-51.9%	34.0%	-15.9%

Source: Cervus Annual Report

Margins:

Gross profit margins for equipment, parts, service, and rentals within each can be seen in Appendix 9. We believe over time gross margins within all categories should improve with better effectiveness and efficiency that management is prioritizing with their revised business strategy. Despite expected improvement, our valuation holds sub-category margins constant. This allows our financial model to focus on realistic revenue growth within each sub-category correlated to each forecast. The only gross margin that will be subject to fluctuation is the total gross profit of each year divided by total revenue, as each model places emphasis on alternative realities of Cervus' future performance by segment.

Taxes:

Cervus has operations in Canada, New Zealand, and Australia, all countries subject to differing taxation regulations. All forecasts use an average tax rate of 27% based on 2016-2018 Cervus annual reports.

WACC:

We obtained a WACC of 7.3% for Cervus. The expected risk premium was defined to be 5.18% which led us to a preliminary cost of equity of 7.5%. Cervus low trading volume (+4% risk premium) and considerable exposure to Western Canada agriculture (+1.75% risk premium) led to an estimated 5.75% additional equity risk premium. Our WACC assumptions are presented below in more detail:

WACC Assumptions	
Risk Free rate	1.31% 10y Canadian Government Bond
Equity Risk Premium	5.80% Canadian market risk premium.
Beta	1.11 36-Month Beta
Cost of Equity	13.50% Calculated via CAPM + an additional 5.75% equity risk premium from team assesment
Pre tax cost of debt	4.11% Estimated future borrowing rate of Cervus
Tax rate	26.95% Cervus 2018 tax rate
After tax cost of debt	3%
WACC	7.30%

Source: Team Assessment

CAPEX:

Annual CAPEX was forecasted for 2019-2024 is based on a 2% annual growth rate. While acquisitions are a core strategy, we see the forecasting of acquisitions as a conditional requirement to make our valuation true. Excluding it from the valuation allowed us to focus on the effectiveness of Cervus' existing entities.

DCF & Forecasting

Blue Sky:

Blue Sky valuation anticipates strategic objectives regarding financial sustainability, providing a better customer experience, and a better balance between equipment sales and product support outlined at their investor day conference. Forecasted 2019 annual revenues will have equal representation to Cervus' 9 month September 2019. Consensus estimates indicate an optimistic 2019 annual revenue of -5% to 2018 and flatline growth for 2020. Estimates reflect concerns regarding transport margin tightening, and negative effects on net farm income of the 2019 crop season. 2021 onward, Blue Sky ignores past revenue performance by segment, and focuses on both the

capturing of market share within each category plus industry specific CAGR, honoring their competitive positioning, and optimistic product support growth. 2018 fiscal year, Cervus had record breaking sales of new equipment. An additional consideration we factor in is an abnormal influx in revenue for agriculture and transportation in 2022-2024. This relies on the statistic that 40% of heavy machinery owners in Canada own equipment for 3-5 years, meaning that because of record sales in 2018, 2022-2024 would be when customers begin to update their fleet.

Mixed:

Mixed forecast allocates a 50/50 weight on Blue Sky & Grey Sky. Cervus has a track record of missing guidance and under performing relative to the market. Cervus' new business structure is appealing to investors, however this model factors in a mix of both old habits and new habits that we anticipate Cervus to carry for the next 5 years. We have factored this into the Mixed model by averaging annual revenue growth in both Blue Sky and Grey Sky.

Grey Sky:

Grey Sky valuation illustrates a worst case scenario for Cervus. Worst case scenario foresees Cervus having an overall decline in revenue of 21% compared to 2018 year end, with flatline growth for 2020. Sharper decline based on greater loss of agriculture equipment sales and PACCAR forecasted production decrease at a higher -19% rate. This forecast anticipates future performance relative to historical performance of each segment, illustrating Cervus lacking the ability to adapt to the changes they said they were making at their investors day conference. This includes failing to better manage equipment inventory levels, and promote product support. 2021-2024 takes an average of revenue growth from 2016-2019 9 month September end, to smooth volatility in combination with gradual annual improvement. Improvement reflects ability to meet the low end of CAGR in each segment. This forecast also accounts for increased new equipment sales similar to Blue Sky.

Relative Valuation: Multiples Analysis

Multiple analysis reveals Cervus is overvalued selling at a premium.

We choose to use EV/Sales and EV/EBITDA as the most appropriate multiples to compare Cervus to its peers. We used EV/Sales and EV/EBITDA mainly because the industry is a very cyclical industry which depends highly on the ability for dealerships to generate revenues and cash flows throughout the year. Despite poor historical returns (ROE, ROA, ROIC), Cervus stock is currently trading at a premium to the market, likely due to its size and scale, potential for future growth and Cervus partnerships with leading dealer brands such as John Deere and Peterbilt, all providing a competitive edge in the industry among its peers. The peer group is comprised of medium to large multi-dealerships from the industrial, agriculture and transportation sector where Cervus operates. Finally, taking the forward EV/Sales and EV/EBITDA peer medians as an approximate for Cervus stock price result in an estimate of \$3.55 per share compared to market value of \$8.61 of Jan 30 2020, which weighs 20% of the total valuation analysis (Appendix 7).

Ticker	Peer Name	Price(Jan27)	ROA	ROE	ROIC	EPS Growth (5Y)	Market Cap (CAD,mill)
FTT	Finning International Inc.	23.54	5%	11.70%	6.90%	-3%	3895.2
TIH	Toromont Industries Ltd.	70.69	8%	20.60%	12.30%	17%	5867.9
RME	Rocky Mountain Dealerships	6.57	3%	2.20%	2.60%	-22%	129
NFI	NFI Group Inc.	29.33	4%	8.40%	6.00%	13%	1878.6
WJX	Wajax Corporation	15.01	5%	10.80%	7.40%	-7%	310.2
BUI	Buhler Industries Inc.	2.8	5%	-24.30%	-8.40%	NM	70

Source: Table Peer Analysis Data Source: S&P Capital IQ

Corporate Governance

Cervus Equipment Corporation's headquarters are based in Calgary, Alberta, Canada where executive management of all their holdings is conducted. Cervus operates under three segments: Agriculture, Transportation and Industrial based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results.

Group Executive Committee and Board of Directors: As of May 2019, Angela Lekatsas sits as the President and Chief Executive Officer of Cervus Equipment Corporation. Former President and C.E.O. Graham Drake has stepped down, but still is one of the major shareholders, holding 4.09% of shares outstanding. We believe that this change in executive leadership in combination with the skills and experience Angela Lekatsas brings to Cervus will further propel the bottom line of the company. In the last year, we have seen Cervus' first ever Investor Day

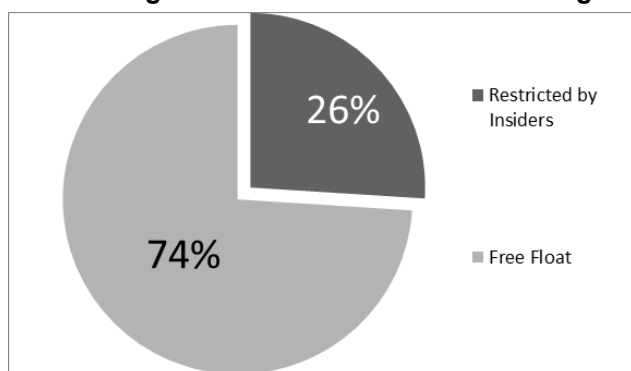
Conference. This conference is seen as a better effort of Cervus to not only be transparent with shareholders, but to also gain investor trust and confidence for future years. Assessing the executive leadership of Cervus we see 2/5 executives and 2/7 BoD members are highly experienced and qualified females helping promote executive diversity (Appendix 2a, 2b). Cervus also provides all staff and management with adequate means to bring forward confidential information with whistleblower policies to protect their occupation and safety.

Management Incentives: To enhance short term performance, management compensation will be based on the ability to meet objectives including absorption of 100-115%, product support GP dollar CAGR around 10%, and return on invested capital >20%. Long term incentives are purely based on stock performance in an effort to better place management in the shoes of the investor.

Environmental Sustainability and Corporate Responsibility: Cervus is subject to comply with a wide range of environmental laws and regulations. Such laws include those governing discharges into the air and water, the storage of petroleum substances and chemicals, the handling and disposal of wastes and the remediation of contamination. Aside from compliance with various laws regarding environmental impacts, there are no clear incentives for Cervus to go above compliance in such a way that would lead the public to consider them environmental leaders over their competitors. Cervus does however offer a variety of fuel types when it comes to all segments of business that include natural gas, clean-diesel, and electric.

Shareholder Base: Cervus currently has 15.33M shares outstanding with 26% of the shares restricted by insiders. Insider transactions have been primarily purchases of additional shares in the last year. This signifies corporate confidence in their future outlook of the business. The single largest shareholder of Cervus, Peter Alan Lacey, Cervus' Chairman of the Board, is in position of 18.1% of common shares (Appendix 2b). With Mr. Lacey owning such a large share in Cervus, this company recognizes that any sudden sales of his stock if he wished to sell, could lead to a significant short term decline in the share price. Despite this concern, Cervus still maintains a healthy free float of 74% helping increase stock resistance towards market transactions.

Figure 8: Cervus Shares Outstanding



Source: Yahoo Finance

Figure 9: Insider Transactions in 2019



Source: INK Research Corp., SEDI

Investment Risks

Strategic Risks:

Net Farm Income Risk: Sales of Cervus' agriculture equipment is significantly dependent on the finances of their customers. Quarterly performance depends on seasonal demand. Because agriculture contributes the most to revenue, impact is high, probability is moderate.

Lobbying: If manufacturers over-complicate equipment forcing users to rely on dealer only servicing, government regulation could be the result. Lobbyists may argue it is monopolistic practice, and the government could intervene. This would affect the brand name and reputation of the manufacturers that Cervus is in association with, if they are the ones at fault.

Market Risks:

Increasing Competition: Cervus has competitive competition in all segments. Mitigation to this is the dealership operations of leading manufacturers, while also differentiating through quality product support offerings. If other competitors are able to meet customer demands in ways that Cervus cannot, then Cervus' will lose sales and market share.

Technology / Innovation: Cervus' equipment sales in all segments are dependent on the competitive advantages established by manufacturers. If any of these manufacturers fail to innovate their product offerings to meet the specific demands of their consumers, Cervus will lose new equipment sales to other competitors.

Financial Risks:

Foreign exchange risks: Currency fluctuations of Canadian, American, Australian and New Zealand by just \$0.01 can affect exchange related expenses by >\$100,000. Cervus's purchase of equipment at one day's exchange rate, with sale of same equipment at a future rate affects gross equipment margin. Cervus business strategy regarding the hedging of currency is unclear. This poses minimal risk to comprehensive income, unless the rate of exchange experiences erratic volatility.

Potential Impairment of Goodwill: Intangible assets and goodwill make up only 12% of Cervus' total assets. Despite low contribution to total assets Impairment of goodwill could negatively affect investors' confidence.

Unsustainable Dividend: Despite Cervus' growing dividend, dividend growth rate is decreasing. Investors may lose with their attraction to Cervus if dividend growth continues to decelerate, or the dividend becomes unsustainable.

Interest rate risk: Cervus' cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt that bears interest at variable rates. A change of 100 basis points in interest rates would affect the interest expense of the company by \$2.0M. A future scenario may arise where they may struggle to pay its floor plan payables if inventory levels are high.

Accounting Taxation Changes: Changes to applicable tax rulings, accounting guidance, and taxation requirements can affect the financial result of Cervus. In the event they lack the proper reporting systems, errors may surface in public reports.

Failing Guidance: Investors may not be very forgiving if management makes negative changes or fails to deliver on expectations they have set to investors

Peter Lacey Share Sell-Off: Mr. Lacey owns 18.1% of the total shares outstanding for Cervus. In 2018 Mr. Lacey already sold 1 million shares, and future sales of shares could decrease per share value of Cervus stock.

Operational Risks:

Human Resources: sudden unexpected loss of key staff could negatively impact short-term company performance. Given the future growth strategy, Cervus needs to be able to attract new and maintain existing talent. This risk has a low likelihood but would pose a high impact on future growth of Cervus.

Acquisition and Integration risks: Results of operations can be negatively affected if Cervus fails to successfully identify, execute, or effectively integrate future acquisitions.

Risks related to product support: Cervus' product support performance relies on the need for it by the customer. Customers must see added value in selecting Cervus for parts, servicing, mobile technician access, inspections, and specialist offerings.

Regulatory and Legal Risks:

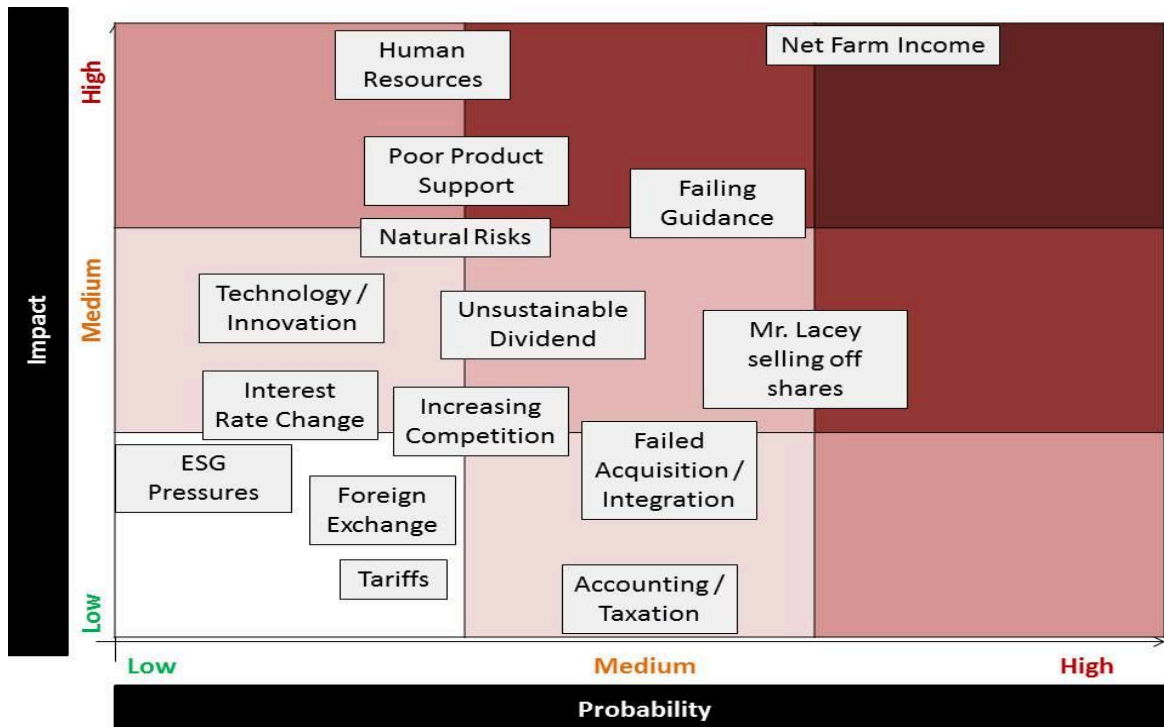
Tariffs: Policy changes resulting in higher tariffs on Cervus's imports could negatively affect financial performance. Historical impact has been insignificant to Cervus' performance, although steel related tariffs could affect equipment costs, and future sales.

ESG Pressures: Cervus has an obligation to properly handle both their hazardous and non-hazardous materials to government specifications. There is continued political pressure to reduce carbon footprint and prioritize social and environmental responsibility. New equipment Cervus sells meets new government specifications with emissions control technology.

Natural Risks:

Climate in Canada, New Zealand, and Australia can be subject to weather conditions that affect profitability of farmers. Such natural risks include, late spring thawing, early fall frost, low precipitation, flooding, wildfires, and drought (Appendix 1).

Appendix 1: Investment Risks



Source: Team Assessment, 2019 Cervus Annual Report.

Appendix 2: Corporate Governance

Appendix 2a: Major Shareholders of Cervus

Name	Equities	%
Peter Alan Lacey: Cervus Equipment Executive Chairman	2,777,764	18.1%
Burgundy Asset Management Ltd.	1,994,460	13.0%
Van Berkom & Associates, Inc.	1,716,620	11.2%
Invesco Canada Ltd.	990,419	6.46%
Norrep Capital Management Ltd.	896,130	5.85%
Graham Drake: Prior President / CEO Cervus Equipment	626,584	4.09%
Beutel, Goodman & Co. Ltd.	622,680	4.06%
BC Investment Management Corp.	530,573	3.46%
1832 Asset Management LP	518,700	3.38%
Pembroke Management Ltd.	505,200	3.30%

Source: Yahoo Finance

Appendix 2b: Executive Leadership

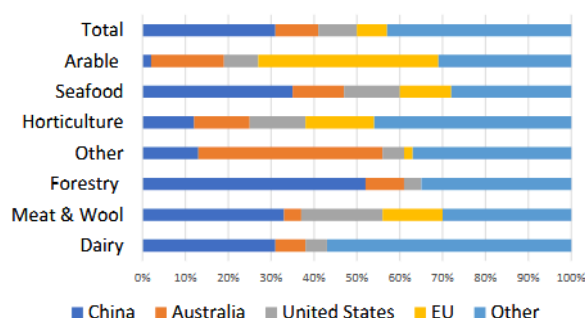
Name:	Experience:	Title:
Angela Lekatsas	<ul style="list-style-type: none"> -Appointed President and Chief Executive Officer in May 2019. -Independent member of the Board of Directors since 2013 -Finance and operational experience in Agriculture, Manufacturing, Mining and Distribution -Chartered Professional Accountant (CPA, CA) and Bachelor of Commerce. -Holds the Institute of Corporate Directors ICD.D designation from the University of Toronto Rotman School of Management 	President & Chief Executive Officer
Adam Lowther	<ul style="list-style-type: none"> -Company's Director of Finance since 2013 before being appointed Chief Financial Officer. -Held various management roles in valuation and finance in both public practice and the private sector prior. -Designated CA, CPA, Chartered Business Valuator and a Chartered Financial Analyst. Holds a Bachelor of Commerce. 	Chief Financial Officer
Stella Cosby	<ul style="list-style-type: none"> -Joined Cervus in 2014 -Has held leadership positions for 25+ years in agriculture, financial, transportation and chemical industries. -Master of Arts in Organizational Systems Renewal, a Bachelor of Arts in Sociology, a Graduate Certificate in Executive Coaching, and is a graduate of the Institute of Corporate Directors (ICD) Education Program. -On the Board of Directors for CES Energy Solutions Corporation. 	Vice President, People
Fred Hnatiw	<ul style="list-style-type: none"> -Appointed to Vice President, Operations, Transportation and Industrial in 2017. -Prior, served as Vice President, Commercial and Industrial since 2013. -25+ years of experience working as a leader in agriculture, oil and gas and retail industries. -Has a Master of Business Administration and Bachelor of Commerce, designated Charter Director (C.Dir.), and holds a Certificate in Executive Leadership Coaching from the International Coach Federation 	Vice President, Operations, Transportation and Industrial
Scott Johnston	<ul style="list-style-type: none"> -Joined Cervus in January 2016 as General Manager, Agriculture Saskatchewan. -Has prior executive leadership experience as VP and Chief Operating Officer of Siemens Transportation Group and President, Co-Owner and Chief Operating Officer of the Yanke Group of Companies. -Critical role in qualifying Cervus Ag Saskatchewan for John Deere's Leaders Club for the first time since its inception in 2002, and as of 2018 is recognized as the number #1 John Deere Dealer Group. 	Vice President, Agriculture Canada

Source: Cervus Equipment

Appendix 3: Industry Overview

Appendix 3a: New Zealand Agriculture Statistics

New Zealand Exports by Country



Source: NZ Government – SOPI September 2019 report

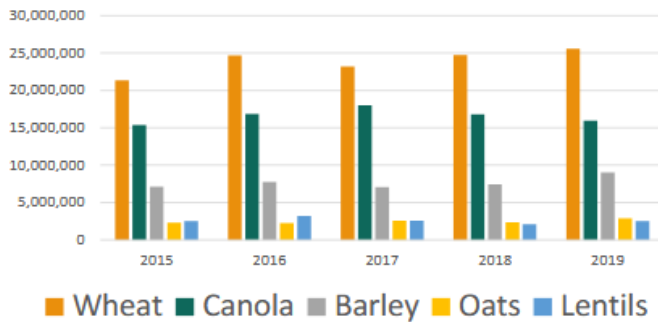
Primary Industries Export Revenue 2017-21 (NZ\$ million)

Export	2017	2018	2019	2020	2021
Dairy	14,638	16,655	18,120	18,620	18,940
Meat and Wool	8,355	9,542	10,168	10,070	10,150
Forestry	5,482	6,382	6,931	5,810	6,350
Horticulture	5,165	5,376	6,110	6,340	6,510
Seafood	1,744	1,777	1,963	2,070	2,180
Arable	197	243	236	240	245
Other primary sector	2,638	2,706	2,852	3,000	3,090

Source: NZ Government – SOPI September 2019 report

Appendix 3b: Canada Agriculture Statistics

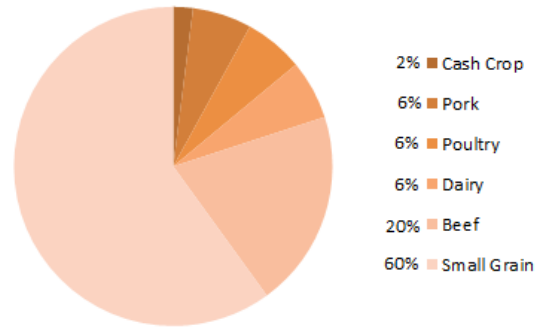
Top 5 Cash Crops: Tonnes Production (AB & SK)



Source: Statistics Canada. Table 32-10-0359-01

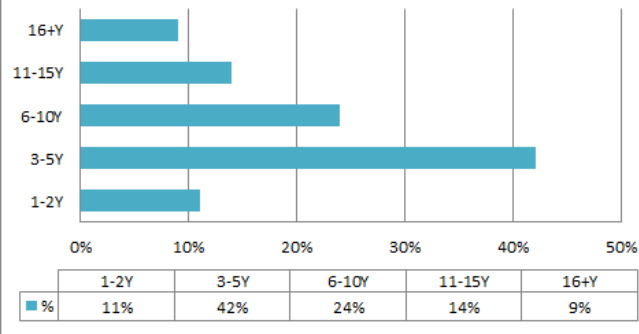
Source: 2019 Investor Day Presentation

Cervus' Agriculture Customer Profile



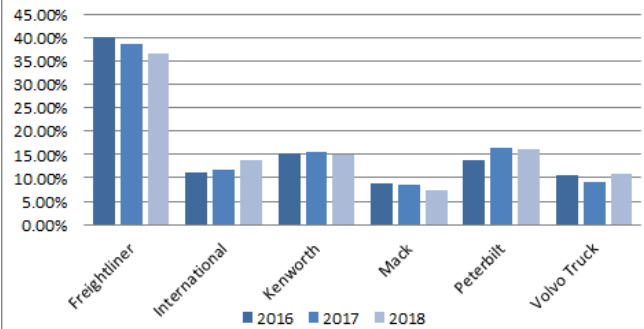
Appendix 3c: Transportation

Avg. Age of Operating Equipment (Canada)



Source: Smith-38, 2020

Class 8: Class 8 Truck Market Share United States



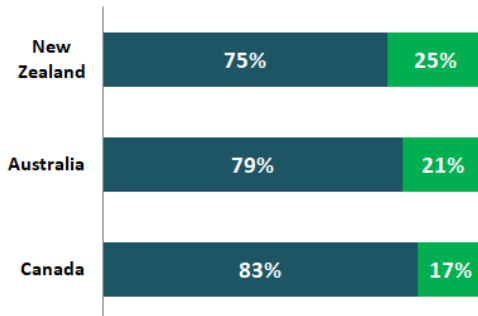
Source: iWagner 2019

Appendix 4: Competitive Positioning

Appendix 4a: Contribution to Revenue

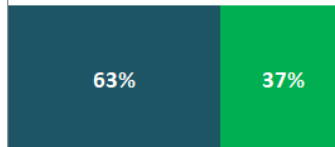
Agriculture Contribution to Revenue

Whole Goods Revenue Product Support Revenue



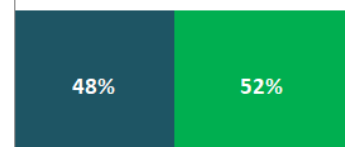
Transportation Contribution to Revenue

Whole Goods Revenue Product Support Revenue



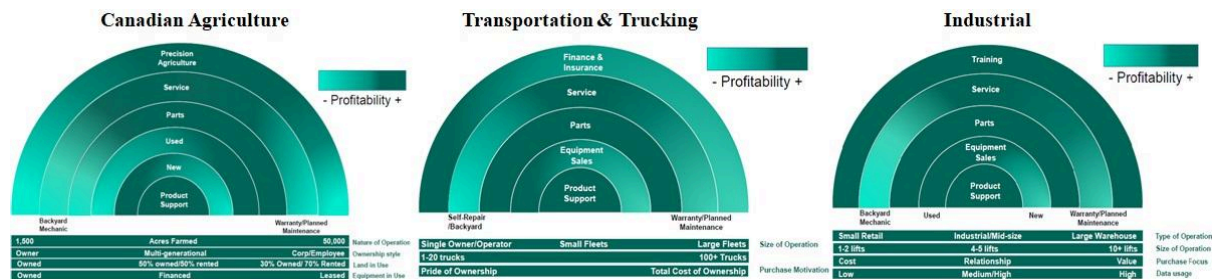
Industrial Contribution to Revenue

Whole Goods Revenue Product Support Revenue



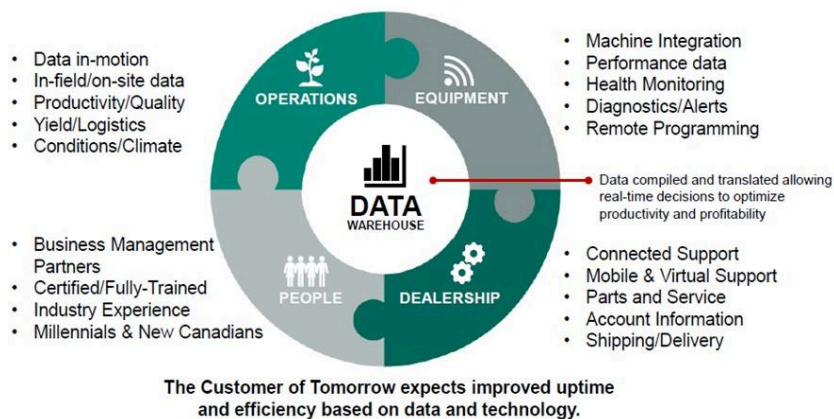
Source: 2019 Investor Day Presentation

Appendix 4b: Cervus' Specified Profitability Matrix



Source: 2019 Investor Day Presentation

Appendix 4c: Key Success Drivers Outline by Cervus



Source: 2019 Investor Day Presentation

Appendix 4a: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> -Largest Diversified dealer -Specialized and skilled management and staff -Dealer of world-leading brands: John Deere and Peterbilt -Premier dealership locations -Close relationship with customers -Outstanding product support -Good M&A executions 	<ul style="list-style-type: none"> -Heavy reliance on agriculture segment performance -Cyclical markets with no downturn signaling -High dependency on customer profitability for future equipment sales -Inefficient inventory management
Opportunities	Threats
<ul style="list-style-type: none"> -Can expand geographic and industry footprint -Can strengthen financial performance -Can grow product support offerings -Growth product support sales -Precision Agriculture capabilities -Can better manage inventory in the agriculture segment -Rising global population leading to greater demand for food, meaning more business for Cervus -Could end market consolidation -Capitalize demand for industrial rentals -Underserved markets to operate in the Industrial segment. -Expand storage solutions in the Industrial segment. -Cross divisional opportunities in sales and increasing the customer base for the Industrial segment 	<ul style="list-style-type: none"> -Uncertainty in adverse macroeconomic factors impacting end market margins -Reliance on key manufacturers and dealership arrangements -New regulation or taxes -Increase in interest rates affecting inventory carrying costs -Unfavorable changes in exchange rate volatility -Volatile fluctuation in commodity prices -Cyber-attacks, computer viruses or terrorism that may disrupt operations and harm operations results

Source: Team Assessment

Appendix 4b: Porter's 5 Forces

1.The threat of new entrants:

Agriculture, Transportation, and Industrial (Low): Significant amounts of capital invested as well as skilled labor to enter the industries. All of the industries leverage benefits from economies of scale and hence, the entry barriers are high. However it is important to mention that profitable industries attract new entrants, but with the large capital requirement, good supplier relations, and legal barriers the threat of entry is almost paralyzed.

2.Industry Rivalry:

Agriculture, Transportation, and Industrial (High) The industries are highly competitive with many “inline” competitors as well as many other authorized OEM dealers near communities where Cervus dealerships are located.

3.Bargaining power of customers:

Agriculture and Transportation (Moderate) Buyers are willing to pay higher prices for quality, proven and innovative equipment. There is a low buyer concentration, moderate switching costs, the consumer is less price-sensitive, alternative suppliers are easy to find and there is no significant threat of backward integration by the buyer.

Industrial (low): Buyers’ willingness to pay is moderate due to strong safety regulation. There is a low buyer concentration, moderate switching costs, the consumer is less price-sensitive, alternative suppliers are easy to find and there is no significant threat of backward integration by the buyer.

4.The Threat of Substitute Products or Services:

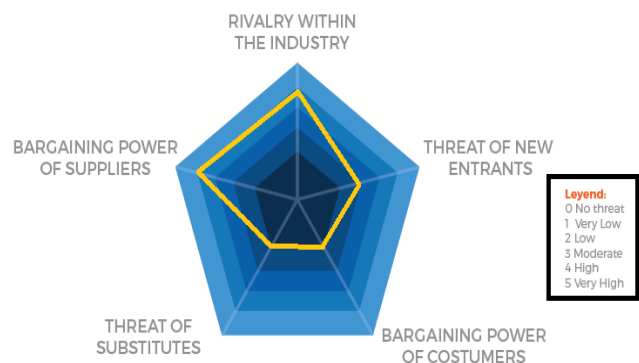
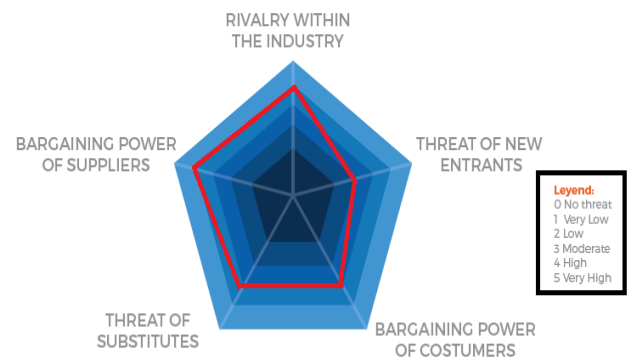
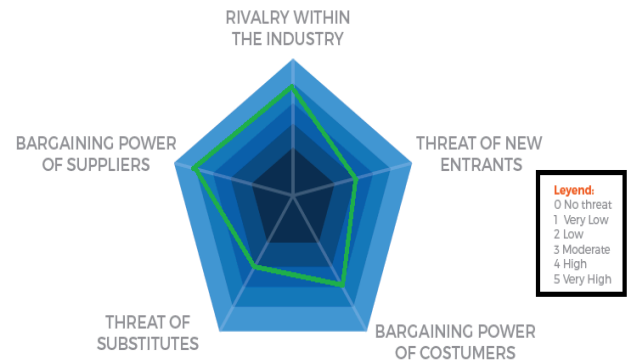
Agriculture and industrial (Low): The threat of substitute products in the industries is really low. The industry deals with highly sophisticated technologies that are developing constantly and meeting end-market demands. This will not be easy to penetrate. There are direct substitutes for agriculture equipment or industrial equipment.

Transportation (Moderate): The threat of substitutes is moderate as planes and trains are direct substitutes for trucks. The industry also deals with highly sophisticated technology that is developing constantly and meeting end-market demands

5. Bargaining Power of Suppliers:

Agriculture, Transportation, and Industrial (High): OEM has the ability to eliminate the dealer contract or to make things more difficult for the dealer if contract guidelines are not met. Switch costs are too high for a dealer to look for new OEM and vice-versa.

Source: Team Assessment



Appendix 5: Financial Analysis

Long Term Solvency								
Total Debt/Equity	2018	2019	Total Debt/Capital	2018	2019	LT Debt/Equity	2018	2019
Cervus	84.7%	149.6%	Cervus	45.9%	59.9%	Cervus	13.3%	49.7%
Rocky Mountain	216.8%	251.4%	Rocky Mountain	68.4%	71.5%	Rocky Mountain	15.5%	25.6%
Toromont	48.6%	46.7%	Toromont	32.7%	31.9%	Toromont	48.5%	46.3%
Ritchie Bros	88.7%	99.5%	Ritchie Bros	47.0%	49.9%	Ritchie Bros	84.8%	94.6%
Finning International	72.9%	108.8%	Finning International	42.2%	52.1%	Finning International	65.4%	74.0%
LT Debt/Capital	2018	2019	Total Liab/Total Assets	2018	2019	EBIT/InterestExp	2018	2019
Cervus	7.2%	19.9%	Cervus	54.6%	65.0%	Cervus	5.7	1.4
Rocky Mountain	4.9%	7.3%	Rocky Mountain	70.6%	72.8%	Rocky Mountain	3.2	1.6
Toromont	32.7%	31.5%	Toromont	59.0%	57.3%	Toromont	12.1	14.6
Ritchie Bros	44.9%	47.4%	Ritchie Bros	59.3%	64.2%	Ritchie Bros	4.2	4.8
Finning International	37.8%	35.4%	Finning International	63.0%	66.4%	Finning International	6.5	4.8
EBITDA/Interest Exp	2018	2019	TotalDebt/EBITDA	2018	2019	NetDebt/EBITDA	2018	2019
Cervus	7.6	3.1	Cervus	3.7	8.8	Cervus	3.5	8.7
Rocky Mountain	3.8	2.0	Rocky Mountain	9.0	14.0	Rocky Mountain	8.8	13.7
Toromont	16.6	20.1	Toromont	1.3	1.2	Toromont	0.6	0.8
Ritchie Bros	5.3	6.0	Ritchie Bros	3.2	3.3	Ritchie Bros	2.1	2.1
Finning International	9	7.5	Finning International	2.5	3.3	Finning International	1.8	2.9

Short Term Liquidity														
Company	Current		Quick		Cash From Operations to Liabilities		Day Sales Outstanding		Days Inventory Outstanding		Days Payable Outstanding		Cash Conversion Cycle	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Cervus	1.6	1.5	0.2	0.2	0.1	0.2	12.7	21.7	99.7	132.8	13.8	29.2	98.6	125.3
Rocky Mountain	1.4	1.3	0.1	0.1	0.1	0.1	12.9	11.6	206.7	266.7	8.8	11	210.8	267.3
Toromont	1.6	1.6	0.8	0.7	0.4	0.1	50.7	52.6	114.1	132.5	95.6	110.9	69.2	74.2
Ritchie Bros	1.4	1.2	0.8	0.9	0.3	0.5	29.7	67.7	51.8	36.8	172.1	310	-90.5	-205.5
Finning International	2.0	1.7	0.9	0.6	0.1	0.1	55.3	56.7	131.6	129.5	77.6	66.4	109.3	119.9

Company	Total Asset Turnover		Fixed Asset Turnover		Accounts Receivable Turnover		Inventory Turnover	
	2018	2019	2018	2019	2018	2019	2018	2019
Cervus	2.6	1.9	22.4	12.0	28.8	16.8	3.7	2.7
Rocky Mountain	1.6	1.3	22.8	13.0	28.2	31.5	1.8	1.4
Toromont	1.1	1.1	3.8	3.6	7.2	6.9	3.2	2.8
Ritchie Bros	0.6	0.6	2.3	2.4	12.3	5.4	7.0	9.9
Finning International	1.3	1.3	6.8	6.3	6.6	6.4	2.8	2.8

Source: Table data source: S&P Capital IQ

Appendix 6: Valuation (\$CAD in Thousands)

Appendix 6a: Forecasted Revenue Growth in Each Model

Blue Sky Growth Rates							Grey Sky Growth Rates							Mix Growth Rates						
Forecast							Forecast							Forecast						
Category	2019E	2020E	2021E	2022E	2023E	2024E	Category	2019E	2020E	2021E	2022E	2023E	2024E	Category	2019E	2020E	2021E	2022E	2023E	2024E
Agriculture							Agriculture							Agriculture						
Equipment	-24.0%	0.1%	2.0%	3.4%	3.4%	3.4%	Equipment	-24.0%	-5.0%	2.0%	3.0%	3.0%	1.2%	Equipment	-24.00%	-2.45%	2.00%	3.20%	3.20%	2.30%
Parts	10.0%	15.0%	12.0%	5.0%	3.4%	3.4%	Parts	10.0%	5.3%	5.3%	4.0%	3.4%	3.4%	Parts	10.00%	10.15%	8.65%	4.50%	3.40%	3.40%
Service	13.0%	17.0%	7.0%	7.0%	7.0%	7.0%	Service	13.0%	6.7%	6.7%	5.0%	5.0%	5.0%	Service	13.00%	11.85%	6.85%	6.00%	6.00%	6.00%
Rentals	1.0%	2.0%	2.9%	2.9%	2.9%	2.9%	Rentals	1.0%	0.5%	0.5%	0.5%	1.0%	1.0%	Rentals	1.00%	1.25%	1.70%	1.70%	1.95%	1.95%
Transportation							Transportation							Transportation						
Equipment	-17.0%	-13.0%	2.5%	3.5%	4.0%	4.0%	Equipment	-17.0%	-19.0%	2.0%	3.5%	3.5%	2.0%	Equipment	-17.00%	-16.00%	2.25%	3.50%	3.75%	3.00%
Parts	6.0%	10.0%	10.0%	6.0%	4.0%	4.0%	Parts	6.0%	10.0%	10.0%	3.2%	3.2%	4.0%	Parts	6.00%	10.00%	10.00%	4.60%	3.60%	4.00%
Service	3.0%	8.0%	7.0%	7.0%	7.0%	7.0%	Service	3.0%	8.0%	7.0%	3.1%	3.1%	3.1%	Service	3.00%	8.00%	7.00%	5.05%	5.05%	5.05%
Rentals	-38.0%	1.0%	2.9%	2.9%	2.9%	2.9%	Rentals	-38.0%	1.0%	2.3%	2.3%	2.3%	2.3%	Rentals	-38.00%	1.00%	2.60%	2.60%	2.60%	2.60%
Industrial							Industrial							Industrial						
Equipment	-18.0%	1.9%	1.9%	1.9%	1.9%	1.9%	Equipment	-18.0%	0.8%	0.8%	0.8%	0.8%	0.8%	Equipment	-18.00%	1.35%	1.35%	1.35%	1.35%	1.35%
Parts	-21.0%	0.8%	0.8%	1.9%	1.9%	1.9%	Parts	-21.0%	0.8%	0.8%	0.8%	0.8%	0.8%	Parts	-21.00%	0.80%	0.80%	1.35%	1.35%	1.35%
Service	-9.0%	0.8%	0.8%	1.9%	1.9%	1.9%	Service	-9.0%	0.8%	0.8%	0.8%	0.8%	0.8%	Service	-9.00%	0.80%	0.80%	1.35%	1.35%	1.35%
Rentals	34.0%	20.0%	7.0%	5.0%	2.9%	2.9%	Rentals	34.0%	20.0%	5.0%	0.8%	0.8%	0.8%	Rentals	34.00%	20.00%	6.00%	2.90%	1.85%	1.85%

Source: Team Assessment

Appendix 6b: Blue Sky

Forecasted Revenue Growth

Category	Forecast					
	2019E	2020E	2021E	2022E	2023E	2024E
Agriculture						
Equipment	-24.0%	0.1%	2.0%	3.4%	3.4%	3.4%
Parts	10.0%	15.0%	12.0%	5.0%	3.4%	3.4%
Service	13.0%	17.0%	7.0%	7.0%	7.0%	7.0%
Rentals	1.0%	2.0%	2.9%	2.9%	2.9%	2.9%
Transportation						
Equipment	-17.0%	-13.0%	2.5%	3.5%	4.0%	4.0%
Parts	6.0%	10.0%	10.0%	6.0%	4.0%	4.0%
Service	3.0%	8.0%	7.0%	7.0%	7.0%	7.0%
Rentals	-38.0%	1.0%	2.9%	2.9%	2.9%	2.9%
Industrial						
Equipment	-18.0%	1.9%	1.9%	1.9%	1.9%	1.9%
Parts	-21.0%	0.8%	0.8%	1.9%	1.9%	1.9%
Service	-9.0%	0.8%	0.8%	1.9%	1.9%	1.9%
Rentals	34.0%	20.0%	7.0%	5.0%	2.9%	2.9%

Income Statement

Income Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Revenue										
By Segment										
Equipment sales	829,922	808,661	911,781	1,041,835	813,986	784,840	801,528	828,466	857,395	887,349
Parts	201,860	200,953	208,863	206,128	221,959	251,378	279,510	293,994	304,343	315,059
Service	82,288	79,973	84,464	86,502	94,650	108,066	115,434	123,351	131,819	140,877
Rentals	19,808	20,352	16,177	15,572	14,294	14,704	15,171	15,634	16,087	16,553
Total Revenue	1,133,878	1,109,939	1,221,285	1,350,037	1,144,888	1,158,987	1,211,643	1,261,445	1,309,644	1,359,839
Agriculture										
Equipment sales	522,851	533,716	620,011	718,866	546,338	546,885	557,822	576,788	596,399	616,677
Parts	127,172	132,629	142,027	142,228	156,451	179,919	201,509	211,585	218,778	226,217
Service	51,841	52,782	57,436	58,686	67,446	78,911	84,435	90,346	96,670	103,437
Rentals	12,479	13,432	11,000	10,745	10,852	11,069	11,390	11,720	12,060	12,410
Total Agriculture Revenue	714,343	732,560	830,474	931,526	781,087	816,784	855,157	890,439	923,908	958,740
Cost of Goods Sold					(670,783)	(692,413)	(720,474)	(748,420)	(775,144)	(802,867)
Gross Profit					110,304	124,371	134,683	142,019	148,764	155,873
Transportation										
Equipment sales	215,780	210,252	218,827	281,295	233,475	203,123	208,202	215,489	224,108	233,072
Parts	52,484	52,248	50,127	55,655	58,994	64,893	71,383	75,665	78,692	81,840
Services	21,395	20,793	20,271	23,356	24,056	25,981	27,799	29,745	31,827	34,055
Rentals	5,150	5,292	3,882	4,204	2,607	2,633	2,709	2,788	2,869	2,952
Total Transportation Revenue	294,808	288,584	293,108	364,510	319,132	296,630	310,093	323,687	337,496	351,919
Cost of Goods Sold					(279,967)	(255,073)	(265,293)	(276,182)	(287,548)	(299,392)
Gross Profit					39,165	41,557	44,799	47,505	49,948	52,528
Industrial										
Equipment sales	91,291	64,693	72,942	41,673	34,172	34,832	35,504	36,189	36,888	37,600
Parts	22,205	16,076	16,709	8,245	6,514	6,566	6,618	6,744	6,872	7,003
Services	9,052	6,398	6,757	3,460	3,149	3,174	3,199	3,260	3,322	3,385
Rentals	2,179	1,628	1,294	623	835	1,002	1,072	1,125	1,158	1,192
Total Industrial Revenue	124,727	88,795	97,703	54,001	44,669	45,573	46,393	47,319	48,240	49,179
Cost of Goods Sold					(32,416)	(33,041)	(33,637)	(34,298)	(34,963)	(35,640)
Gross Profit					12,253	12,532	12,756	13,021	13,277	13,539
Overall										
Overall Gross Margin	18.30%	17.20%	17.10%	15.70%	14.13%	15.40%	15.87%	16.06%	16.19%	16.32%
Total revenue	1,133,878	1,109,939	1,221,285	1,350,037	1,144,888	1,158,987	1,211,643	1,261,445	1,309,644	1,359,839
Cost of Goods Sold	(926,378.3)	(919,029.5)	(1,012,445.3)	(1,138,081.2)	(983,166.1)	(980,527.7)	(1,019,404.7)	(1,058,900.0)	(1,097,654.5)	(1,137,898.5)
Gross Profit	207,499.7	190,909.5	208,839.7	211,955.8	161,722.2	178,459.4	192,237.8	202,544.6	211,989.1	221,940.2
Other income (loss)	(1,719)	13,938	1,112	3,443	2,862	2,897	3,029	3,154	3,274	3,400
Selling, general and administrative expense:										
Wages and benefits	(106,731)	(98,216)	(101,530)	(102,204)	(99,137.88)	(101,120.64)	(103,143.05)	(105,205.91)	(107,310.03)	(109,456.23)
Depreciation and amortization	(12,953)	(12,833)	(10,608)	(9,884)	(9,587.48)	(9,779.23)	(9,974.81)	(10,174.31)	(10,377.80)	(10,585.35)
Occupancy costs including maintenance	(15,701)	(16,481)	(21,609)	(21,607)	(22,039.14)	(22,479.92)	(22,929.52)	(23,388.11)	(23,855.87)	(24,332.99)
Operating and administrative expenses	(44,198)	(36,901)	(42,392)	(39,350)	(38,563.00)	(39,334.26)	(40,120.95)	(40,923.36)	(41,741.83)	(42,576.67)
Income from operating activities	26,198	40,417	33,753	42,354	(4,743)	8,643	19,099	26,006	31,978	38,389
Net finance costs	(11,233)	(10,495)	(5,379)	(5,498)	(5,506)	(5,513)	(5,521)	(5,529)	(5,537)	(5,544)
Share of profit of equity accounted investees, net of income	542	489	(4)	124	-	-	-	-	-	-
Income before income tax expense	15,507	30,411	28,370	36,980	(10,249)	3,129	13,577	20,478	26,441	32,844
Income tax (expense) recovery	(42,327)	(7,042)	(9,046)	(9,965)	2,767.16	(844.94)	(3,665.91)	(5,528.96)	(7,139.10)	(8,867.94)
Net Income (loss) for the year	(26,820)	23,369	19,324	27,015	(7,482)	2,284	9,912	14,949	19,302	23,976
Other comprehensive income										
Foreign currency translation differences for foreign operations, net of tax	1,639	(612)	(1,028)	315	350					
Total comprehensive income (loss) for the year	(25,181)	22,757	18,296	27,330	(7,132)	2,284	9,912	14,949	19,302	23,976
Income (loss) attributable to:										
Shareholders of the Company	(25,782)	23,100	19,917	26,579	22,540	22,818	23,854	24,835	25,784	26,772
Non-controlling interest	42	(188)	(5)	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	(25,740)	22,912	19,912	26,579	22,540	22,818	23,854	24,835	25,784	26,772

Balance Sheet

Balance Sheet	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Assets										
Current assets										
Cash and cash equivalents	11,955	14,542	14,502	6,106	6,678	8,760	12,158	16,158	20,776	25,572
Trade and other accounts receivable	66,850	54,986	53,529	71,969	62,533	65,303	71,270	77,699	84,668	91,913
Inventories	317,726	255,231	290,524	330,627	277,386	276,802	283,377	288,025	291,030	294,185
Assets held for sale	9,247	-	26,280	-	-	-	-	-	-	-
Total current assets	405,778	324,759	384,835	408,702	346,597	350,865	366,805	381,882	396,474	411,669
Non-current assets										
Other long-term assets	10,584	9,537	8,423	9,375	7,950	8,048	8,414	8,760	9,094	9,443
Property and equipment	141,799	75,498	62,175	58,328	49,465	50,074	52,349	54,500	56,583	58,751
Right-of-use assets	-	-	-	-	-	-	-	-	-	-
Intangible assets	51,008	46,514	39,742	42,640	36,161	36,606	38,269	39,842	41,364	42,950
Goodwill	20,616	20,544	18,880	21,624	18,338	18,564	19,407	20,205	20,977	21,781
Total non-current assets	224,007	152,093	129,220	131,967	111,914	113,292	118,439	123,307	128,019	132,925
Total assets	629,785	476,852	514,055	540,669	458,510	464,156	485,244	505,189	524,492	544,594
Liabilities										
Current liabilities										
Trade and other liabilities	97,294	84,340	87,317	78,352	66,446	67,264	70,320	73,210	76,008	78,921
Floor plan payables	168,643	86,091	125,573	157,615	133,664	135,310	141,458	147,272	152,899	158,759
Current portion of term debt	17,917	15,720	11,122	13,964	11,842	11,988	12,533	13,048	13,546	14,065
Current portion of finance lease obligation	-	-	-	3,770	3,197	3,236	3,384	3,523	3,657	3,797
Debt payable	-	33,899	-	-	-	-	-	-	-	-
Liabilities associated with assets held for sale	4,037	-	12,250	-	-	-	-	-	-	-
Total current liabilities	287,891	220,050	236,262	253,701	215,149	217,799	227,694	237,053	246,110	255,543
Non-current liabilities										
Term debt	87,661	21,660	32,170	25,123	21,305	21,568	22,548	23,474	24,371	25,305
Finance lease obligation	16,351	10,695	10,416	7,501	6,361	6,439	6,732	7,009	7,277	7,555
Debt payable	32,941	-	-	-	-	-	-	-	-	-
Deferred income tax liability	11,648	10,608	9,954	8,843	7,499	7,592	7,936	8,263	8,578	8,907
Total non-current liabilities	148,601	42,963	52,540	41,467	35,166	35,599	37,216	38,746	40,226	41,768
Total liabilities	436,492	263,013	288,802	295,168	250,315	253,397	264,910	275,798	286,337	297,311
Shareholder's Equity										
Shareholders' capital	88,270	89,863	88,163	86,540	73,390	74,293	77,669	80,861	83,951	87,168
Deferred share plan	7,098	7,520	7,455	8,693	7,372	7,463	7,802	8,123	8,433	8,756
Other reserves	5,182	5,195	5,195	5,195	4,406	4,466	4,662	4,854	5,040	5,233
Accumulated other comprehensive income	1,831	1,219	191	506	429	434	454	473	491	510
Retained earnings	89,413	108,731	124,249	144,567	122,599	124,109	129,747	135,080	140,242	145,617
Total equity attributable to equity holders of the Company	191,794	212,528	225,253	245,501	208,195	210,759	220,334	229,391	238,156	247,283
Non-controlling interest	1,499	1,311	-	-	-	-	-	-	-	-
Total equity	193,293	213,839	225,253	245,501	208,195	210,759	220,334	229,391	238,156	247,283
Total Liabilities & Shareholder's Equity	629,785	476,852	514,055	540,669	458,510	464,156	485,244	505,189	524,492	544,594

Cash Flow Statement

Cash Flow Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Operating Cash Flow										
Income (loss) for the period	(27,379)	23,524	19,912	26,579	22,540	22,818	23,854	24,835	25,784	26,772
Adjustments for:										
Income tax expense	42,327	7,042	9,046	9,965	(2,767)	845	3,666	5,529	7,139	8,868
Depreciation	13,093	12,487	12,355	10,856	9,206	9,320	9,743	10,144	10,531	10,935
Amortization of intangibles	4,820	5,247	5,302	4,255	3,608	3,653	3,819	3,976	4,128	4,286
Equity settled share-based payment transactions	1,077	1,145	692	1,514	1,284	1,300	1,359	1,415	1,469	1,525
Net finance costs	13,376	12,368	6,805	6,661	5,649	5,718	5,978	6,224	6,462	6,709
Unrealized foreign exchange (gain) loss	2,810	(3,501)	(890)	1,199	1,017	1,029	1,076	1,120	1,163	1,208
Non-cash write-down of inventories	4,661	6,158	5,624	11,513	9,764	9,884	10,333	10,757	11,169	11,597
(Gain) on sale of property and equipment	(1,358)	(4,206)	(1,680)	(644)	(546)	(553)	(578)	(602)	(625)	(649)
(Gain) on sale of asset held for sale	-	(1,373)	-	(480)	(407)	(412)	(431)	(449)	(466)	(483)
(Gain) on sale of equity accounted investees	-	(4,146)	-	(765)	(649)	(657)	(687)	(715)	(742)	(771)
(Share of profit) of equity accounted investees, net of tax	(542)	(489)	4	(124)	(105)	(106)	(111)	(116)	(120)	(125)
Distributions from equity investments	-	761	148	-	-	-	-	-	-	-
Change in non-cash working capital	(7,993)	(2,236)	(6,264)	(38,874)	(17,235)	(19,465)	(19,938)	(23,052)	(24,864)	(26,710)
Cash generated from operating activities	44,832	32,649	51,054	31,655	31,358	33,374	38,084	39,067	41,027	43,161
Cash taxes paid	(7,760)	(4,978)	(10,593)	(11,454)	(9,713)	(9,833)	(10,280)	(10,702)	(11,111)	(11,537)
Interest paid	(13,398)	(11,507)	(6,868)	(7,512)	(6,370)	(6,449)	(6,742)	(7,019)	(7,287)	(7,567)
Net cash provided from operating activities	23,674	16,164	33,593	12,689	15,274	17,092	21,062	21,346	22,628	24,058
Cash flows from investing activities										
Interest received	195	169	484	854	724	733	766	798	828	860
Business acquisitions (net of cash received)	-	-	-	(12,595)	-	-	-	-	-	-
Purchase of property and equipment	(19,539)	(6,410)	(8,181)	(12,854)	-	-	-	-	-	-
Payments for intangible assets	(1,479)	(954)	(451)	(622)	(527)	(534)	(558)	(581)	(603)	(627)
Final working capital payments on business combination	(7,997)	-	-	1,971	1,671	1,692	1,769	1,842	1,912	1,985
Proceeds from disposal of property and equipment	7,255	62,295	10,604	4,911	-	-	-	-	-	-
Proceeds from asset held for sale	150	7,765	-	-	-	-	-	-	-	-
Proceeds from sale of Commercial operations	-	-	-	14,218	-	-	-	-	-	-
Proceeds from disposal of equity accounted investee	-	9,131	-	-	-	-	-	-	-	-
Proceeds from dissolution of Deerstar Systems Inc.	-	-	1,179	-	-	-	-	-	-	-
Net cash provided from / (used in) investing activities	(21,415)	71,996	3,635	(4,117)	1,868	1,891	1,977	2,058	2,137	2,219
Cash flows from financing activities										
Net (repayments)/proceeds from term debt	8,696	(7,144)	7,692	(4,355)	(3,693)	(3,739)	(3,909)	(4,069)	(4,225)	(4,387)
Proceeds from exercise of share options	371	-	-	-	-	-	-	-	-	-
Cash dividends paid	(11,987)	(5,725)	(3,626)	(5,093)	(5,602)	(6,163)	(6,779)	(7,457)	(8,202)	(9,023)
Payment of finance lease liabilities	(7,472)	(8,385)	(4,373)	(5,249)	(4,451)	(4,506)	(4,711)	(4,925)	(5,092)	(5,287)
(Payment)/Receipt of deposits with manufacturers	838	(101)	521	(447)	(379)	(384)	(401)	(418)	(434)	(450)
Repayment of debt payable	-	-	(34,500)	-	-	-	-	-	-	-
Purchase of common shares	-	-	(3,235)	(2,609)	(2,213)	(2,240)	(2,342)	(2,438)	(2,531)	(2,628)
Net cash used in from financing activities	(9,554)	(8,555)	(37,521)	(17,753)	(16,339)	(17,031)	(18,141)	(19,286)	(20,484)	(21,774)
Net increase (decrease) in cash and cash equivalents	(7,295)	2,205	(293)	(9,181)	804	1,952	4,898	4,118	4,282	4,502
Effect of foreign currency translation on cash	463	382	253	785	666	674	705	733	762	791
Cash and cash equivalents, beginning of the year	18,787	11,955	14,542	14,502	6,106	7,576	10,202	15,804	20,656	25,599
Cash and cash equivalents, end of the year	11,955	14,542	14,502	6,106	7,576	10,202	15,804	20,656	25,699	30,992

Discounted Cash Flows

Discounted Cash Flow	Entry	2018A	2019E	2020E	2021E	2022E	2023E	2024E	Exit
Date	2019-12-31	2018-12-31	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31
Time Periods		0	1	2	3	4	5	6	
Year Fraction		1.00	1.00	1.00	1.00	1.00	1.00	1.00	
EBIT		42,354	(4,743)	8,643	19,099	26,006	31,978	38,389	
Less: Cash Taxes		9,965	(2,767)	845	3,666	5,529	7,139	8,868	
Plus: D&A		9,884	9,587	9,779	9,975	10,174	10,378	10,585	
Less: Capex		12,854	13,111	13,373	13,641	13,914	14,192	14,476	
Less: Changes in NWC		35,466	(26,821)	(278)	3,339	2,372	1,550	1,626	
Unlevered FCF		-6,047	-32,320	3,925	8,428	14,366	19,475	24,004	
(Entry)/Exit									461,968
Transaction CF	0	-6,047	-32,320	3,925	8,428	14,366	19,475	24,004	461,968
Market Value	\$CAD		Intrinsic Value		\$CAD		Market Value vs Intrinsic \		\$CAD
Market Cap	130,438		Enterprise Value		296,306		Market Value		8.47
Plus: Debt	39,087		Plus: Cash		6,678		Upside		9.05
Less: Cash	6,678		Less: Debt		33,147		Intrinsic Value		17.52
Enterprise Value	162,847		Equity Value		269,837				
Equity Value/Share	8.47		Equity Value/Share		17.52				

Assumptions	\$CAD
Tax Rate	27%
Discount Rate	7.3%
Perpetual Growth Rate	2%
EV/EBITDA Multiple	13.0x
Current Price	8.47
Shares Outstanding	15,400
Debt	33,147
Cash	6,678

Terminal Value	\$CAD
Perpetual Growth	461,968

Rate of Return	
Target Price Upside	106.87%

Sensitivity Analysis

\$ 17.52	5.5%	5.8%	6.1%	6.4%	6.7%	7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
1.0%	\$ 24.47	\$ 22.41	\$ 20.60	\$ 19.00	\$ 17.57	\$ 16.28	\$ 15.13	\$ 14.08	\$ 13.13	\$ 12.26	\$ 11.46	\$ 10.73	\$ 10.05
1.5%	\$ 27.18	\$ 24.70	\$ 22.55	\$ 20.67	\$ 19.01	\$ 17.54	\$ 16.22	\$ 15.04	\$ 13.97	\$ 13.00	\$ 12.12	\$ 11.31	\$ 10.57
2.0%	\$ 30.66	\$ 27.59	\$ 24.98	\$ 22.72	\$ 20.76	\$ 19.04	\$ 17.52	\$ 16.17	\$ 14.96	\$ 13.87	\$ 12.88	\$ 11.98	\$ 11.17
2.5%	\$ 35.31	\$ 31.36	\$ 28.08	\$ 25.30	\$ 22.93	\$ 20.88	\$ 19.09	\$ 17.52	\$ 16.13	\$ 14.88	\$ 13.77	\$ 12.76	\$ 11.85
3.0%	\$ 41.82	\$ 36.48	\$ 32.18	\$ 28.64	\$ 25.69	\$ 23.18	\$ 21.03	\$ 19.17	\$ 17.54	\$ 16.10	\$ 14.82	\$ 13.67	\$ 12.65
3.5%	\$ 51.59	\$ 43.82	\$ 37.86	\$ 33.14	\$ 29.31	\$ 26.14	\$ 23.48	\$ 21.22	\$ 19.27	\$ 17.57	\$ 16.08	\$ 14.76	\$ 13.59
4.0%	\$ 67.87	\$ 55.25	\$ 46.25	\$ 39.51	\$ 34.27	\$ 30.09	\$ 26.68	\$ 23.84	\$ 21.44	\$ 19.39	\$ 17.62	\$ 16.08	\$ 14.72

Profitability Ratios

	Year									
	2015A	2016A	2017A	2018A	2019F	2020E	2021E	2022E	2023E	2024E
EBIT Margin	1.37%	2.74%	2.32%	2.74%	-0.90%	0.27%	1.12%	1.62%	2.02%	2.42%
ROA	-4.26%	4.90%	3.76%	5.00%	-1.63%	0.49%	2.04%	2.96%	3.68%	4.40%
ROE	-13.88%	10.93%	8.58%	11.00%	-3.59%	1.08%	4.50%	6.52%	8.10%	9.70%
ROC	10.59%	19.96%	18.48%	19.69%	-2.64%	4.81%	10.31%	13.77%	16.57%	19.53%

Appendix 6b: Mix

Forecasted Revenue Growth

	Forecast					
Category	2019E	2020E	2021E	2022E	2023E	2024E
Agriculture						
Equipment	-24.00%	-2.45%	2.00%	3.20%	3.20%	2.30%
Parts	10.00%	10.15%	8.65%	4.50%	3.40%	3.40%
Service	13.00%	11.85%	6.85%	6.00%	6.00%	6.00%
Rentals	1.00%	1.25%	1.70%	1.70%	1.95%	1.95%
Transportation						
Equipment	-17.00%	-16.00%	2.25%	3.50%	3.75%	3.00%
Parts	6.00%	10.00%	10.00%	4.60%	3.60%	4.00%
Service	3.00%	8.00%	7.00%	5.05%	5.05%	5.05%
Rentals	-38.00%	1.00%	2.60%	2.60%	2.60%	2.60%
Industrial						
Equipment	-18.00%	1.35%	1.35%	1.35%	1.35%	1.35%
Parts	-21.00%	0.80%	0.80%	1.35%	1.35%	1.35%
Service	-9.00%	0.80%	0.80%	1.35%	1.35%	1.35%
Rentals	34.00%	20.00%	6.00%	2.90%	1.85%	1.85%

Income Statement

Income Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Revenue										
By Segment										
Equipment sales	829,922	808,661	911,781	1,041,835	813,986	763,706	779,245	804,133	830,349	850,612
Parts	201,860	200,953	208,863	206,128	221,959	243,790	265,238	277,037	286,468	296,533
Service	82,288	79,973	84,464	86,502	94,650	104,592	111,604	117,887	124,532	131,560
Rentals	19,408	20,352	36,177	15,572	14,294	14,622	14,938	15,229	15,542	15,863
Total Revenue	1,133,878	1,109,939	1,221,285	1,350,037	1,144,888	1,126,710	1,171,025	1,214,286	1,256,892	1,294,567
Agriculture										
Equipment sales	522,851	533,716	620,011	718,866	546,338	532,963	543,612	561,008	578,960	592,276
Parts	127,172	132,629	142,027	142,228	156,451	172,381	187,238	195,663	202,316	209,195
Service	51,841	52,792	57,436	59,686	67,446	75,488	80,605	85,442	90,568	96,002
Rentals	12,479	13,432	31,000	10,745	10,852	10,988	11,175	11,365	11,586	11,812
Total Agriculture Revenue	714,343	732,569	830,474	931,526	781,087	791,710	822,630	853,477	883,480	909,285
Cost of Goods Sold					(670,783)	(672,166)	(695,082)	(719,864)	(744,074)	(764,070)
Gross Profit					110,304	119,543	127,548	133,613	139,356	145,215
Transportation										
Equipment sales	215,780	210,252	218,827	281,295	233,475	196,119	200,532	207,550	215,384	221,794
Parts	52,484	52,248	50,127	55,655	58,994	64,883	71,383	74,666	77,354	80,448
Service	21,385	20,798	20,271	23,356	24,056	25,981	27,799	29,203	30,678	32,227
Rentals	5,150	5,292	3,882	4,204	2,607	2,683	2,701	2,772	2,844	2,917
Total Transportation Revenue	294,808	288,584	298,108	364,510	319,132	289,626	302,415	314,191	326,209	337,387
Cost of Goods Sold					(279,967)	(248,209)	(257,774)	(267,406)	(277,578)	(286,675)
Gross Profit					39,165	41,417	44,641	46,695	48,631	50,712
Industrial										
Equipment sales	91,291	64,698	72,942	41,673	34,172	34,684	35,101	35,575	36,055	36,542
Parts	22,305	16,076	36,709	8,245	6,514	6,966	6,618	6,708	6,798	6,890
Service	9,052	6,398	6,757	3,460	3,149	3,174	3,199	3,242	3,286	3,331
Rentals	2,279	1,628	1,294	623	835	1,002	1,062	1,092	1,113	1,133
Total Industrial Revenue	124,927	88,795	97,703	54,001	44,669	45,375	45,980	46,617	47,252	47,896
Cost of Goods Sold					(32,416)	(32,886)	(33,319)	(33,775)	(34,233)	(34,698)
Gross Profit					12,253	12,488	12,661	12,842	13,019	13,198
Overall										
Overall Gross Margin	18.30%	17.20%	17.10%	15.70%	14.13%	15.39%	15.79%	15.91%	15.99%	16.15%
Total revenue	1,133,878	1,109,939	1,221,285	1,350,037	1,144,888	1,126,710	1,171,025	1,214,286	1,256,892	1,294,567
Cost of Goods Sold	(926,378.3)	(919,029.5)	(1,012,445.3)	(1,138,081.2)	(983,366.1)	(953,261.8)	(986,175.1)	(1,021,135.9)	(1,055,885.2)	(1,085,442.6)
Gross Profit	207,499.7	190,909.5	208,839.7	211,955.8	161,722.2	173,448.5	184,849.8	193,150.1	201,006.5	209,124.7
Other income (loss)	(1,719)	13,938	1,112	3,443	2,862	2,817	2,928	3,036	3,142	3,236
Selling, general and administrative expense:										
Wages and benefits	(106,731)	(98,216)	(101,530)	(102,204)	(99,137.88)	(101,120.64)	(103,143.05)	(105,205.91)	(107,310.03)	(109,456.23)
Depreciation and amortization	(12,953)	(12,833)	(10,668)	(9,884)	(9,587.48)	(9,779.23)	(9,974.81)	(10,174.31)	(10,377.80)	(10,585.35)
Occupancy costs including maintenance	(15,701)	(16,481)	(21,608)	(21,607)	(22,036.14)	(22,479.92)	(22,929.52)	(23,388.11)	(23,855.87)	(24,332.99)
Operating and administrative expenses	(44,198)	(36,901)	(42,392)	(39,350)	(38,568.00)	(39,334.26)	(40,120.95)	(40,923.36)	(41,741.83)	(42,576.67)
Income from operating activities	26,398	40,417	33,753	42,354	(4,743)	3,351	11,609	16,494	20,863	25,410
Net finance costs	(11,233)	(10,495)	(5,379)	(5,498)	(5,506)	(5,513)	(5,521)	(5,529)	(5,537)	(5,544)
Share of profit of equity accounted investees, net of income	542	486	(4)	124	-	-	-	-	-	-
Income before income tax expense	15,507	30,411	28,370	36,980	(10,249)	(1,962)	6,088	10,965	15,327	19,866
Income tax (expense) recovery	(42,327)	(7,042)	(9,046)	(9,965)	2,787.16	529.80	(1,643.73)	(2,960.62)	(4,138.18)	(5,363.70)
Net income (loss) for the year	(26,820)	23,369	19,324	27,015	(7,462)	(1,432)	4,444	8,005	11,189	14,502
Other comprehensive income										
Foreign currency translation differences for foreign operations, net of	1,689	(612)	(1,028)	315	350	-	-	-	-	-
Total comprehensive income (loss) for the year	(25,131)	22,757	18,296	27,330	(7,112)	(1,432)	4,444	8,005	11,189	14,502
Income (loss) attributable to:										
Shareholders of the Company	(25,782)	23,100	19,917	26,579	22,540	22,382	23,055	23,906	24,745	25,487
Non-controlling interest	42	(188)	(5)	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	(25,740)	22,912	19,912	26,579	22,540	22,382	23,055	23,906	24,745	25,487

Balance Sheet

Balance Sheet	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Assets										
Current assets										
Cash and cash equivalents	11,965	14,542	34,502	6,106	5,178	6,596	7,855	10,146	13,002	15,891
Trade and other accounts receivable	66,860	54,986	53,529	71,969	61,033	61,564	64,985	69,386	74,320	79,048
Inventories	317,726	255,231	290,524	330,627	280,386	272,984	281,669	288,074	293,182	296,970
Assets held for sale	9,347	-	26,280	-	-	-	-	-	-	-
Total current assets	405,778	324,759	384,835	408,702	346,597	341,093	354,509	367,606	380,504	391,909
Non-current assets										
Other long-term assets	10,584	9,537	8,423	9,375	7,950	7,824	8,132	8,432	8,728	8,990
Property and equipment	141,799	75,498	62,175	58,328	49,465	48,679	50,594	52,463	54,304	55,931
Right-of-use assets	-	-	-	-	-	-	-	-	-	-
Intangible assets	51,008	46,514	39,742	42,640	36,161	35,586	36,986	38,352	39,688	40,888
Goodwill	20,616	20,544	18,880	21,624	18,338	18,047	18,757	19,450	20,132	20,736
Total non-current assets	224,007	152,093	129,220	131,967	111,914	110,137	114,468	118,697	122,862	126,545
Total assets	629,785	476,852	514,055	540,669	458,510	451,230	468,977	486,303	503,366	518,454
Liabilities										
Current liabilities										
Trade and other liabilities	97,294	84,340	87,317	78,352	66,446	65,391	67,963	70,473	72,946	75,133
For plan payables	168,643	86,091	125,573	157,615	133,664	131,542	136,716	141,766	146,740	151,139
Current portion of term debt	17,917	15,730	11,122	13,964	11,842	11,654	12,112	12,560	13,001	13,390
Current portion of finance lease obligation	-	33,899	-	3,770	3,197	3,146	3,270	3,391	3,510	3,615
Debt payable	-	-	-	-	-	-	-	-	-	-
Liabilities associated with assets held for sale	4,087	-	12,250	-	-	-	-	-	-	-
Total current liabilities	287,861	220,059	236,262	253,701	215,149	211,733	220,061	228,190	236,297	243,277
Non-current liabilities										
Term debt	87,861	21,660	32,170	25,123	21,305	20,967	21,792	22,597	23,390	24,091
Finance lease obligation	16,361	10,695	10,416	7,501	6,361	6,260	6,506	6,747	6,983	7,193
Debt payable	32,941	-	-	-	-	-	-	-	-	-
Deferred income tax liability	11,648	10,608	9,954	8,843	7,499	7,380	7,670	7,954	8,233	8,480
Total non-current liabilities	148,811	42,963	52,540	41,467	35,166	34,607	35,969	37,297	38,606	39,763
Total liabilities	436,672	263,022	288,802	295,168	250,315	246,341	256,030	265,487	274,903	283,040
Shareholder's Equity										
Shareholders' capital	88,270	89,808	88,163	86,540	73,390	72,224	75,065	77,838	80,569	82,984
Deferred share plan	7,088	7,520	7,455	8,693	7,372	7,255	7,540	7,819	8,093	8,336
Other reserves	5,182	5,195	5,195	5,195	4,406	4,386	4,506	4,673	4,887	4,982
Accumulated other comprehensive income	1,891	1,239	191	506	429	422	439	455	471	485
Retained earnings	89,413	108,731	124,249	144,567	122,599	120,652	125,398	130,030	134,593	138,627
Total equity attributable to equity holders of the Company	191,794	212,528	225,253	245,501	208,195	204,860	212,948	220,815	228,563	235,414
Non-controlling interest	1,489	1,311	-	-	-	-	-	-	-	-
Total equity	193,283	213,839	225,253	245,501	208,195	204,860	212,948	220,815	228,563	235,414
Total Liabilities & Shareholder's Equity	629,785	476,852	514,055	540,669	458,510	451,230	468,977	486,303	503,366	518,454

Cash Flow Statement

Cash Flow Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Operating Cash Flow										
Income (loss) for the period	(27,379)	23,524	39,912	26,579	22,540	22,182	23,055	23,906	24,745	25,487
Adjustments for:										
Income tax expense	42,327	7,042	9,046	9,965	(2,767)	(530)	1,644	2,961	4,138	5,364
Depreciation	13,083	12,487	12,355	10,856	9,206	9,060	9,417	9,764	10,207	10,410
Amortization of intangibles	4,820	5,247	5,302	4,255	3,608	3,551	3,691	3,827	3,961	4,080
Equity-settled share-based payment transactions	1,077	1,145	692	1,514	1,284	1,264	1,313	1,362	1,410	1,452
Net finance costs	13,376	12,388	6,805	6,661	5,649	5,559	5,778	5,991	6,201	6,387
Unrealized foreign exchange (gain) loss	2,810	(3,501)	(890)	1,199	1,017	1,001	1,040	1,078	1,116	1,150
Non-cash write-down of inventories	4,661	6,158	5,624	11,513	9,764	9,608	9,986	10,355	10,719	11,040
(Gain) on sale of property and equipment	(1,358)	(4,206)	(1,680)	(644)	(546)	(537)	(559)	(579)	(600)	(618)
(Gain) on sale of asset held for sale	-	(1,373)	-	(480)	(407)	(401)	(416)	(421)	(447)	(460)
(Gain) on sale of equity accounted investees	-	(4,146)	-	(765)	(648)	(638)	(664)	(688)	(712)	(734)
(Share of profit) of equity accounted investees, net of tax	(542)	(489)	4	(124)	(105)	(103)	(108)	(112)	(115)	(119)
Distributions from equity investments	-	761	148	-	-	-	-	-	-	-
Change in non-cash working capital	(7,993)	(22,368)	(6,264)	(38,874)	(17,235)	(19,465)	(19,938)	(23,652)	(24,864)	(26,710)
Cash generated from operating activities	44,882	32,649	51,054	31,655	31,358	30,551	34,239	34,383	35,699	36,729
Cash taxes paid	(7,760)	(4,978)	(10,593)	(11,454)	(9,713)	(9,559)	(9,935)	(10,302)	(10,664)	(10,983)
Interest paid	(13,398)	(11,507)	(6,868)	(7,512)	(6,370)	(6,269)	(6,516)	(6,751)	(6,994)	(7,203)
Net cash provided from operating activities	23,674	16,164	33,593	12,689	15,274	14,722	17,788	17,324	18,002	18,542
Cash flows from investing activities										
Interest received	295	189	484	854	724	713	741	768	795	809
Business acquisitions (net of cash received)	-	-	-	(12,595)	-	-	-	-	-	-
Purchase of property and equipment	(19,539)	(6,410)	(8,181)	(12,854)	-	-	-	-	-	-
Payments for intangible assets	(1,479)	(954)	(451)	(622)	(527)	(519)	(540)	(569)	(579)	(596)
Final working capital payments on business combination	(7,997)	-	-	1,971	1,671	1,645	1,710	1,773	1,885	1,890
Proceeds from disposal of property and equipment	7,255	62,236	30,604	4,911	-	-	-	-	-	-
Proceeds from asset held for sale	150	7,785	-	-	-	-	-	-	-	-
Proceeds from sale of Commercial operations	-	-	-	14,218	-	-	-	-	-	-
Proceeds from disposal of equity accounted investee	-	9,131	-	-	-	-	-	-	-	-
Proceeds from dissolution of Deerstar Systems Inc.	-	-	1,179	-	-	-	-	-	-	-
Net cash provided from / (used in) investing activities	(21,415)	71,996	3,635	(4,117)	1,868	1,889	1,911	1,981	2,051	2,112
Cash flows from financing activities										
Net (repayments)/proceeds from term debt	8,886	(71,744)	7,692	(4,355)	(3,693)	(3,635)	(3,778)	(3,917)	(4,055)	(4,176)
Proceeds from exercise of share options	371	-	-	-	-	-	-	-	-	-
Cash dividends paid	(11,987)	(5,725)	(3,626)	(5,093)	(5,602)	(6,163)	(6,779)	(7,467)	(8,202)	(9,023)
Payment of finance lease liabilities	(7,472)	(8,385)	(4,373)	(5,249)	(4,451)	(4,381)	(4,553)	(4,721)	(4,887)	(5,033)
(Payment)/Receipt of deposits with manufacturers	888	(101)	521	(447)	(379)	(373)	(388)	(402)	(416)	(429)
Repayment of debt payable	-	-	(34,500)	-	-	-	-	-	-	-
Purchase of common shares	-	-	(3,235)	(2,609)	(2,213)	(2,177)	(2,263)	(2,347)	(2,429)	(2,502)
Net cash used in from financing activities	(9,554)	(85,955)	(37,521)	(17,753)	(16,339)	(16,728)	(17,760)	(18,844)	(19,989)	(21,162)
Net increase (decrease) in cash and cash equivalents	(7,295)	2,205	(293)	(9,811)	804	(167)	1,339	462	64	(508)
Effect of foreign currency translation on cash	463	382	253	785	666	655	681	706	731	753
Cash and cash equivalents, beginning of the year	18,787	11,955	34,502	14,502	6,106	7,576	8,063	10,683	11,851	12,646
Cash and cash equivalents, end of the year	11,965	14,542	34,502	6,106	7,576	8,063	10,683	11,851	12,646	12,892

Discounted Cash Flows

Discounted Cash Flow	Entry	2018A	2019E	2020E	2021E	2022E	2023E	2024E	Exit
Date	2019-12-31	2018-12-31	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31
Time Periods		0	1	2	3	4	5	6	
Year Fraction		1.00	1.00	1.00	1.00	1.00	1.00	1.00	
EBIT		42,354	(4,743)	3,551	11,609	16,494	20,863	25,410	
Less: Cash Taxes		9,965	(2,767)	(530)	1,644	2,961	4,138	5,364	
Plus: D&A		9,884	9,587	9,779	9,975	10,174	10,378	10,585	
Less: Capex		12,854	13,111	13,373	13,641	13,914	14,192	14,476	
Less: Changes in NWC		35,466	(25,321)	(3,744)	4,411	3,245	2,595	1,931	
Unlevered FCF		-6,047	-30,820	-3,257	1,889	6,549	10,316	14,225	
(Entry)/Exit									370,852
Transaction CF	-	-6,047	-30,820	-3,257	1,889	6,549	10,316	14,225	370,852

Assumptions	\$CAD
Tax Rate	
Discount Rate	7.3%
Perpetual Growth Rate	2%
EV/EBITDA Multiple	13.0x
Transaction Date	2019-12-31
Fiscal Year End	2019-12-31
Current Price	8.47
Shares Outstanding	15,400
Debt	33,147
Cash	5,178

Market Value	\$CAD
Market Cap	130,438
Plus: Debt	39,087
Less: Cash	5,178
Enterprise Value	164,346,854
Equity Value/Share	8.47

Intrinsic Value	\$CAD
Enterprise Value	211,817
Plus: Cash	5,178
Less: Debt	33,147
Equity Value	183,847,339
Equity Value/Share	11.94

Market Value vs Intrinsic \	\$CAD
Market Value	8.47
Upside	3.47
Intrinsic Value	11.94

Terminal Value	\$CAD
Perpetual Growth	273,765
EV/EBITDA	467,938
Average	370,852

Rate of Return	
Target Price Upside	41%

Sensitivity Analysis

	11.94	5.5%	5.8%	6.1%	6.4%	6.7%	7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
1.0%	\$ 15.46	\$ 14.63	\$ 13.87	\$ 13.18	\$ 12.55	\$ 11.97	\$ 11.43	\$ 10.93	\$ 10.46	\$ 10.02	\$ 9.61	\$ 9.22	\$ 8.85	
1.5%	\$ 16.14	\$ 15.19	\$ 14.34	\$ 13.57	\$ 12.88	\$ 12.24	\$ 11.66	\$ 11.12	\$ 10.62	\$ 10.16	\$ 9.72	\$ 9.31	\$ 8.92	
2.0%	\$ 17.03	\$ 15.90	\$ 14.92	\$ 14.06	\$ 13.28	\$ 12.58	\$ 11.94	\$ 11.35	\$ 10.82	\$ 10.32	\$ 9.85	\$ 9.42	\$ 9.01	
2.5%	\$ 18.22	\$ 16.85	\$ 15.68	\$ 14.67	\$ 13.78	\$ 12.99	\$ 12.28	\$ 11.64	\$ 11.05	\$ 10.51	\$ 10.01	\$ 9.55	\$ 9.12	
3.0%	\$ 19.90	\$ 18.15	\$ 16.70	\$ 15.48	\$ 14.43	\$ 13.52	\$ 12.71	\$ 11.99	\$ 11.34	\$ 10.75	\$ 10.21	\$ 9.71	\$ 9.25	
3.5%	\$ 22.44	\$ 20.02	\$ 18.12	\$ 16.58	\$ 15.30	\$ 14.21	\$ 13.26	\$ 12.44	\$ 11.70	\$ 11.05	\$ 10.45	\$ 9.91	\$ 9.42	
4.0%	\$ 26.71	\$ 22.97	\$ 20.24	\$ 18.16	\$ 16.50	\$ 15.14	\$ 13.99	\$ 13.02	\$ 12.17	\$ 11.42	\$ 10.76	\$ 10.16	\$ 9.62	

Profitability Ratios

	Year										
	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	
EBIT Margin	1.37%	2.74%	2.32%	2.74%	-0.90%	-0.17%	0.52%	0.90%	1.22%	1.53%	
ROA	-4.26%	4.90%	3.76%	5.00%	-1.63%	-0.32%	0.95%	1.65%	2.22%	2.80%	
ROE	-13.88%	10.93%	8.58%	11.00%	-3.59%	-0.70%	2.09%	3.63%	4.90%	6.16%	
ROC	10.59%	19.96%	18.48%	19.69%	-2.62%	2.01%	6.36%	8.80%	10.88%	13.02%	

Appendix 6c: Grey Sky

Forecasted Revenue Growth

Category	Forecast					
	2019E	2020E	2021E	2022E	2023E	2024E
Agriculture	2019E	2020E	2021E	2022E	2023E	2024E
Equipment	-24.0%	-5.0%	2.0%	3.0%	3.0%	1.2%
Parts	10.0%	5.3%	5.3%	4.0%	3.4%	3.4%
Service	13.0%	6.7%	6.7%	5.0%	5.0%	5.0%
Rentals	1.0%	0.5%	0.5%	0.5%	1.0%	1.0%
Transportation	2019	2020	2021	2022	2023	2024
Equipment	-17.0%	-19.0%	2.0%	3.5%	3.5%	2.0%
Parts	6.0%	10.0%	10.0%	3.2%	3.2%	4.0%
Service	3.0%	8.0%	7.0%	3.1%	3.1%	3.1%
Rentals	-38.0%	1.0%	2.3%	2.3%	2.3%	2.3%
Industrial						
Equipment	-18.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Parts	-21.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Service	-9.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Rentals	34.0%	20.0%	5.0%	0.8%	0.8%	0.8%

Income Statement

Income Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Revenue										
By Segment										
Equipment sales	829,922	808,661	911,781	1,041,885	813,986	742,582	757,020	779,931	803,558	814,712
Parts	201,860	200,953	208,863	206,128	221,959	236,202	251,475	260,751	269,296	278,734
Service	82,288	79,973	84,494	86,502	94,650	101,119	107,785	112,511	117,467	122,632
Rentals	19,808	20,352	36,177	15,572	14,294	14,541	14,706	14,831	15,013	15,198
Total Revenue	1,133,878	1,109,939	1,221,215	1,350,087	1,144,888	1,094,444	1,130,986	1,168,025	1,205,324	1,231,275
Agriculture	27%	27%	25%	25%	29%	32%	33%	35%	33%	34%
Equipment sales	522,851	533,716	620,011	718,866	546,338	519,021	529,402	546,284	561,942	568,382
Parts	127,172	132,629	142,027	142,228	156,451	164,748	173,474	180,413	186,547	192,890
Service	51,841	52,782	57,436	59,686	67,446	71,964	76,786	80,625	84,657	88,688
Rentals	12,479	13,432	11,000	10,765	10,852	10,906	10,961	11,016	11,126	11,227
Total Agriculture Revenue	714,343	732,560	830,474	931,526	791,087	766,635	790,623	817,338	843,872	862,399
Cost of Goods Sold					(670,783)	(651,919)	(670,051)	(691,871)	(713,689)	(726,404)
Gross Profit					110,304	114,736	120,573	125,467	130,283	134,994
Transportation										
Equipment sales	215,780	210,252	218,827	281,295	233,475	189,115	192,897	199,649	206,686	210,769
Parts	52,484	52,248	50,127	55,655	58,994	64,898	71,383	73,667	76,004	79,085
Services	21,395	20,793	20,271	23,356	24,056	25,981	27,799	28,661	29,550	30,466
Rentals	5,150	5,292	3,882	4,204	2,607	2,638	2,693	2,755	2,819	2,884
Total Transportation Revenue	294,808	288,584	298,108	364,530	319,132	282,622	294,772	304,732	315,029	323,183
Cost of Goods Sold					(279,967)	(241,345)	(250,289)	(258,846)	(267,697)	(274,238)
Gross Profit					39,165	41,277	44,483	45,885	47,332	48,946
Industrial										
Equipment sales	91,291	64,693	72,942	41,673	34,172	34,446	34,721	34,999	35,279	35,561
Parts	22,205	16,076	16,709	8,245	6,514	6,566	6,618	6,671	6,725	6,778
Services	9,052	6,398	6,757	3,460	3,149	3,174	3,199	3,225	3,251	3,277
Rentals	2,179	1,628	1,294	623	835	1,002	1,052	1,060	1,069	1,077
Total Industrial Revenue	124,727	88,795	97,708	54,001	44,669	45,187	45,590	46,955	46,323	46,698
Cost of Goods Sold					(32,418)	(32,740)	(33,019)	(33,238)	(33,549)	(33,817)
Gross Profit					12,253	12,447	12,572	12,672	12,774	12,876
Overall										
Overall Gross Margin	18.30%	17.20%	17.10%	15.70%	14.1%	15.39%	15.72%	15.76%	15.80%	15.98%
Total revenue	1,133,878	1,109,939	1,221,215	1,350,087	1,144,888	1,094,444	1,130,986	1,168,025	1,205,324	1,231,275
Cost of Goods Sold	(936,378.3)	(919,289.3)	(1,012,445.3)	(1,138,086.2)	(983,186.1)	(926,003.9)	(953,336.5)	(984,000.4)	(1,014,936.1)	(1,034,460.1)
Gross Profit	207,499.7	190,650.5	208,839.7	211,956.8	161,722.2	168,439.8	177,627.5	184,024.9	190,388.8	196,815.3
Other income (loss)	(1,719)	13,938	1,112	3,443	2,862	2,736	2,827	2,920	3,013	3,078
Selling, general and administrative expense:										
Wages and benefits	(106,731)	(98,216)	(101,590)	(102,204)	(99,137.88)	(101,120.64)	(108,143.05)	(105,205.91)	(107,310.03)	(109,456.23)
Depreciation and amortization	(12,953)	(12,838)	(10,668)	(9,884)	(9,587.48)	(9,779.23)	(9,974.81)	(10,174.31)	(10,377.80)	(10,585.35)
Occupancy costs including maintenance	(15,701)	(16,481)	(21,609)	(21,607)	(22,039.14)	(22,479.52)	(22,925.52)	(23,388.11)	(23,855.87)	(24,332.99)
Operating and administrative expenses	(44,138)	(36,901)	(42,392)	(39,350)	(38,563.00)	(39,334.26)	(40,120.95)	(40,923.39)	(41,741.83)	(42,576.67)
Income from operating activities	26,388	40,417	33,758	42,354	(4,743)	(5,513)	4,287	7,253	10,117	12,942
Net finance costs	(11,233)	(10,496)	(5,379)	(5,498)	(5,508)	(5,513)	(5,521)	(5,529)	(5,537)	(5,544)
Share of profit of equity accounted investees, net of income	542	489	(4)	124	-	-	-	-	-	-
Income before income tax expense	15,507	30,411	28,370	36,980	(10,248)	(7,052)	(1,234)	1,724	4,580	7,398
Income tax (expense) recovery	(42,327)	(7,042)	(9,046)	(9,965)	2,767.16	1,903.91	333.31	(468.60)	(1,236.59)	(1,997.43)
Net income (loss) for the year	(26,820)	23,369	19,324	27,015	(7,482)	(5,148)	(901)	1,259	3,343	5,400
Other comprehensive income										
Foreign currency translation differences for foreign operations, net of tax	1,689	(612)	(1,028)	315	350	-	-	-	-	-
Total comprehensive income (loss) for the year	(25,131)	22,757	18,296	27,330	(7,132)	(5,148)	(901)	1,259	3,343	5,400
Income (loss) attributable to:										
Shareholders of the Company	(25,782)	23,100	19,917	26,579	22,540	21,547	22,266	22,996	23,730	24,241
Non-controlling interest	42	(188)	(5)	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	(25,740)	22,912	19,912	26,579	22,540	21,547	22,266	22,996	23,730	24,241

Balance Sheet

Balance Sheet	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Assets										
Current assets										
Cash and cash equivalents	11,955	14,542	14,502	6,306	5,178	6,450	7,665	9,916	12,793	15,507
Trade and other accounts receivable	66,850	54,986	53,529	71,969	61,033	59,844	62,842	66,900	71,586	75,576
Inventories	317,726	255,231	290,524	330,627	280,386	265,032	271,881	276,785	280,623	281,665
Assets held for sale	9,347	-	26,280	-	-	-	-	-	-	-
Total current assets	405,778	324,759	384,835	408,902	346,597	331,326	342,388	353,601	364,982	372,749
Non-current assets										
Other long-term assets	10,584	9,537	8,423	9,375	7,950	7,600	7,854	8,111	8,370	8,550
Property and equipment	141,799	75,498	62,175	58,328	49,465	47,285	48,864	50,464	52,076	53,197
Right-of-use assets	-	-	-	-	-	-	-	-	-	-
Intangible assets	51,008	46,514	39,742	42,640	36,161	34,567	35,721	36,891	38,069	38,889
Goodwill	20,616	20,544	18,880	21,624	18,338	17,530	18,115	18,709	19,306	19,722
Total non-current assets	224,007	152,093	129,220	131,967	111,914	106,988	110,555	114,175	117,821	120,358
Total assets	629,785	476,852	514,055	540,869	458,510	438,314	452,943	467,776	482,714	493,107
Liabilities										
Current liabilities										
Trade and other liabilities	97,254	84,340	87,317	78,352	66,446	63,518	65,639	67,789	69,953	71,439
Short-term payables	358,643	86,091	125,573	157,615	133,664	127,775	132,041	136,365	140,720	143,750
Current portion of term debt	17,917	15,720	11,122	13,964	11,842	11,320	11,698	12,081	12,467	12,786
Current portion of finance lease obligation	-	-	-	3,770	3,197	3,056	3,158	3,262	3,366	3,438
Debtors payable	-	33,899	-	-	-	-	-	-	-	-
Liabilities associated with assets held for sale	4,087	-	12,250	-	-	-	-	-	-	-
Total current liabilities	367,891	220,050	236,262	253,701	215,149	205,670	212,537	219,497	226,506	231,383
Non-current liabilities										
Term debt	87,661	21,660	32,170	25,123	21,305	20,367	21,047	21,736	22,400	22,913
Finance lease obligation	16,351	10,695	10,416	7,501	6,361	6,082	6,284	6,490	6,697	6,841
Debtors payable	32,941	-	-	-	-	-	-	-	-	-
Deferred income tax liability	11,648	10,608	9,954	8,843	7,499	7,169	7,408	7,651	7,895	8,065
Total non-current liabilities	148,601	42,963	52,540	41,467	35,166	33,616	34,739	35,876	37,022	37,819
Total liabilities	516,492	263,013	288,802	295,168	250,315	239,286	247,275	255,374	263,528	269,202
Shareholders' Equity										
Shareholders' capital	88,270	89,863	88,168	86,540	73,390	70,156	72,498	74,873	77,264	78,927
Deferred share plan	7,088	7,520	7,435	8,693	7,372	7,047	7,283	7,521	7,761	7,928
Other reserves	5,182	5,195	5,195	5,195	4,406	4,211	4,352	4,495	4,638	4,738
Accumulated other comprehensive income	1,881	1,219	191	506	429	420	424	438	462	461
Retained earnings	89,413	108,731	134,249	144,567	122,599	117,197	121,110	125,077	129,071	131,850
Total equity attributable to equity holders of the Company	291,794	212,528	235,253	245,501	208,195	195,022	205,667	212,403	219,185	223,904
Non-controlling interest	1,489	1,311	-	-	-	-	-	-	-	-
Total equity	293,283	213,839	235,253	245,501	208,195	195,022	205,667	212,403	219,185	223,904
Total Liabilities & Shareholders' Equity	629,785	476,852	514,055	540,869	458,510	438,314	452,943	467,776	482,714	493,107

Cash Flow Statement

Cash Flow Statement	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
(\$ thousands)										
Operating Cash Flow										
Income (loss) for the period	(27,379)	23,524	19,912	26,579	22,540	21,547	22,266	22,996	23,790	24,241
Adjustments for:										
Income tax expense	42,327	7,042	9,046	9,965	(2,767)	(1,904)	(333)	466	1,237	1,997
Depreciation	13,083	12,487	12,355	10,856	9,206	8,801	9,095	9,392	9,682	9,901
Amortization of intangibles	4,820	5,247	5,302	4,255	3,608	3,446	3,665	3,681	3,759	3,881
Equity settled share-based payment transactions	1,077	1,145	692	1,514	1,284	1,227	1,268	1,310	1,362	1,381
Net finance costs	13,376	12,368	6,805	6,661	5,649	5,400	5,580	5,961	5,947	6,075
Unrealized foreign exchange (gain) loss	2,810	(3,501)	(890)	1,399	1,017	972	1,004	1,037	1,070	1,094
Non-cash write-down of inventories	4,661	6,158	5,634	11,513	9,764	9,338	9,645	9,961	10,279	10,500
(Gain) on sale of property and equipment	(1,358)	(4,206)	(1,680)	(644)	(546)	(522)	(540)	(557)	(575)	(587)
(Gain) on sale of asset held for sale	-	(1,373)	-	(480)	(407)	(389)	(402)	(415)	(429)	(438)
(Gain) on sale of equity accounted investees	-	(4,146)	-	(765)	(648)	(620)	(641)	(662)	(683)	(698)
(Share of profit) of equity accounted investees, net of tax	(542)	(489)	4	(124)	(109)	(101)	(104)	(107)	(111)	(113)
Distributions from equity investments	-	761	148	-	-	-	-	-	-	-
Change in non-cash working capital	(7,993)	(22,368)	(6,264)	(38,874)	(17,235)	(19,465)	(19,938)	(23,052)	(24,864)	(26,710)
Cash generated from operating activities	44,882	32,649	31,054	31,655	31,358	27,729	30,466	29,813	30,444	30,528
Cash taxes paid	(7,760)	(4,978)	(10,593)	(11,454)	(9,713)	(9,285)	(9,910)	(10,226)	(10,446)	(10,446)
Interest paid	(13,398)	(11,507)	(6,868)	(7,512)	(6,370)	(6,090)	(6,293)	(6,498)	(6,707)	(6,851)
Net cash provided from operating activities	23,694	16,164	33,593	12,689	15,274	12,354	14,577	13,404	13,511	13,236
Cash flows from investing activities										
Interest received	195	169	484	854	724	692	715	739	762	779
Business acquisitions (net of cash received)	-	-	-	(12,595)	-	-	-	-	-	-
Purchase of property and equipment	(19,539)	(6,430)	(8,381)	(12,854)	-	-	-	-	-	-
Payments for intangible assets	(1,479)	(954)	(451)	(622)	(527)	(504)	(521)	(538)	(555)	(567)
Final working capital payments on business combination	(7,997)	-	-	1,971	1,671	1,598	1,651	1,705	1,760	1,798
Proceeds from disposal of property and equipment	7,355	62,295	30,604	4,911	-	-	-	-	-	-
Proceeds from asset held for sale	150	7,765	-	-	-	-	-	-	-	-
Proceeds from sale of Commercial operations	-	-	-	14,218	-	-	-	-	-	-
Proceeds from disposal of equity accounted investee	-	9,131	-	-	-	-	-	-	-	-
Proceeds from dissolution of Deerstar Systems Inc.	-	-	1,179	-	-	-	-	-	-	-
Net cash provided from / (used in) investing activities	(21,415)	71,996	3,636	(4,117)	1,868	1,786	1,846	1,906	1,967	2,005
Cash flows from financing activities										
Net (repayments)/proceeds from term debt	8,686	(71,744)	7,692	(4,355)	(3,693)	(3,530)	(3,648)	(3,748)	(3,888)	(3,972)
Proceeds from exercise of share options	371	-	-	-	-	-	-	-	-	-
Cash dividends paid	(11,987)	(5,725)	(3,626)	(5,093)	(5,602)	(6,163)	(6,779)	(7,457)	(8,202)	(8,823)
Payment of finance lease liabilities	(7,472)	(8,385)	(4,373)	(5,249)	(4,451)	(4,255)	(4,397)	(4,541)	(4,686)	(4,787)
(Payment)/Receipt of deposits with manufacturers	88	(101)	521	(447)	(378)	(362)	(374)	(387)	(399)	(408)
Repayment of debtors payable	-	-	(34,500)	-	-	-	-	-	-	-
Purchase of common shares	-	-	(3,235)	(2,609)	(2,213)	(2,115)	(2,188)	(2,257)	(2,329)	(2,379)
Net cash used in from financing activities	(9,554)	(85,995)	(37,521)	(17,753)	(16,339)	(16,426)	(17,389)	(18,410)	(19,505)	(20,569)
Net increase (decrease) in cash and cash equivalents	(7,295)	2,205	(293)	(9,181)	804	(2,286)	(962)	(3,100)	(4,027)	(5,384)
Effect of foreign currency translation on cash	463	382	253	785	666	636	658	679	701	716
Cash and cash equivalents, beginning of the year	18,787	11,955	14,542	14,502	6,306	7,576	5,926	5,622	3,201	(125)
Cash and cash equivalents, end of the year	11,955	14,542	14,502	6,306	7,576	5,926	5,622	3,201	(125)	(4,743)

Discounted Cash Flow

Discounted Cash Flow										Assumptions		\$CAD
Entry	2018A	2019E	2020E	2020E	2022E	2023E	2024E	Exit				
Date	2019-12-31	2018-12-31	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31			
Time Periods		0	1	2	3	4	5	6				
Year Fraction		1.00	1.00	1.00	1.00	1.00	1.00	1.00				
EBIT		42,354	(4,743)	(1,538)	4,287	7,253	10,117	12,942				
Less: Cash Taxes		9,965	(2,767)	(1,904)	(333)	466	1,237	1,997				
Plus: D&A		9,884	9,587	9,779	9,975	10,174	10,378	10,585				
Less: Capex		12,854	13,111	13,373	13,641	13,914	14,192	14,476				
Less: Changes in NWC		35,466	(25,321)	(7,726)	3,460	2,488	1,956	546				
Unlevered FCF		-6,047	-30,820	-10,954	-2,506	560	3,110	6,508				
(Entry)/Exit									215,555			
Transaction CF	-	-6,047	-30,820	-10,954	-2,506	560	3,110	6,508	215,555			

Market Value		\$CAD	Intrinsic Value		\$CAD	Market Value vs Intrinsic Value		\$CAD
Market Cap		130,438	Enterprise Value		92,141	Market Value		8.47
Plus: Debt		39,087	Plus: Cash		5,178	Upside		(4.30)
Less: Cash		5,178	Less: Debt		33,147	Intrinsic Value		4.17
Enterprise Value		164,347	Equity Value		64,172			
Equity Value/Share		8.47	Equity Value/Share		4.17			

Terminal Value		\$CAD
Perpetual Growth		125,251
EV/EBITDA		305,859
Average		215,555

Rate of Return		
Target Price Upside		-51%

Sensitivity Analysis

\$ 4.17	5.5%	5.8%	6.1%	6.4%	6.7%	7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
1.0%	\$ 6.25	\$ 5.82	\$ 5.43	\$ 5.07	\$ 4.74	\$ 4.44	\$ 4.15	\$ 3.89	\$ 3.64	\$ 3.40	\$ 3.18	\$ 2.98	\$ 2.78
1.5%	\$ 6.43	\$ 5.95	\$ 5.52	\$ 5.13	\$ 4.78	\$ 4.46	\$ 4.16	\$ 3.88	\$ 3.62	\$ 3.38	\$ 3.15	\$ 2.93	\$ 2.73
2.0%	\$ 6.66	\$ 6.12	\$ 5.64	\$ 5.22	\$ 4.83	\$ 4.49	\$ 4.17	\$ 3.87	\$ 3.60	\$ 3.35	\$ 3.11	\$ 2.89	\$ 2.68
2.5%	\$ 6.99	\$ 6.35	\$ 5.81	\$ 5.33	\$ 4.91	\$ 4.53	\$ 4.19	\$ 3.87	\$ 3.59	\$ 3.32	\$ 3.08	\$ 2.85	\$ 2.64
3.0%	\$ 7.46	\$ 6.68	\$ 6.04	\$ 5.49	\$ 5.01	\$ 4.59	\$ 4.22	\$ 3.88	\$ 3.58	\$ 3.30	\$ 3.04	\$ 2.80	\$ 2.58
3.5%	\$ 8.19	\$ 7.18	\$ 6.37	\$ 5.71	\$ 5.16	\$ 4.68	\$ 4.27	\$ 3.90	\$ 3.57	\$ 3.28	\$ 3.01	\$ 2.76	\$ 2.53
4.0%	\$ 9.43	\$ 7.96	\$ 6.88	\$ 6.05	\$ 5.38	\$ 4.82	\$ 4.35	\$ 3.94	\$ 3.58	\$ 3.26	\$ 2.97	\$ 2.71	\$ 2.47

Profitability Ratios

Year											
	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	
EBIT Margin	1.37%	2.74%	2.32%	2.74%	-0.90%	-0.64%	-0.11%	0.15%	0.38%	0.60%	
ROA	-4.26%	4.90%	3.76%	5.00%	-1.63%	-1.17%	-0.20%	0.27%	0.69%	1.10%	
ROE	-13.88%	10.93%	8.58%	11.00%	-3.59%	-2.59%	-0.44%	0.59%	1.53%	2.41%	
ROC	10.59%	19.96%	18.48%	19.69%	-2.62%	-0.90%	2.44%	4.03%	5.52%	7.01%	

Appendix 7: Comparable Company Analysis

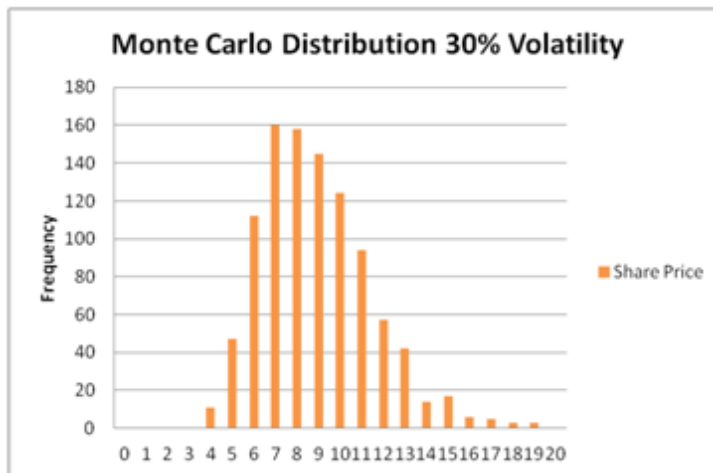
Company Name	Market Data					Financial Data (FY+1)			Valuation (FY+1)		
	StockPrice 1/27/2020	Shares (M)	Market Cap (\$M)	Net Debt	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Earnings per share	EV/Sales x	EV/EBITDA x	P/E x
Rocky Mountain Dealerships	\$6.57	19.30	\$129.00	\$463.90	\$592.90	\$790.50	\$19.40	\$0.77	.75x	30.6x	157.6x
Finning International Inc.	23.54		3,895.20	\$2,036.00	5,931.20	7,388.30	777.2	1.8	0.80x	7.6x	20.6x
Toromont Industries Ltd.	70.69	81.80	5,867.90	\$451.70	6,319.60	3,670.00	575.2	3.49	1.72x	11.0x	20.6x
NFI Group Inc.	29.33	62.5	1,878.60	\$1,758.10	3,636.70	3,798.10	412.6	1.56	0.94x	8.7x	19.0x
Wajax Corporation	15.01	20	310.2	\$401.30	711.5	1,548.40	129.9	2.03	0.46x	5.5x	7.6x
Buhler Industries Inc.	2.8	25	70	\$38.10	108.1	NA	NA	NA	NA	NA	NA

Company Name	Market Data					Financial Data (FY+1)			Valuation (FY+1)		
	StockPrice 1/27/2020	Shares (M)	Market Cap (\$M)	Net Debt	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Earnings per share	EV/Sales x	EV/EBITDA x	P/E x
Cervus Equipment Corporation	\$3.55	154	\$546	341.10	\$887	1137.4104	33	-0.37333	.78x		
Cervus Equipment Corporation	(\$0.11)	154	(\$18)	341.10	\$323	1137.4104	33	-0.37333		13x	
Cervus Equipment Corporation	(\$0.05)	155	(\$7)	341.10	\$334	1137.4104	33	-0.37333			19x
Average									.85x	13x	43.6x
Median									0.78x	13x	19.0x

Source: Team Assessment

Appendix 8: Monte Carlo Analysis

Monte Carlo Analysis used to illustrate stock price over time with respect to volatility.

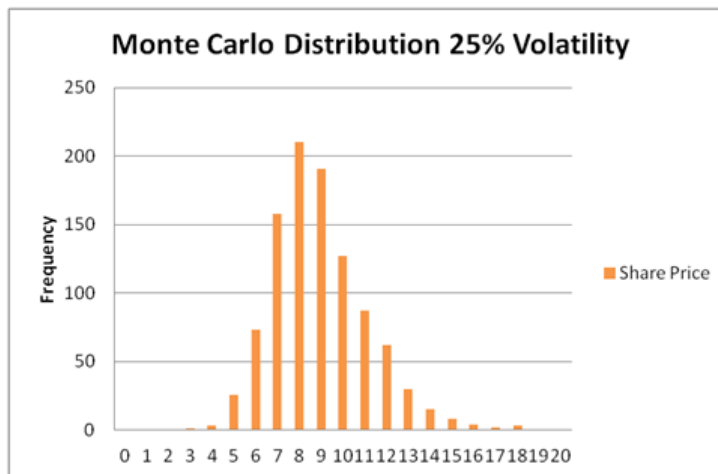


Monte Carlo Analysis with 30% Volatility

Stock Price	\$8.47
Annual Volatility	30%
Daily Volatility	1.89%
# of Simulations	1000
Mean Stock Price	\$8.59
Median Stock Price	\$8.21
Standard Deviation	2.717

Percentiles

5%	\$4.90
95%	\$13.27
25%	\$6.72
75%	\$10.06

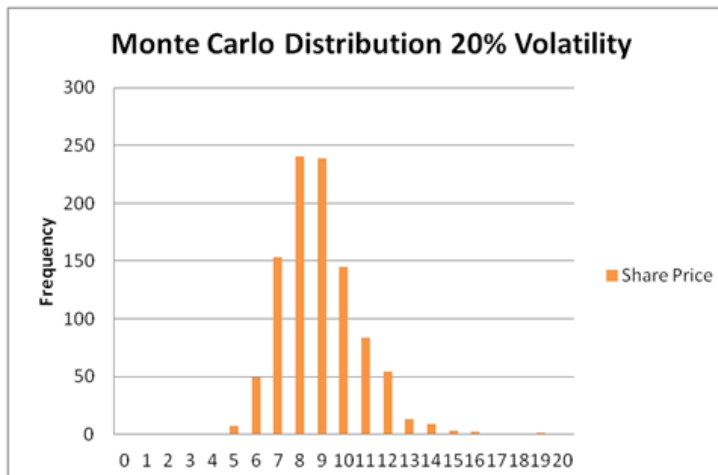


Monte Carlo Analysis with 25% Volatility

Stock Price	\$8.47
Annual Volatility	25%
Daily Volatility	1.57%
# of Simulations	1000
Mean Stock Price	\$8.43
Median Stock Price	\$8.16
Standard Deviation	2.146

Percentiles

5%	\$5.32
95%	\$12.38
25%	\$6.95
75%	\$9.54



Monte Carlo Analysis with 20% Volatility

Stock Price	\$8.47
Annual Volatility	20%
Daily Volatility	1.26%
# of Simulations	1000
Mean Stock Price	\$8.41
Median Stock Price	\$8.25
Standard Deviation	1.752

Percentiles

5%	\$5.86
95%	\$11.51
25%	\$7.21
75%	\$9.41

Appendix 9: Cervus 2019 COG %

COGS Forecasted to Remain Constant	
Agriculture	
Equipment	97%
Parts	70%
Service	40%
Rentals	40%
Transportation	
Equipment	98%
Parts	70%
Service	37%
Rentals	37%
Industrial	
Equipment	78%
Parts	64%
Service	40%
Rentals	40%

Appendix 10: Acronyms

Abbreviation	Full term
CERV	Cervus Equipment Corporation
DCF	Discounted Cash Flow
CAGR	Compounded Annual Growth Rate
EPS	Earnings Per Share
P/E	Price-to-Earnings Ratio
R&D	Research and Development
ROE	Return on Equity
ROA	Return on Assets
ROIC	Return on Invested Capital
D/E	Debt-to-Equity Ratio
WACC	Weighted Average Cost of Capital
CEO	Chief Executive
Ag	Agriculture
ELD	Electronic Logging Devices
CTA	Canadian Trucking Alliance
PACCAR	PACCAR Inc.
EBIT	Earning Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
CAPX	Capital Expenditures
EV	Enterprise Value
BoD	Board of Directors
GP	Gross Profit
COGS	Cost of Goods Sold

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